CITY OF WARRENTON, GEORGIA

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2020

CITY OF WARRENTON, GEORGIA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Warrenton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warrenton, Georgia (the "City") as of and for the year ended December 31, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of 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, Schedules of Community Development Block 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, Schedules of Community Development Block 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, Schedules of Community Development Block 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 30, 2021 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 30, 2021

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BASIC FINANCIAL STATEMENTS

CITY OF WARRENTON, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,717,565	$ 129,123	$ 1,846,688
Restricted cash and cash equivalents	-	322,753	322,753
Receivables			
Taxes-net	539,995	-	539,995
Accounts-net	24,202	179,783	203,985
Intergovernmental	91,246	-	91,246
Prepaids	7,617	-	7,617
Inventory	80,888	-	80,888
Internal balances	690,081	(690,081)	-
Capital assets			
Land and other nondepreciable assets	796,601	6,640	803,241
Depreciable assets, net of accumulated depreciation	1,421,842	17,197,124	18,618,966
Total assets	5,370,037	17,145,342	22,515,379
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	162,713	-	162,713
LIABILITIES			
Accounts payable	45,360	16,352	61,712
Construction payables	9,825	-	9,825
Accrued liabilites	6,349	11,342	17,691
Intergovernmental payables	127,744	-	127,744
Customer deposits	-	103,774	103,774
Net pension liability	39,751	-	39,751
Noncurrent liabilities			
Due within one year	-	187,347	187,347
Due in more than one year	-	6,137,675	6,137,675
Total liabilities	229,029	6,456,490	6,685,519
NET POSITION			
Net investment in capital assets	2,208,618	10,878,742	13,087,360
Restricted for:			
Public works	573,597	-	573,597
Pension benefits	122,962	-	122,962
Debt service	-	322,753	322,753
Unrestricted	2,398,544	(512,643)	1,885,901
Total net position	$ 5,303,721	$ 10,688,852	$ 15,992,573

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, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Business-type Activities	Net Revenue (Expenses) and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities:							
General government	$ 379,239	$ 47,259	$ -	$ -	$ (331,980)	$ -	$ (331,980)
Public safety	533,569	88,540	90,038	-	(354,991)	-	(354,991)
Public works	330,738	154,206	-	183,189	6,657	-	6,657
Culture and recreation	42,830	-	-	-	(42,830)	-	(42,830)
Total governmental activities	1,286,376	290,005	90,038	183,189	(723,144)	-	(723,144)
Business-type activities							
Water Sewer Fund	1,626,002	1,057,571	-	46,608	-	(521,823)	(521,823)
Total primary government	$ 2,912,378	$ 1,347,576	$ 90,038	$ 229,797	(723,144)	(521,823)	(1,244,967)
General revenues							
Property taxes					403,384	-	403,384
Motor vehicle taxes					7,441	-	7,441
Motor vehicle title advalorem taxes					47,124	-	47,124
Mobile home taxes					7,052	-	7,052
Sales taxes					275,056	-	275,056
Franchise taxes					89,662	-	89,662
Insurance premium tax					155,563	-	155,563
Alcoholic beverage taxes					39,175	-	39,175
Intangible taxes					4,643	-	4,643
Transfer taxes					1,421	-	1,421
Payment in lieu of taxes					10,899	-	10,899
Interest income					-	692	692
Other revenues					2,440	610	3,050
Gain on sales of surplus property					6,059	-	6,059
Transfers					(163,219)	163,219	-
Total general revenues and transfers					886,700	164,521	1,051,221
Change in net position					163,556	(357,302)	(193,746)
Net position, beginning of year					5,140,165	11,046,154	16,186,319
Net position, end of year					$ 5,303,721	$ 10,688,852	$ 15,992,573

