CITY OF WARRENTON, GEORGIA

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2019

CITY OF WARRENTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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BARMORE HAMMOND
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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, 2019, 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, 2019, 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 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object, the combining and individual nonmajor governmental 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object, the combining and individual nonmajor governmental 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 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund by Object, the combining and individual nonmajor governmental 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 September 29, 2020 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
September 29, 2020

BASIC FINANCIAL STATEMENTS

CITY OF WARRENTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,623,631	$ 162,164	$ 1,785,795
Restricted cash and cash equivalents	-	297,561	297,561
Receivables			
Taxes-net	476,868	-	476,868
Accounts-net	23,946	171,785	195,731
Intergovernmental	79,951	243,783	323,734
Prepaids	8,400	-	8,400
Inventory	80,888	-	80,888
Internal balances	629,159	(629,159)	-
Net pension asset	150,232	-	150,232
Capital assets			
Land and other nondepreciable assets	730,500	253,807	984,307
Depreciable assets, net of accumulated depreciation	1,445,296	17,344,798	18,790,094
Total assets	5,248,871	17,844,739	23,093,610
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	39,424	-	39,424
LIABILITIES			
Accounts payable	30,081	232,906	262,987
Accrued liabilites	14,056	15,157	29,213
Intergovernmental payables	98,970	-	98,970
Customer deposits	-	94,460	94,460
Noncurrent liabilities			
Due within one year	-	175,343	175,343
Due in more than one year	-	6,158,828	6,158,828
Construction loan advances	-	121,891	121,891
Total liabilities	143,107	6,798,585	6,941,692
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	5,023	-	5,023
NET POSITION			
Net investment in capital assets	2,175,796	10,919,010	13,094,806
Restricted for:			
Public works	604,784	-	604,784
Pension benefits	184,633	-	184,633
Debt service	-	297,561	297,561
Unrestricted	2,174,952	(170,417)	2,004,535
Total net position	$ 5,140,165	$ 11,046,154	$ 16,186,319

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, 2019

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	Primary Government: Business-type Activities	Primary Government: Total
Primary government							
Governmental activities:							
General government	$ 330,847	$ 46,699	$ -	$ 207,136	$ (77,012)	$ -	$ (77,012)
Public safety	530,965	193,641	-	-	(337,324)	-	(337,324)
Public works	326,123	153,849	1,476	447,821	277,023	-	277,023
Culture and recreation	54,921	-	-	2,000	(52,921)	-	(52,921)
Interest on long-term debt	141	-	-	-	(141)	-	(141)
Total governmental activities	1,242,997	394,189	1,476	656,957	(190,375)	-	(190,375)
Business-type activities							
Water Sewer Fund	1,617,844	1,040,094	-	106,189	-	(471,561)	(471,561)
Total primary government	$ 2,860,841	$ 1,434,283	$ 1,476	$ 763,146	(190,375)	(471,561)	(661,936)
General revenues							
Property taxes					497,321	-	497,321
Motor vehicle taxes					10,681	-	10,681
Motor vehicle title advalorem taxes					35,910	-	35,910
Mobile home taxes					6,600	-	6,600
Sales taxes					243,950	-	243,950
Franchise taxes					84,818	-	84,818
Insurance premium tax					147,473	-	147,473
Alcoholic beverage taxes					35,205	-	35,205
Intangible taxes					2,350	-	2,350
Transfer taxes					100	-	100
Payment in lieu of taxes					10,899	-	10,899
Railroad equipment taxes					1,158	-	1,158
Interest income					1	507	508
Other revenues					6,705	266	6,971
Gain on disposition of assets					8,000	-	8,000
Transfers					(949,318)	949,318	-
Total general revenues and transfers					141,853	950,091	1,091,944
Change in net position					(48,522)	478,530	430,008
Net position, beginning of year					5,188,687	10,567,624	15,756,311
Net position, end of year					$ 5,140,165	$ 11,046,154	$ 16,186,319

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

CITY OF WARRENTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	CDBG 2017 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,074,540	$ -	$ 549,091	$ 1,623,631
Receivables (net of allowance for uncollectibles)				
Taxes	476,868	-	-	476,868
Accounts	23,946	-	-	23,946
Intergovernmental receivables	25,545	-	54,406	79,951
Interfund receivables	616,863	-	12,396	629,259
Prepaids	8,400	-	-	8,400
Inventory	80,888	-	-	80,888
Total assets	$ 2,307,050	$ -	$ 615,893	$ 2,922,943
LIABILITIES				
Accounts payable	$ 26,620	$ -	$ 3,461	$ 30,081
Accrued liabilities	6,508	-	7,548	14,056
Intergovernmental payables	98,970	-	-	98,970
Interfund payables	-	-	100	100
Total liabilities	132,098	-	11,109	143,207
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	175,762	-	-	175,762
FUND BALANCES				
Nonspendable:				
Prepaids	8,400	-	-	8,400
Inventory	80,888	-	-	80,888
Restricted for:				
Public works	-	-	604,784	604,784
Unassigned	1,909,902	-	-	1,909,902
Total fund balances	1,999,190	-	604,784	2,603,974
Total liabilities, deferred inflows of resources, and fund balances	$ 2,307,050	$ -	$ 615,893	$ 2,922,943

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, 2019

Total fund balances - governmental funds	$ 2,603,974
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	969,464
Machinery and equipment	733,928
Vehicles	483,212
Infrastructure	1,016,615
Construction in progress	2,500
Accumulated depreciation	(1,757,923)
Total capital assets, net of accumulated depreciation-governmental activities	2,175,796
Some assets are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:	
Net pension asset	150,232
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	39,424
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	175,762
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	(5,023)
Net position of governmental activities	$ 5,140,165