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

CITY OF WARRENTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,196,664	$ 520,901	$ 1,717,565
Receivables (net of allowance for uncollectibles)			
Taxes	539,995	-	539,995
Accounts	24,202	-	24,202
Intergovernmental receivables	29,103	62,143	91,246
Interfund receivables	689,703	543	690,246
Prepaids	7,617	-	7,617
Inventory	80,888	-	80,888
Total assets	$ 2,568,172	$ 583,587	$ 3,151,759
LIABILITIES			
Accounts payable	$ 45,360	$ 9,825	$ 55,185
Accrued liabilities	6,349	-	6,349
Intergovernmental payables	127,744	-	127,744
Interfund payables	-	165	165
Total liabilities	179,453	9,990	189,443
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	233,730	-	233,730
FUND BALANCES			
Nonspendable:			
Prepaids	7,617	-	7,617
Inventory	80,888	-	80,888
Restricted for:			
Public works	-	573,597	573,597
Unassigned	2,066,484	-	2,066,484
Total fund balances	2,154,989	573,597	2,728,586
Total liabilities, deferred inflows of resources, and fund balances	$ 2,568,172	$ 583,587	$ 3,151,759

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, 2020

Total fund balances - governmental funds	$ 2,728,586
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	727,210
Vehicles	453,114
Infrastructure	1,055,815
Construction in progress	68,601
Accumulated depreciation	(1,783,761)
Total capital assets, net of accumulated depreciation-governmental activities	2,218,443
Some assets are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:	
Net pension liability	(39,751)
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	162,713
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	233,730
Net position of governmental activities	$ 5,303,721

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, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 915,189	$ 57,364	$ 972,553
Licenses and permits	28,716	-	28,716
Intergovernmental	100,937	183,189	284,126
Charges for services	154,206	-	154,206
Fines and forfeitures	88,540	-	88,540
Rents	18,543	-	18,543
Other	2,440	-	2,440
Total revenues	1,308,571	240,553	1,549,124
EXPENDITURES			
Current			
General government	301,316	-	301,316
Public safety	499,734	-	499,734
Public works	319,147	-	319,147
Culture and recreation	40,034	-	40,034
Capital outlay			
Public safety	-	3,500	3,500
Public works	-	105,021	105,021
Total expenditures	1,160,231	108,521	1,268,752
Excess (deficiency) of revenues over expenditures	148,340	132,032	280,372
OTHER FINANCING SOURCES (USES)			
Proceeds from sales of surplus property	7,459	-	7,459
Transfers out	-	(163,219)	(163,219)
Total other financing sources (uses)	7,459	(163,219)	(155,760)
NET CHANGE IN FUND BALANCES	155,799	(31,187)	124,612
FUND BALANCES, BEGINNING OF YEAR	1,999,190	604,784	2,603,974
FUND BALANCES, END OF YEAR	$ 2,154,989	$ 573,597	$ 2,728,586

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, 2020

Net change in fund balances - total governmental funds	$	124,612
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		110,083
Depreciation expense		(66,036)
Book value of surplus property sold		(1,400)
Excess of capital outlays over depreciation expense and book value of capital assets sold		42,647
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 2020.		57,968
Net change in revenues not providing current financial resources		57,968
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 liability, deferred inflows and outflows related to pension increased by this in 2020		(61,671)
Net change in expenses not requiring the use of current financial resources		(61,671)
Change in net position of governmental activities	$	163,556

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, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes	$ 934,235	$ 934,235	$ 915,189	$ (19,046)
Licenses and permits	13,000	13,000	28,716	15,716
Intergovernmental	10,899	10,899	100,937	90,038
Charges for services	142,000	142,000	154,206	12,206
Fines and forfeitures	200,000	200,000	88,540	(111,460)
Rents	22,608	22,608	18,543	(4,065)
Other	2,000	2,000	9,899	7,899
Total revenues	1,324,742	1,324,742	1,316,030	(8,712)
EXPENDITURES				
Current				
General government	364,540	364,540	301,316	(63,224)
Public safety	568,395	568,395	499,734	(68,661)
Public works	338,026	338,026	319,147	(18,879)
Culture and recreation	53,781	53,781	40,034	(13,747)
Total expenditures	1,324,742	1,324,742	1,160,231	(164,511)
Excess of revenues over expenditures	-	-	155,799	155,799
Change in fund balance	$ -	$ -	155,799	$ 155,799
FUND BALANCE				
Beginning of year			1,999,190	
End of year			$ 2,154,989	

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, 2020

	Business-type Activities-Enterprise Fund Water Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 129,123
Accounts receivable-net	179,783
Total current assets	308,906
Noncurrent assets	
Restricted cash and cash equivalents	322,753
Capital assets	
Land and other nondepreciable assets	6,640
Depreciable assets, net of accumulated depreciation	17,197,124
Total capital assets, net of accumulated depreciation	17,203,764
Total noncurrent assets	17,526,517
Total assets	17,835,423
LIABILITIES	
Current liabilities	
Account payable	16,352
Accrued liabilities	11,342
Customer deposits	103,774
Interfund payables	690,081
Current portion of notes payable	49,443
Current portion of revenue bonds payable	137,904
Total current liabilities	1,008,896
Noncurrent liabilities	
Notes payable	379,051
Revenue bonds payable	5,758,624
Total noncurrent liabilities	6,137,675
Total liabilities	7,146,571
NET POSITION	
Net investment in capital assets	10,878,742
Restricted for debt service	322,753
Unrestricted	(512,643)
Total net position	$ 10,688,852

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, 2020

	Business-type Activities-Enterprise Fund Water Sewer Fund
OPERATING REVENUES	
Charges for services	$ 1,057,571
Total operating revenues	1,057,571
OPERATING EXPENSES	
Personnel services	383,026
Professional fees	65,485
Repairs and maintenance	141,401
Chemicals and supplies	92,224
Other purchased services	41,794
Utilities and communications	102,291
Depreciation	630,887
Total operating expenses	1,457,108
Operating loss	(399,537)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	692
Other revenue	610
Interest expense	(168,894)
Total non-operating revenues (expenses)	(167,592)
Loss before transfers and contributions	(567,129)
TRANSFERS IN	163,219
CAPITAL CONTRIBUTIONS	46,608
Change in net position	(357,302)
Net position, beginning of year	11,046,154
Net position, end of year	$ 10,688,852

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, 2020

	Business-type Activities-Enterprise Fund Water Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,114,102
Payments to suppliers and others	(440,026)
Payments to employees	(365,466)
Net cash provided by operating activities	308,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from long-term debt	168,500
Intergovernmental revenues	168,500
Repayment of advances from other funds	(11,853)
Purchase of capital assets	(296,360)
Principal payments on long-term debt	(177,649)
Interest paid	(168,899)
Net cash used by capital and related financing activities	(317,761)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	692
Other income	610
Net cash provided by investing activities	1,302
Net decrease in cash and cash equivalents	(7,849)
Cash and cash equivalents, beginning of year	459,725
Cash and cash equivalents, end of year	$ 451,876
CASH PER STATEMENT OF NET POSITION	
Cash	$ 129,123
Restricted cash-noncurrent	322,753
	$ 451,876

(Continued)

CITY OF WARRENTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities- Enterprise Fund Water Sewer Fund
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (399,537)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	630,887
(Increase) decrease in current assets	
Accounts receivable	(7,998)
Increase (decrease) in current liabilities	
Accounts payable	6,978
Accrued liabilities	(3,810)
Interfund payables	72,776
Customer deposits	9,314
Total adjustments	708,147
Net cash provided by operating activities	$ 308,610
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital asset purchases funded by SPLOST capital projects fund	$ 163,219
Total noncash investing, capital, and financing activities	$ 163,219

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

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, 2020.

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 fund:

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.

(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 2020 annual appropriated budget for the City's General Fund was adopted on November 15, 2019. 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, 2020.

As of December 31, 2020, 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.

(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

Pronouncements effective for the 2020 financial statements.