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, 2019

	General Fund	CDBG 2017 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 938,232	$ -	$ 52,238	$ 990,470
Licenses and permits	21,856	-	-	21,856
Intergovernmental	70,911	242,551	355,870	669,332
Charges for services	153,849	-	-	153,849
Fines and forfeitures	193,641	-	-	193,641
Interest income	1	-	-	1
Rents	24,843	-	-	24,843
Other	14,705	-	-	14,705
Total revenues	1,418,038	242,551	408,108	2,068,697
EXPENDITURES				
Current				
General government	310,773	-	-	310,773
Public safety	519,473	-	-	519,473
Public works	355,091	-	-	355,091
Culture and recreation	57,182	-	-	57,182
Debt service				
Principal	-	-	11,182	11,182
Interest	-	-	141	141
Capital outlay				
Public safety	-	-	9,873	9,873
Public works	-	208,750	436,195	644,945
Total expenditures	1,242,519	208,750	457,391	1,908,660
Excess (deficiency) of revenues over expenditures	175,519	33,801	(49,283)	160,037
OTHER FINANCING SOURCES (USES)				
Transfers in	11,322	-	-	11,322
Transfers out	-	(80)	(73,765)	(73,845)
Total other financing sources (uses)	11,322	(80)	(73,765)	(62,523)
NET CHANGE IN FUND BALANCES	186,841	33,721	(123,048)	97,514
FUND BALANCES, BEGINNING OF YEAR	1,812,349	(33,721)	727,832	2,506,460
FUND BALANCES, END OF YEAR	$ 1,999,190	$ -	$ 604,784	$ 2,603,974

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, 2019

Net change in fund balances - total governmental funds		$ 97,514
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	732,838	
Depreciation expense	(61,730)	
Capital assets funded through CDBG-USDA capital project transferred to Water Sewer Fund	(886,795)	
Excess of depreciation expense and transfers over capital outlays		(215,687)
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 increased by this amount in 2019.	75,096	
Net change in revenues not providing current financial resources		75,096
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	11,182	
Net change in long-term debt		11,182
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 2019	(16,627)	
Net change in expenses not requiring the use of current financial resources		(16,627)
Change in net position of governmental activities		$ (48,522)

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 BALANCE-BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 921,756	$ 921,756	$ 938,232	$ 16,476
Licenses and permits	12,750	12,750	21,856	9,106
Intergovernmental	10,899	10,899	70,911	60,012
Charges for services	140,000	140,000	153,849	13,849
Fines and forfeitures	200,000	200,000	193,641	(6,359)
Interest income	-	-	1	1
Rents	22,608	22,608	24,843	2,235
Other	2,500	2,500	14,705	12,205
Total revenues	1,310,513	1,310,513	1,418,038	107,525
EXPENDITURES				
Current				
General government	381,845	381,845	310,773	(71,072)
Public safety	531,117	531,117	519,473	(11,644)
Public works	338,283	338,283	355,091	16,808
Culture and recreation	59,268	59,268	57,182	(2,086)
Total expenditures	1,310,513	1,310,513	1,242,519	(67,994)
Excess of revenues over expenditures	-	-	175,519	175,519
OTHER FINANCING SOURCES				
Transfers in	-	-	11,322	11,322
Total other other financing sources	-	-	11,322	11,322
Change in fund balance	$ -	$ -	186,841	$ 186,841
FUND BALANCE				
Beginning of year			1,812,349	
End of year			$ 1,999,190	

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, 2019

	Business-type Activities-Enterprise Fund Water Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 162,164
Accounts receivable-net	171,785
Intergovernmental receivables	243,783
Total current assets	577,732
Noncurrent assets	
Restricted cash and cash equivalents	297,561
Capital assets	
Land and other nondepreciable assets	253,807
Depreciable assets, net of accumulated depreciation	17,344,798
Total capital assets, net of accumulated depreciation	17,598,605
Total noncurrent assets	17,896,166
Total assets	18,473,898
LIABILITIES	
Current liabilities	
Account payable	232,906
Accrued liabilities	15,157
Customer deposits	94,460
Interfund payables	629,159
Current portion of notes payable	41,181
Current portion of revenue bonds payable	134,162
Total current liabilities	1,147,025
Noncurrent liabilities	
Construction loan advances	121,891
Notes payable	262,300
Revenue bonds payable	5,896,528
Total noncurrent liabilities	6,280,719
Total liabilities	7,427,744
NET POSITION	
Net investment in capital assets	10,919,010
Restricted for debt service	297,561
Unrestricted	(170,417)
Total net position	$ 11,046,154

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, 2019

	Business-type Activities-Enterprise Fund Water Sewer Fund
OPERATING REVENUES	
Charges for services	$ 1,040,094
Total operating revenues	1,040,094
OPERATING EXPENSES	
Personnel services	373,772
Professional fees	59,900
Repairs and maintenance	147,823
Chemicals and supplies	103,794
Other purchased services	46,035
Utilities and communications	92,961
Bad debts	25,273
Depreciation	596,804
Total operating expenses	1,446,362
Operating loss	(406,268)
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenues	121,892
Interest income	507
Other revenue	266
Interest expense	(171,482)
Total non-operating revenues (expenses)	(48,817)
Loss before transfers and contributions	(455,085)
TRANSFERS IN	62,523
CAPITAL CONTRIBUTIONS	871,092
Change in net position	478,530
Net position, beginning of year	10,567,624
Net position, end of year	$ 11,046,154

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, 2019

	Business-type Activities-Enterprise Fund Water Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,029,997
Payments to suppliers and others	(465,480)
Payments to employees	(368,889)
Net cash provided by operating activities	195,628
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	46,720
Advances from other funds	3,700
Net cash provided by noncapital financing activities	50,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(93,792)
Principal payments on long-term debt	(191,295)
Interest paid	(171,841)
Net cash used by capital and related financing activities	(456,928)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	507
Other income	266
Net cash provided by investing activities	773
Net decrease in cash and cash equivalents	(210,107)
Cash and cash equivalents, beginning of year	669,832
Cash and cash equivalents, end of year	$ 459,725
CASH PER STATEMENT OF NET POSITION	
Cash	$ 162,164
Restricted cash-noncurrent	297,561
	$ 459,725

(Continued)

CITY OF WARRENTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities-Enterprise Fund Water Sewer Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (406,268)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	596,804
(Increase) decrease in current assets	
Accounts receivable	(8,591)
Increase (decrease) in current liabilities	
Accounts payable	(17,132)
Accrued liabilities	4,999
Interfund payables	18,265
Customer deposits	7,551
Total adjustments	601,896
Net cash provided by operating activities	$ 195,628
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Contribution of capital assets from CDBG capital projects fund	$ 792,704
Contribution of capital assets from USDA capital projects fund	78,388
Total noncash investing, capital, and financing activities	$ 871,092

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, 2019.

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 2017 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 2019 annual appropriated budget for the City's General Fund was adopted on December 4, 2018. 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, 2019.

As of December 31, 2019, 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 financial 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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. New Accounting Pronouncements

During June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement are effective for financial statement periods beginning after June 15, 2021. Earlier application is encouraged. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

During April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date, the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for financial statement periods beginning after June 15, 2019. Earlier application is encouraged. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

During June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. 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. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2020. Earlier application is encouraged. Management implemented the provisions of this Statement in its financial statements as of and for the year ended December 31, 2018. These provisions had no effect on these financial statements.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2019. Earlier application is encouraged. The City will implement the requirements of this Statement when it becomes effective. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

During May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. It defines a conduit debt obligation and specifies that all conduit debt obligations involve the issuer making a limited commitment and that some issuers extend additional commitments or voluntary commitments to support debt service in the event the third-party is, or will be, unable to do so. An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually, whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement also addresses arrangements, often characterized as leases that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additional provisions apply based on 1) if title passes to the third-party obligor at the end of the arrangement, 2) if title does not pass to the third-party obligor and they have exclusive use of the entire capital asset during the arrangement, and 3) if title does not pass to the third-party obligor and they have exclusive use of only portions of the capital asset during the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2021. Earlier application is encouraged. The City will implement the requirements of this Statement when it becomes effective. Management is currently evaluating the potential effects of this Statement on the City's financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Actual revenues and transfers in were $ 118,847 more than budgeted amounts, whereas actual expenditures were $ 67,994 less than appropriated amounts, resulting in a net increase in fund balance of $ 186,841.

Expenditures for public works exceeded appropriated amounts by $ 16,808 as a result of an unbudgeted capital expenditure totaling $ 58,535 to upgrade infrastructure for an incoming industry. This expenditure was fully funded by intergovernmental revenue from the local Downtown Development Authority.

SPLOST 2007-2012 Capital Projects Fund

Transfers out of $ 15,803 to the Water Fund are the result of an overstatement of projected grant related capital expenditures.

SPLOST 2012-2017 Capital Projects Fund

Expenditures and transfers out exceeded revenues by $ 122,012 and were funded with available fund balance and cash reserves.

T-SPLOST Capital Projects Fund

Expenditures exceeded revenues by $ 98,308 and was funded with available fund balance and cash reserves.

(Continued)

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Water Sewer Fund

The Water Sewer Fund is reporting a loss of $ 455,085 before transfers in and capital contributions. This loss includes depreciation expense totaling $ 596,804 which is a non cash operating expense. Transfers in totaled $ 62,523 and capital contributions totaled $ 871,092, resulting in an overall increase in net position of $ 478,530 for the year ended December 31, 2019.

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 $ 170,417.

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 $ 2,083,356 and the bank balance was $ 2,115,112 at December 31, 2019. All of the City's deposits were insured or collateralized.

Insurance and collateralization of the City's deposits as of December 31, 2019 is as follows:

Amount insured by FDIC	$	250,098
Amount collateralized through the Georgia Secure Deposit Program administered by the Geogia Office of the State Treasurer		1,865,014
Total bank balance	$	2,115,112

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, 2019 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.

(Continued)

NOTE 3 – CASH DEPOSITS AND TEMPORARY INVESTMENTS (Continued)

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, 2019, 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, 2019 are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable-billed and unbilled	$ 44,827	$ 261,785	$ 306,612
Allowance for uncollectible accounts	(20,881)	(90,000)	(110,881)
Accounts receivable-net	$ 23,946	$ 171,785	$ 195,731

NOTE 5 – PROPERTY TAXES

Property taxes were levied on November 15, 2019 and were due on January 24, 2020. 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 2019 tax levy follows:

2019 net millage rate	18.75
Taxable digest	$ 22,192,604
Gross tax levy	$ 570,726
Less sales tax rollback	(154,615)
Net property taxes	$ 416,111
Property taxes receivable	$ 382,664
Less allowance for uncollectible amounts	-
Net property taxes receivable	$ 382,664
Unavailable property tax revenue	$ 175,762