In May 2020 the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

1. Statement No. 83, *Certain Asset Retirement Obligations*—reporting periods beginning after June 15, 2019
2. Statement No. 84, *Fiduciary Activities* and Implementation Guide 2019-2—reporting periods beginning after December 15, 2019
3. Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*—reporting periods beginning after June 15, 2019
4. Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*—reporting periods beginning after December 15, 2020
5. Statement No. 90, *Majority Equity Interests*—reporting periods beginning after December 15, 2019
6. Statement No. 91, *Conduit Debt Obligations*—reporting periods beginning after December 15, 2021
7. Statement No. 92, *Omnibus 2020*, paragraphs 6 and 7—fiscal years beginning after June 15, 2021
8. Statement No. 92, *Omnibus 2020*, paragraphs 8, 9, and 12—reporting periods beginning after June 15, 2021
9. Statement No. 92, *Omnibus 2020*, paragraph 10—government acquisitions occurring in reporting periods beginning after June 15, 2021
10. Statement No. 93, *Replacement of Interbank Offered Rates*, paragraphs 13 and 14—fiscal years beginning after June 15, 2021, and all reporting periods thereafter
11. Implementation Guide 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)* Questions 4.484 and 4.491—the first reporting period in which the measurement date of the (collective) net OPEB liability is on or after June 15, 2019
12. Implementation Guide 2017-3, Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, and 5.1–5.4—actuarial valuations as of December 15, 2018, or later
13. Implementation Guide 2018-1, *Implementation Guidance Update—2018*—reporting periods beginning after June 15, 2019
14. Implementation Guide 2019-1, *Implementation Guidance Update—2019*—reporting periods beginning after June 15, 2020

The effective dates of certain provisions contained in the following pronouncements are postponed by eighteen months:

15. Statement No. 87, *Leases* and Implementation Guide 2019-3—fiscal years beginning after June 15, 2021, and all reporting periods thereafter

With the exception of Statement No. 88 and Statement No. 89, none of the above pronouncements have been implemented as of December 31, 2020.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

In March 2018 the GASB issued GASB Statement No. 88 to be effective for reporting periods beginning after June 15, 2018.

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 requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. Management implemented the provisions of this Statement in its financial statements as of and for the year ended December 31, 2020.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund

Actual revenues and transfers in were $ 8,712 less than budgeted amounts, whereas actual expenditures were $ 164,511 less than appropriated amounts, resulting in a net increase in fund balance of $ 155,799.

Fines and forfeitures were $ 111,460 under budget due to a reduction in activity of the judicial system caused by Covid-19.

SPLOST 2007-2012 Capital Projects Fund

Expenditures exceeded revenues by $ 2,500 and were funded with available fund balance and cash reserves.

SPLOST 2012-2017 Capital Projects Fund

Expenditures and transfers out exceeded revenues by $ 169,666 and were funded with available fund balance and cash reserves.

USDA Capital Projects Fund

Expenditures exceeded revenues by $ 98 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 $ 567,129 before transfers in and capital contributions. This loss includes depreciation expense totaling $ 630,887 which is a non cash operating expense. Transfers in totaled $ 163,219 and capital contributions totaled $ 46,608, resulting in an overall decrease in net position of $ 357,302 for the year ended December 31, 2020.

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 $ 512,643.

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 $ 2,169,441 and the bank balance was $ 2,247,164 at December 31, 2020. All of the City's deposits were insured or collateralized.

Insurance and collateralization of the City's deposits as of December 31, 2020 is as follows:

Amount insured by FDIC	$ 250,000
Amount collateralized through the Georgia Secure Deposit Program administered by the Geogia Office of the State Treasurer	1,997,164
Total bank balance	$ 2,247,164

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, 2020 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, 2020, 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, 2020 are as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable-billed and unbilled	$ 45,672	$ 269,783	$ 315,455
Allowance for uncollectible accounts	(21,470)	(90,000)	(111,470)
Accounts receivable-net	$ 24,202	$ 179,783	$ 203,985

NOTE 5 – PROPERTY TAXES

Property taxes were levied on December 9, 2020 and were due on February 18, 2021. 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 2020 tax levy follows:

2020 net millage rate	18.7020
Taxable digest	$ 22,473,975
Gross tax levy	$ 593,357
Less sales tax rollback	(173,049)
Net property taxes	$ 420,308
Property taxes receivable	$ 443,906
Less allowance for uncollectible amounts	-
Net property taxes receivable	$ 443,906
Unavailable property tax revenue	$ 233,730

NOTE 6 – CAPITAL ASSETS

Governmental capital asset activity for the year-ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deletions/ Transfers	Balance 12/31/2020
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 728,000	$ -	$ -	$ 728,000
Construction in progress	2,500	66,101	-	68,601
Total capital assets not being depreciated	730,500	66,101	-	796,601
Capital assets being depreciated				
Building and improvements	969,464	-	-	969,464
Machinery and equipment	733,928	1,282	(8,000)	727,210
Vehicles	483,212	3,500	(33,598)	453,114
Infrastructure	1,016,615	39,200	-	1,055,815
Total capital assets being depreciated	3,203,219	43,982	(41,598)	3,205,603
Less accumulated depreciation				
Buildings and improvements	(562,234)	(15,469)	-	(577,703)
Machinery and equipment	(579,217)	(23,560)	8,000	(594,777)
Vehicles	(464,546)	(7,005)	32,198	(439,353)
Infrastructure	(151,926)	(20,002)	-	(171,928)
Total accumulated depreciation	(1,757,923)	(66,036)	40,198	(1,783,761)
Net capital assets being depreciated	1,445,296	(22,054)	(1,400)	1,421,842
Governmental activities capital assets-net	$ 2,175,796	$ 44,047	$ (1,400)	$ 2,218,443

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

Depreciation expense for the year ended December 31, 2020 was charged to governmental functions as follows:

General government	$ 16,154
Public safety	12,873
Public works	34,213
Culture and recreation	2,796
	$ 66,036

Disposition of Capital Assets

During 2020 the City sold numerous vehicles and equipment for $ 7,459 that were purchased in prior years with an original cost of $ 41,598 and accumulated depreciation thereon of $ 40,198, resulting in a gain on disposition of $ 6,059.

(Continued)

NOTE 6 – CAPITAL ASSETS (continued)

Business-type capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 12/31/2019	Additions	Deletions/ Transfers	Balance 12/31/2020
Business-type Activities				
Capital assets, not being depreciated				
Land and easements	$ 6,640	$ -	$ -	$ 6,640
Construction in progress	247,167	101,614	(348,781)	-
Total capital assets not being depreciated	253,807	101,614	(348,781)	6,640
Capital assets, being depreciated				
Buildings and improvements	25,333	-	-	25,333
Machinery and equipment	885,725	16,008	-	901,733
Vehicles	123,726	53,974	-	177,700
Utility systems	23,333,449	413,231	-	23,746,680
Total capital assets being depreciated	24,368,233	483,213	-	24,851,446
Less accumulated depreciation				
Buildings	(8,058)	(633)	-	(8,691)
Machinery and equipment	(549,063)	(62,975)	-	(612,038)
Vehicles	(123,725)	(5,398)	-	(129,123)
Utility systems	(6,342,589)	(561,881)	-	(6,904,470)
Total accumulated depreciation	(7,023,435)	(630,887)	-	(7,654,322)
Net capital assets being depreciated	17,344,798	(147,674)	-	17,197,124
Business-type activities capital assets-net	$ 17,598,605	$ (46,060)	$ (348,781)	$ 17,203,764

Depreciation expense on capital assets of the business-type activities was $ 630,887 for the year ended December 31, 2020.

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, 2020, is as follows:

Due from/to other funds

Receivable Fund	Payable Fund	Amount
General Fund	Water Sewer Fund	$ 689,538
General Fund	CDBG 2019 Capital Project Fund	79
General Fund	CDBG 2020 Capital Project Fund	86
SPLOST 2007-2012 Fund	Water Sewer Fund	543
		$ 690,246

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 $ 689,538 due to the General Fund represents the cumulative balance of unremitted sanitation fees and other amounts provided to fund Water Sewer operations, including $ 3,700 for interim funding to begin construction on the Water Sewer Fund's GEFA Water Systems Improvement Project.

The General Fund provided $ 79, net of bank fees, of interim funding to open a bank account for the CDBG 2019 Capital Project Fund.

The General Fund provided $ 86, net of bank fees, of interim funding to open a bank account for the CDBG 2020 Capital Project Fund.

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 by is expected to be made in 2021.

Interfund transfers

Transfers In	Transfers Out	Amount
Water Sewer Fund	SPLOST 2012-2017 Fund	$ 163,219
		$ 163,219

The SPLOST 2012-2017 Capital Project Fund provided $ 163,219 in funding for Water Sewer Fund capital outlays expenditures.