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year-ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deletions/ Transfers	Balance 12/31/2019
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 728,000	$ -	$ -	$ 728,000
Construction in progress	543,500	345,795	(886,795)	2,500
Total capital assets not being depreciated	1,271,500	345,795	(886,795)	730,500
Capital assets being depreciated				
Building and improvements	954,869	14,595	-	969,464
Machinery and equipment	754,436	21,892	(42,400)	733,928
Vehicles	473,339	9,873	-	483,212
Infrastructure	675,932	340,683	-	1,016,615
Total capital assets being depreciated	2,858,576	387,043	(42,400)	3,203,219
Less accumulated depreciation				
Buildings and improvements	(544,876)	(17,358)	-	(562,234)
Machinery and equipment	(599,114)	(22,503)	42,400	(579,217)
Vehicles	(458,879)	(5,667)	-	(464,546)
Infrastructure	(135,724)	(16,202)	-	(151,926)
Total accumulated depreciation	(1,738,593)	(61,730)	42,400	(1,757,923)
Net capital assets being depreciated	1,119,983	325,313	-	1,445,296
Governmental activities capital assets-net	$ 2,391,483	$ 671,108	$ (886,795)	$ 2,175,796

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

The CDBG 2017 wastewater treatment capital project was completed in 2019 and transferred from construction in progress to the Water Sewer Fund. Total project costs and related equipment transferred were $ 792,604.

The City utilized remaining funds from its USDA wastewater treatment capital project to purchase additional capital assets totaling $ 94,191. These assets were transferred from the USDA Capital Project Fund to the Water Sewer Fund.

Depreciation expense for the year ended December 31, 2019 was charged to governmental functions as follows:

General government	$ 18,042
Public safety	11,492
Public works	29,563
Culture and recreation	2,633
	$ 61,730

(Continued)

NOTE 6 – CAPITAL ASSETS (continued)

Business-type capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deletions/ Transfers	Balance 12/31/2019
Business-type Activities				
Capital assets, not being depreciated				
Land and easements	$ 6,640	$ -	$ -	$ 6,640
Construction in progress	-	1,041,871	(794,704)	247,167
Total capital assets not being depreciated	6,640	1,041,871	(794,704)	253,807
Capital assets, being depreciated				
Buildings and improvements	25,333	-	-	25,333
Machinery and equipment	711,523	174,202	-	885,725
Vehicles	123,726	-	-	123,726
Utility systems	22,538,745	794,704	-	23,333,449
Total capital assets being depreciated	23,399,327	968,906	-	24,368,233
Less accumulated depreciation				
Buildings	(7,425)	(633)	-	(8,058)
Machinery and equipment	(499,674)	(49,389)	-	(549,063)
Vehicles	(123,725)	-	-	(123,725)
Utility systems	(5,795,807)	(546,782)	-	(6,342,589)
Total accumulated depreciation	(6,426,631)	(596,804)	-	(7,023,435)
Net capital assets being depreciated	16,972,696	372,102	-	17,344,798
Business-type activities capital assets-net	$ 16,979,336	$ 1,413,973	$ (794,704)	$ 17,598,605

Depreciation expense on capital assets of the business-type activities was $ 596,804 for the year ended December 31, 2019.

Disposition of Capital Assets

During 2019 the City sold equipment for $ 8,000 that was purchased in 2000 with an original cost of $ 42,400, and accumulated depreciation thereon of $ 42,400, resulting in a gain on disposition of $ 8,000.

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, 2019, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Fund	$ 616,763
General Fund	CDBG 2019 Capital Project Fund	100
SPLOST 2007-2012 Fund	Water Sewer Fund	543
SPLOST 2012-2017 Fund	Water Sewer Fund	11,853
		$ 629,259

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 $ 613,063 due to the General Fund represents the cumulative balance of unremitted sanitation fees and other amounts provided to fund Water Sewer operations.

The General Fund provided $ 3,700 of interim funding to begin construction on the Water Sewer Fund's GEFA Water Systems Improvement Project. This loan will be repaid upon completion of this project.

The General Fund provided $ 100 of interim funding to open a bank account for the CDBG 2019 Capital Project Fund. This loan is expected to be repaid upon completion of this project.

The SPLOST 2007-2012 Capital Project Fund provided $ 543 of interim funding pertaining to the construction of the USDA Capital Project. Repayment of this loan is expected to be determined in 2020.

The SPLOST 2012-2017 Capital Project Fund provided $ 11,853 of interim funding to begin construction on the GEFA Water Systems Improvement Project. This loan was repaid in 2020 with GEFA funds.

Interfund transfers

Transfers In	Transfers Out	Amount
General Fund	SPLOST 2012-2017 Fund	$ 11,322
Water Sewer Fund	SPLOST 2007-2012 Fund	15,803
Water Sewer Fund	SPLOST 2012-2017 Fund	46,640
Water Sewer Fund	CDBG 2017 Capital Projects Fund	80
		$ 73,845

The SPLOST 2012-2017 Capital Project Fund provided $ 11,322 in capital lease debt funding for the General Fund.

The SPLOST 2007-2012 Capital Project Fund provided $15,803 in capital grant funding relief for the Water Sewer Fund.

The SPLOST 2012-2017 Capital Project Fund funded $ 43,180 (three-quarters of the year) of the Water Sewer Fund annual water tank maintenance contract and $ 3,460 of testing.

The CDBG 2017 Capital Project Fund repaid $ 80 of capital grant advance funding to the Water Sewer Fund.

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, 2019 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 2,175,796	$ 17,598,605
Less construction payables	-	(223,533)
Less notes payable	-	(425,372)
Less revenue bonds payable	-	(6,030,690)
Total net investment in capital assets	$ 2,175,796	$ 10,919,010
Restricted for:		
Public works		
SPLOST Capital Project Funds (3)	$ 489,987	
LMIG Capital Project Fund	38	
TSPLOST Capital Project Fund	114,661	
USDA Capital Project Fund	98	
Total public works	$ 604,784	
Pension benefits	$ 184,633	
Total pension benefits	$ 184,633	
Debt service		$ 297,561
Total debt service		$ 297,561

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, 2019, the City paid $ 2,228 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

(Continued)

NOTE 10 – RELATED ORGANIZATIONS (Continued)

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, 2019:

	Balance 12/31/2018	Additions	Deletions/ Transfers	Balance 12/31/2019
Governmental Activities				
Capital lease, JD Financial	$ 11,182	$ -	$ (11,182)	$ -
Total debt-governmental activities	$ 11,182	$ -	$ (11,182)	$ -
Business -type Activities				
Construction loan advance (GEFA)	$ -	$ 121,891	$ -	$ 121,891
Notes payable	$ 364,275	$ -	$ (60,794)	$ 303,481
Revenue bonds payable	6,161,191	-	(130,501)	6,030,690
Total debt-business-type activities	$ 6,525,466	$ -	$ (191,295)	$ 6,334,171

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2019:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Governmental Activities					
Capital lease, JD Financial	$ 56,969	4.000%	2019	$ -	$ -
Total-governmental activities	$ 56,969			$ -	$ -
Business-type Activities					
Note payable, GEFA 96-L69WS	$ 316,214	5.280%	2019	$ -	$ -
Note payable, GEFA CWSRF 09-056	600,000	3.000%	2026	303,481	41,181
Bonds payable, USDA 1989 Series	605,000	5.000%	2028	230,000	24,000
Bonds payable, USDA 2010 Series	2,541,000	4.000%	2050	2,241,766	38,497
Bonds payable, USDA 2016 Series	3,784,000	1.625%	2056	3,558,924	71,665
Total-business-type activities	$ 7,846,214			$ 6,334,171	$ 175,343

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 was 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, 2019 are as follows:

Notes Payable

	Business-type Activities		
Year ending December 31,	Principal	Interest	Total
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	46,424	3,298	49,722
2025 thru 2026	84,665	2,348	87,013
	$ 303,481	$ 32,142	$ 335,623

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

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.

Annual requirements to fully amortize the bonds outstanding as of December 31, 2019 are as follows:

	Business-type Activities		
Year ending December 31,	Principal	Interest	Total
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	150,639	141,139	291,778
2025 thru 2029	754,538	635,552	1,390,090
2030 thru 2034	746,851	535,289	1,282,140
2035 thru 2039	852,490	429,650	1,282,140
2040 thru 2044	976,449	305,691	1,282,140
2045 thru 2049	1,122,352	159,787	1,282,139
2050 thru 2054	658,380	42,750	701,130
2055 thru 2056	208,558	2,931	211,489
	$ 6,030,690	$ 2,859,668	$ 8,890,358

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.

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

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, 2019 totaled $ 62,880.

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, 2019.

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, 2019, and the amount restricted as of December 31, 2019 for the Reserve Funds are as follows:

Funds to be Maintained	Maximum Balance to be Funded	Required Balance 12/31/2019	Amount Restricted 12/31/2019
Reserve Funds			
Series 1989	$ 36,500	$ 36,500	
Series 2010	127,464	120,006	
Series 2016	128,964	41,925	
Total reserve funds	292,928	198,431	
Short-Lived Assets Reserve Fund	314,400	62,880	
Renewal and Extension Fund	Discretionary	-	
Total	$ 607,328	$ 261,311	$ 297,561

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

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, 2019 are as follows:

			Computed Ratio	Required Ratio
GEFA Fixed Charges Coverage Ratio				
Income available for fixed charges	$	191,309	0.53	1.05
Fixed charges (all long-term debt)	$	363,135		
USDA Fixed Charges Coverage Ratio				
Income available for fixed charges	$	191,309	0.65	1.20
Fixed charges (RUS bonds payable)	$	292,982		

Construction Loan Advances

On September 3, 2019 the City entered into a loan agreement with the Drinking Water State Revolving Fund administered by Georgia Environmental Finance Authority (GEFA) to finance upgrades and improvements to the City's water sewer system. The total amount of the loan is $ 337,000 and bears interest at 1.94%. It is expected that once all funds have been disbursed, $ 168,500 of the loan will be forgiven. Amortization of the remaining balance, totaling $ 168,500, will begin September 1, 2020. Principal and interest payments will be made in 239 consecutive monthly installments of $ 848. The final installment equal to the entire remaining unpaid principal balance and accrued interest thereon will be due on the maturity date.

As of December 31, 2019, $ 121,891 had been drawn down on this loan and is reported as a noncurrent liability in the Statement of Fund Net Position Business-Type Activities. Loan origination fees related to the issuance of this loan totaled $ 3,370 and are included in construction in progress.

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.

(Continued)

NOTE 12 – RISK MANAGEMENT (Continued)

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, 2019, 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, 2019. No provision has been made in the December 31, 2019 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.

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.