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, 2020 are as follows:

	Governmental Activities	Business-type Activities
Net investment in capital assets		
Primary government	$ 2,218,443	$ 17,203,764
Less construction payables	(9,825)	-
Less notes payable	-	(428,495)
Less revenue bonds payable	-	(5,896,527)
Total net investment in capital assets	$ 2,208,618	$ 10,878,742
Restricted for:		
Public works		
SPLOST Capital Project Funds (3)	$ 434,287	
LMIG Capital Project Fund	38	
TSPLOST Capital Project Fund	139,272	
Total public works	$ 573,597	
Pension benefits	$ 122,962	
Total pension benefits	$ 122,962	
Debt service		$ 322,753
Total debt service		$ 322,753

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, 2020, 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, 2020:

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020	Due within One year
Business -type Activities					
Construction loan advance (GEFA)	$ 121,891	$ -	$ (121,891)	$ -	$ -
Direct borrowings and direct placements	$ 303,481	$ 168,500	$ (43,487)	$ 428,494	$ 49,443
Revenue bonds payable	6,030,690	-	(134,162)	5,896,528	137,904
Total debt-business-type activities	$ 6,334,171	$ 168,500	$ (177,649)	$ 6,325,022	$ 187,347

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

The following summarizes long-term debt outstanding at December 31, 2020:

	Original Principal	Interest Rate	Final Maturity	Outstanding Balance	Amount Due Within One Year
Business-type Activities					
Note payable, GEFA CWSRF 09-056	$ 600,000	3.000%	2026	$ 262,300	$ 42,433
Note payable, GEFA DW2019010	168,500	1.940%	2040	166,194	7,010
Bonds payable, USDA 1989 Series	605,000	5.000%	2028	206,000	25,000
Bonds payable, USDA 2010 Series	2,541,000	4.000%	2050	2,203,269	40,066
Bonds payable, USDA 2016 Series	3,784,000	1.625%	2056	3,487,259	72,838
					-
Total-business-type activities	$ 7,698,500			$ 6,325,022	$ 187,347

Annual requirements to fully amortize the outstanding notes payable and bonds as of December 31, 2020 are as follows:

	Business-type Activities			
	Notes from Direct Borrowings and Direct Placements		Bonds	
Year ending December 31,	Principal	Interest	Principal	Interest
2021	$ 49,443	$ 10,451	$ 137,904	$ 153,824
2022	50,871	9,023	141,729	149,750
2023	52,340	7,553	146,639	145,539
2024	53,853	5,770	150,639	141,139
2025	55,411	4,483	155,731	136,597
2026 thru 2030	76,985	11,164	740,500	613,689
2031 thru 2035	44,243	6,615	766,665	515,474
2036 thru 2040	45,348	2,120	875,710	406,430
2041 thru 2045	-	-	1,003,746	278,394
2046 thru 2050	-	-	1,082,698	128,287
2051 thru 2055	-	-	612,525	32,295
2056	-	-	82,042	484
	$ 428,494	$ 57,179	$ 5,896,528	$ 2,701,902

Notes Payable

GEFA 20-DW2019010 – On August 1, 2020 the City issued a note payable to the Georgia Environmental Finance Authority (GEFA) for construction of water system improvements in the original amount of $ 168,500. Repayment terms require 239 monthly payments of $ 848, including principal and interest at 1.94%. Final payment on this loan is due August 2040. The note is secured with the City's full faith and credit and revenue-raising power (including its taxing power).

The above GEFA note payable originated from a construction loan dated September 3, 2019 when 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 original amount of the loan was $ 337,000 with interest at 1.94%, and, as projected, one half, or $ 168,500 of the loan was forgiven by GEFA. In 2019 $ 121,891 was reported as a capital contribution from GEFA and $ 46,609 is reported as a capital contribution form GEFA in 2020.

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

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).

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.

Bond Covenants

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

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

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

(Continued)

NOTE 11 – LONG-TERM DEBT (Continued)

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, 2020 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, 2020.