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

As of July 1, 2019, the last valuation date, there were 48 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	20
Terminated vested participants entitled to but not yet receiving benefits	5
Active participants-vested	16
Active participants-not vested	7
Total number of participants	48

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 2019, the City's contribution to the Plan totaled $ 10,203, or 1.78% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2018 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, 2019.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2019 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, 2019 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, 2019 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.

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.40%
International equity	20.00%	7.40%
Real estate	10.00%	5.10%
Global fixed income	5.00%	3.03%
Domestic fixed income	20.00%	1.75%
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).

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, 2019 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Asset (NPL) (a) - (b)
Balances at March 31, 2018	$ 898,909	$ 1,098,056	$ (199,147)
Changes for the year:			
Service cost	16,032	-	16,032
Interest	66,704	-	66,704
Differences between expected and actual experience	4,908	-	4,908
Contributions-employer	-	10,250	(10,250)
Net investment income	-	38,580	(38,580)
Benefit payments, including refunds of employee contributions	(51,100)	(51,100)	-
Administrative expense	-	(10,101)	10,101
Net changes	36,544	(12,371)	48,915
Balances at March 31, 2019	$ 935,453	$ 1,085,685	$ (150,232)

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

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)	$ (45,441)	$ (150,232)	$ (239,777)

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, 2019 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.

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

For the year ended December 31, 2019, the City recognized pension expense of $ 26,830. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 7,653	$ -
Difference between expected and actual experience	24,223	(5,023)
Changes of assumptions	6,142	-
Net difference between projected and actual earnings on pension plan investments	1,406	-
Total	$ 39,424	$ (5,023)

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

Contributions made subsequent to the measurement date totaling $ 7,653 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, 2020. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2020	2021	2022	2023	Total
Fiscal Year Outflows					
Demographic	$ 11,498	$ 11,498	$ 1,227	$ -	$ 24,223
Assumption change	3,071	3,071	-	-	6,142
Investment	4,352	(10,146)	(1,173)	8,373	1,406
Total	18,921	4,423	54	8,373	31,771
Fiscal Year Inflows					
Demographic	$ (5,023)	$ -	$ -	$ -	$ (5,023)
Total	$ (5,023)	$ -	$ -	$ -	$ (5,023)

Changes in Methods and Assumptions

There were no changes in methods or assumptions.

Benefit Changes

There were no benefit changes from the prior valuation.

NOTE 14 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

CDBG Grant

The City was awarded a Community Development Block Grant in August 2019 totaling $ 963,526. Proceeds from this grant and additional funding to be provided by the City, totaling $ 61,000, will be used to fund phase 1 of the Shoals Street Infrastructure and Housing Improvements. This will include a roadway and drainage system, clearance activities, and housing rehabilitation and reconstruction. As of December 31, 2019 the City had incurred $2,500 of expenditures pertaining to this project which is included in construction in progress in the Statement of Net Position.

GEFA Loan/Grant

The City was awarded GEFA loan/grant in September 2019 totaling $337,000, 50% loan and 50% grant. Proceeds from this loan/grant and additional funding to be provided by the City, if necessary, will be used to fund water system improvements that will include the installation of chemical feed equipment, an air-stripper, and related appurtenances. As of December 31, 2019, the City had incurred $ 247,167 of expenditures pertaining to this project which is included in construction in progress in the Statement of Net Position.

NOTE 14 – COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

As of December 31, 2019, amounts spent to date and the estimated remaining commitments on these projects are as follows:

Project Description	Spent To Date	Remaining Commitment
2019 CDBG multi-activity grant	$ 2,500	$ 1,022,026
GEFA loan/grant	247,167	89,833
	$ 249,667	$ 1,111,859

Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 29, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 16,032	$ 16,807	$ 15,649	$ 15,853	$ 15,572
Interest	66,704	61,248	60,442	56,990	53,852
Differences between expected and actual experience	4,908	41,084	(20,090)	16,666	16,075
Benefit payments, including refunds of employee contributions	(51,100)	(45,609)	(45,598)	(44,336)	(1,245)
Other	-	12,283	-	-	(43,197)
Net change in total pension liability	36,544	85,813	10,403	45,173	41,057
Total pension liability, beginning	898,909	813,096	802,693	757,520	716,463
Total pension liability, ending (a)	935,453	898,909	813,096	802,693	757,520
Plan Fiduciary Net Position					
Contributions-employer	10,250	10,139	9,989	8,343	8,090
Net investment income	38,580	124,911	116,554	2,463	89,463
Benefit payments, including refunds of employee contributions	(51,100)	(45,609)	(45,598)	(44,336)	(43,197)
Administrative expenses	(10,101)	(10,044)	(10,271)	(7,234)	(7,005)
Net change in fiduciary net position	(12,371)	79,397	70,674	(40,764)	47,351
Plan fiduciary net position, beginning	1,098,056	1,018,659	947,985	988,749	941,398
Plan fiduciary net position, ending (b)	1,085,685	1,098,056	1,018,659	947,985	988,749
Net pension liability (asset), ending (a)-(b)	$ (150,232)	$ (199,147)	$ (205,563)	$ (145,292)	$ (231,229)
Plan's fiduciary net position as a percentage of the total pension liability (asset)	116.06%	122.15%	125.28%	118.10%	130.52%
Covered employee payroll	$ 574,648	$ 504,792	$ 507,503	$ 474,258	$ 487,455
Net pension liability (asset) as a percentage of covered payroll	-26.14%	-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

	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 10,203	$ 10,261	$ 10,097	$ 9,953	$ 7,807
Contributions in relation to the actuarially determined contribution	10,203	10,261	10,097	9,953	7,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 574,648	$ 504,792	$ 507,503	$ 474,258	$ 487,455
Contributions as a percentage of covered employee payroll	1.78%	2.03%	1.99%	2.10%	1.60%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2019
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.

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COMBINING FUND STATEMENTS

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GENERAL FUND

The General Fund is used to account for resources traditionally associated with the City that are not required legally, or by sound financial management to be accounted for in another fund.

CITY OF WARRENTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes				
Real property tax	$ 404,511	$ 404,511	$ 409,794	$ 5,283
Motor vehicle taxes	13,000	13,000	10,681	(2,319)
Mobile home tax	7,500	7,500	6,600	(900)
Title advalorem tax	-	-	14,817	14,817
Real estate transfer tax	600	600	100	(500)
Intangible tax	750	750	2,350	1,600
Advalorem true up	25,000	25,000	21,093	(3,907)
Franchise tax	120,000	120,000	84,818	(35,182)
Excise local option sales tax	20,600	20,600	14,842	(5,758)
Excise SPLOST	8,900	8,900	5,101	(3,799)
Local option sales tax	153,500	153,500	171,769	18,269
Alcoholic beverage tax	34,600	34,600	35,205	605
Insurance premium tax	128,735	128,735	147,473	18,738
General property tax	2,000	2,000	11,704	9,704
Fifa	1,000	1,000	727	(273)
Railroad equipment tax	1,060	1,060	1,158	98
Total taxes	921,756	921,756	938,232	16,476
Licenses and Permits				
General business license	12,750	12,750	21,856	9,106
Total licenses and permits	12,750	12,750	21,856	9,106
Intergovernmental				
Payment in lieu of taxes	10,899	10,899	10,899	-
Federal and State grants	-	-	1,476	1,476
Local grants	-	-	58,536	58,536
Total intergovernmental	10,899	10,899	70,911	60,012
Charges for Services				
Sanitation fees	140,000	140,000	152,256	12,256
Swimming fees	-	-	1,593	1,593
Total charges for services	140,000	140,000	153,849	13,849
Fines and Forfeitures				
Municipal court fines	200,000	200,000	193,641	(6,359)
Total fines and forfeitures	200,000	200,000	193,641	(6,359)
Use of Money and Property				
Interest income	-	-	1	1
Rents	22,608	22,608	24,843	2,235
Total use of money and property	22,608	22,608	24,844	2,236
Other				
Miscellaneous	2,500	2,500	14,705	12,205
Total other	2,500	2,500	14,705	12,205
Total revenues	1,310,513	1,310,513	1,418,038	107,525

CITY OF WARRENTON, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET (BUDGETARY BASIS) AND ACTUAL
GENERAL FUND BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
EXPENDITURES				
General government				
Mayor and City Council	6,513	6,513	6,101	(412)
Elections	10,000	10,000	657	(9,343)
General administration	365,332	365,332	304,015	(61,317)
Total general government	381,845	381,845	310,773	(71,072)
Public safety				
Police	504,966	504,966	501,110	(3,856)
Fire	26,151	26,151	18,363	(7,788)
Total public safety	531,117	531,117	519,473	(11,644)
Public works				
Streets	197,319	197,319	216,263	18,944
Sanitation	140,964	140,964	138,828	(2,136)
Total public works	338,283	338,283	355,091	16,808
Culture and recreation				
Recreation	59,268	59,268	57,182	(2,086)
Total culture and recreation	59,268	59,268	57,182	(2,086)
Total expenditures	1,310,513	1,310,513	1,242,519	(67,994)
Excess of revenues over expenditures	-	-	175,519	175,519
OTHER FINANCING SOURCES				
Transfers in	-	-	11,322	11,322
Total other financing sources	-	-	11,322	11,322
Change in fund balance	$ -	$ -	$ 186,841	$ 186,841

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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 loan/grant to be used for improvements to the water-sewer system.

CDBG 2019 Fund - This fund was established to account for proceeds from a CDBG loan/grant to be used for improvements to the water-sewer system.

CITY OF WARRENTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	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	CDBG 2019 Fund	
ASSETS								
Cash and cash equivalents	$ 12,556	$ 214,010	$ 216,941	$ 105,348	$ 38	$ 98	$ 100	$ 549,091
Intergovernmental receivables	-	-	45,093	9,313	-	-	-	54,406
Interfund receivables	543	11,853	-	-	-	-	-	12,396
Total assets	$ 13,099	$ 225,863	$ 262,034	$ 114,661	$ 38	$ 98	$ 100	$ 615,893
LIABILITIES								
Accounts payable	$ -	$ 3,461	$ -	$ -	$ -	$ -	$ -	$ 3,461
Due to other governments	-	7,548	-	-	-	-	-	7,548
Interfund payables	-	-	-	-	-	-	100	100
Total liabilities	-	11,009	-	-	-	-	100	11,109
FUND BALANCES								
Restricted for:								
Public works	13,099	214,854	262,034	114,661	38	98	-	604,784
Total fund balances	13,099	214,854	262,034	114,661	38	98	-	604,784
Total liabilities and fund balances	$ 13,099	$ 225,863	$ 262,034	$ 114,661	$ 38	$ 98	$ 100	$ 615,893