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, 2020, and the amount restricted as of December 31, 2020 for the Reserve Funds are as follows:

Funds to be Maintained	Maximum Balance to be Funded	Required Balance 12/31/2020	Amount Restricted 12/31/2020
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	$ 322,753

(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, 2020 are as follows:

			Computed Ratio	Required Ratio
GEFA Fixed Charges Coverage Ratio				
Income available for fixed charges	$	232,652	0.67	1.05
Fixed charges (all long-term debt)	$	349,489		
USDA Fixed Charges Coverage Ratio				
Income available for fixed charges	$	232,652	0.80	1.20
Fixed charges (RUS bonds payable)	$	292,078		

NOTE 12 – RISK MANAGEMENT

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

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

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

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

During the year ended December 31, 2020, 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, 2020. No provision has been made in the December 31, 2020 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.

As of July 1, 2020, the last valuation date, there were 52 participants consisting of the following:

Retired participants and beneficiaries currently receiving benefits	21
Terminated vested participants entitled to but not yet receiving benefits	8
Active participants-vested	17
Active participants-not vested	6
Total number of participants	52

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

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 2020, the City's contribution to the Plan totaled $ 10,351, or 1.78% of covered-employee payroll. This contribution was equal to the recommended annual contribution determined as part of the July 1, 2019 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, 2020.

Actuarial Assumptions. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%, on going basis, based on long-term expected rate of return on pension plan investments
Projected salary increases	2.25%, plus service based merit increases
Inflation	2.25%
Cost of living adjustments	0.00%

The mortality and economic actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019.

Mortality rates for the July 1, 2020 valuation were based on the following:

Healthy Retirees and Beneficiaries-Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

Disabled Participants-Sex-distinct Pri-2012 head-count weighted Disable Retiree Mortality Table with rates multiplied by1.25.

Active Participants, Terminated Vested Participants, and Deferred Beneficiaries-Sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

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, 2020 are summarized in the following table:

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	45.00%	6.41%
International equity	20.00%	6.96%
Domestic fixed income	20.00%	1.96%
Real estate	10.00%	4.76%
Global fixed income	5.00%	3.06%
Cash	0.00%	0.00%
Total	100.00%	

* Rates shown are net of the 2.25% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability (asset) was 7.375%. 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, 2020 were as follows:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at March 31, 2019	$ 935,453	$ 1,085,685	$ (150,232)
Changes for the year:			
Service cost	17,061	-	17,061
Interest	69,790	-	69,790
Differences between expected and actual experience	25,458	-	25,458
Contributions-employer	-	10,240	(10,240)
Net investment income	-	(72,196)	72,196
Benefit payments, including refunds of employee contributions	(43,961)	(43,961)	-
Administrative expense	-	(10,389)	10,389
Other	5,329	-	5,329
Net changes	73,677	(116,306)	189,983
Balances at March 31, 2020	$ 1,009,130	$ 969,379	$ 39,751

(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 7.375 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 (6.375 percent) or 1 percent higher (8.375 percent) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's Net Pension Liability (Asset)	$ 152,102	$ 39,751	$ (55,839)

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, 2020 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, 2020, the City recognized pension expense of $ 72,021. The City reported the following deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 7,763	$ -
Difference between expected and actual experience	29,697	-
Changes of assumptions	6,623	-
Net difference between projected and actual earnings on pension plan investments	118,630	-
Total	$ 162,713	$ -

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

Contributions made subsequent to the measurement date totaling $ 7,763 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, 2021. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31,				
	2021	2022	2023	2024	Total
Fiscal Year Outflows					
Demographic	$ 19,984	$ 9,713	$ -	$ -	$ 29,697
Assumption	4,847	1,776	-	-	6,623
Investment	20,248	29,221	38,767	30,394	118,630
Total	$ 45,079	$ 40,710	$ 38,767	$ 30,394	$ 154,950

Changes in Assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.

- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.

- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

(Continued)

NOTE 13 – RETIREMENT PLAN (Continued)

- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.

- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.

- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.

- The disability rates were changed to 50% of the rates in the prior age-based table.

- The inflation assumption was decreased from 2.75% to 2.25%.

- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.