CITY OF WARRENTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	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	CDBG 2019 Fund	
REVENUES								
Taxes	$ -	$ -	$ -	$ 52,238	$ -	$ -	$ -	$ 52,238
Intergovernmental	-	-	113,079	-	148,600	94,191	-	355,870
Total revenues	-	-	113,079	52,238	148,600	94,191	-	408,108
EXPENDITURES								
Debt Service								
Principal	-	11,182	-	-	-	-	-	11,182
Interest	-	141	-	-	-	-	-	141
Capital outlay								
Public safety	-	9,873	-	-	-	-	-	9,873
Public works	-	42,854	-	150,546	148,600	94,195	-	436,195
Total expenditures	-	64,050	-	150,546	148,600	94,195	-	457,391
Excess (deficiency) of revenues over (under) expenditures	-	(64,050)	113,079	(98,308)	-	(4)	-	(49,283)
OTHER FINANCING USES								
Transfers out	(15,803)	(57,962)	-	-	-	-	-	(73,765)
Total other financing uses	(15,803)	(57,962)	-	-	-	-	-	(73,765)
NET CHANGE IN FUND BALANCES	(15,803)	(122,012)	113,079	(98,308)	-	(4)	-	(123,048)
FUND BALANCES, BEGINNING OF YEAR	28,902	336,866	148,955	212,969	38	102	-	727,832
FUND BALANCES, END OF YEAR	$ 13,099	$ 214,854	$ 262,034	$ 114,661	$ 38	$ 98	$ -	$ 604,784

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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, 2019

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	$ 635,600	$ 35,314	$ 670,914	none
Engineering design and inspection	69,400	69,400	5,040	74,440	none
Contingenices	55,830	-	-	-	none
Grant administration	45,000	45,000	2,350	47,350	none
	$ 750,000	$ 750,000	$ 42,704	$ 792,704	
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				750,000	
Funds still available from program year 2017 resources				$ -	
Total program year 2017 funds drawn and received by recipient				$ 750,000	
Less funds applied and expended to program year 2017 costs				750,000	
Total program year 2017 funds held by recipient				$ -	
Project Costs					
Grant Number 19b-x-149-2-6096					
Acquisition	$ 24,000	$ -	$ -	$ -	none
Engineering	11,372	-	-	-	none
Flood/Drainage	596,163	-	-	-	none
Clearance	64,800	-	-	-	none
Rehabilitation	18,854	-	-	-	none
Reconstruction	185,687	-	-	-	none
Administration	62,650	-	2,500	2,500	none
	$ 963,526	$ -	$ 2,500	$ 2,500	
Source of other funds: local match					
Source and Application of Funds					
Grant Number 19b-x-149-2-6096					
Total program year 2019 funds allocated to recipient				$ 963,526	
Less total program year 2019 funds drawn by recipient				-	
Funds still available from program year 2019 resources				$ 963,526	
Total program year 2019 funds drawn and received by recipient				$ -	
Less funds applied and expended to program year 2019 costs				-	
Total program year 2019 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, 2019

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	$ 6,354,774	$ -	$ 6,354,774	none
Legal services	65,000	37,460	-	37,460	none
Architectural engineering and planning	730,815	711,215	15,808	727,023	none
Interim interest	80,000	49,793	-	49,793	none
Equipment	5,000	223,283	-	223,283	none
Contingencies	562,565	-	-	-	none
	$ 7,376,525	$ 7,376,525	$ 15,808	$ 7,392,333	
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	7,376,525
Funds still available from program year 2011 resources	$ -
Total program year 2011 funds drawn and received by recipient	$ 7,376,525
Less funds applied and expended to program year 2011 costs	7,376,525
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, 2019

Projects:	Original Estimated Cost	Prior Years	Current Year	Total To Date	Estimated Percentage Of Completion
SPLOST 2007 - 2012					
Water improvements	$ 275,195	$ 212,011	$ 15,803	$ 227,814	82.78%
Roads, streets, and bridges	30,241	65,755	-	65,755	217.44%
Public safety facilities	36,416	59,188	-	59,188	162.53%
	$ 341,852	$ 336,954	$ 15,803	$ 352,757	
SPLOST 2012 - 2017					
Water sewer projects	$ 374,400	$ 30,258	$ 100,816	$ 131,074	35.01%
Roads, streets, and bridges	28,800	45,465	11,323	56,788	197.18%
Public safety facilities	54,400	7,500	9,873	17,373	31.94%
	$ 457,600	$ 83,223	$ 122,012	$ 205,235	
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

BARMORE HAMMOND
CERTIFIED PUBLIC ACCOUNTANTS
LIMITED LIABILITY PARTNERSHIP

Benjamin B. Barmore, CPA, PC
W. Lee Hammond, CPA, PC

W. G. Bullock Building
132 Railroad Street, Third Floor
Thomson, Georgia 30824

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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, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2020.

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 2019-001 and 2019-002 that we consider to be 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 2019-002.

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
September 29, 2020

CITY OF WARRENTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019-001: 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: The City has encountered various issues during implementation of its utility billing integration. Management is actively consulting with its software vendor to resolve these issues and anticipates full integration of its utility billing software with the general ledger by the end of 2020.

ITEM 2019-002: 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, 2019.

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, 2019 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 continues to consult 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% in January 2019 and approved an additional 5.0% increase that became effective February 1, 2020. In July 2020, the City approved a new rate schedule that bills customers based on meter size rather than the traditional designations of residential, commercial, and industrial. Management has been proactive in adjusting rates in an effort to comply with the required ratios and will continue to evaluate 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, 2019

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

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

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: The City is working with its software vendor in an effort to achieve full Integration by the end of 2020.

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.

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 continues to consult 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 5.5% rate increase in January 2019 and an additional rate increase of 5.0% in February 2020. In July 2020, the City approved a new rate schedule that bills customers based on meter size rather than the traditional designations of residential, commercial, and industrial.