- The investment return assumption was decreased from 7.50% to 7.375%

Benefit Changes

There were no benefit changes from the prior valuation.

NOTE 14 – COMMITMENTS AND SUBSEQUENT EVENTS

Commitments

CDBG Grant 2019

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, 2020 the City had incurred $68,601 of expenditures pertaining to this project which is included in construction in progress in the Statement of Net Position.

(Continued)

NOTE 14 – COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

CDBG Grant 2020

The City was awarded a Community Development Block Grant in October 2020 totaling $ 1,000,000. Proceeds from this grant and additional funding to be provided by the City, totaling $ 65,250, will be used for flood and drainage improvements and neighborhood revitalization activities including housing reconstruction (3 units), housing rehabilitation (3 units) and clearance of property (4 units). As of December 31, 2020 the City had not incurred any expenditures pertaining to this project.

As of December 31, 2020, amounts spent to date and the estimated remaining commitments on these projects are as follows:

Project Description	Total Commitment	Spent To Date	Remaining Commitment
2019 CDBG multi-activity grant	$ 1,024,526	$ 68,601	$ 955,925
2020 CDBG multi-activity grant	1,065,250	-	1,065,250
	$ 2,089,776	$ 68,601	$ 2,021,175

Subsequent Events

Coronavirus Local Fiscal Recovery Funds

On July 21, 2021, the City received $ 321,155 from the State of Georgia Governor's Office of Planning and Budget. These funds represent the City's distributive share of Coronavirus Local Fiscal Recovery Funds (LFRF) awarded to States by the U.S. Department of Treasury as part of the American Rescue Plan Act (ARPA). The four broad categories in which these funds can be used are as follows:

- To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel and hospitality.

- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.

- For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.

- To make necessary investments in water, sewer, or broadband infrastructure.

These funds cannot be deposited into any pension fund or be used to, directly or indirectly, offset a reduction in the net tax revenue of the City.

In preparing the financial statements, the City's management has evaluated events and transactions for potential recognition or disclosure through September 30, 2021 the date the financial statements were available for issuance.

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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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 17,061	$ 16,032	$ 16,807	$ 15,649	$ 15,853	$ 15,572
Interest	69,790	66,704	61,248	60,442	56,990	53,852
Differences between expected and actual experience	25,458	4,908	41,084	(20,090)	16,666	16,075
Benefit payments, including refunds of employee contributions	(43,961)	(51,100)	(45,609)	(45,598)	(44,336)	(1,245)
Other	5,329	-	12,283	-	-	(43,197)
Net change in total pension liability	73,677	36,544	85,813	10,403	45,173	41,057
Total pension liability, beginning	935,453	898,909	813,096	802,693	757,520	716,463
Total pension liability, ending (a)	1,009,130	935,453	898,909	813,096	802,693	757,520
Plan Fiduciary Net Position						
Contributions-employer	10,240	10,250	10,139	9,989	8,343	8,090
Net investment income	(72,196)	38,580	124,911	116,554	2,463	89,463
Benefit payments, including refunds of employee contributions	(43,961)	(51,100)	(45,609)	(45,598)	(44,336)	(43,197)
Administrative expenses	(10,389)	(10,101)	(10,044)	(10,271)	(7,234)	(7,005)
Net change in fiduciary net position	(116,306)	(12,371)	79,397	70,674	(40,764)	47,351
Plan fiduciary net position, beginning	1,085,685	1,098,056	1,018,659	947,985	988,749	941,398
Plan fiduciary net position, ending (b)	969,379	1,085,685	1,098,056	1,018,659	947,985	988,749
Net pension liability (asset), ending (a)-(b)	$ 39,751	$ (150,232)	$ (199,147)	$ (205,563)	$ (145,292)	$ (231,229)
Plan's fiduciary net position as a percentage of the total pension liability (asset)	96.06%	116.06%	122.15%	125.28%	118.10%	130.52%
Covered employee payroll	$ 639,492	$ 574,648	$ 504,792	$ 507,503	$ 474,258	$ 487,455
Net pension liability (asset) as a percentage of covered payroll	6.22%	-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

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 10,351	$ 10,203	$ 10,261	$ 10,097	$ 9,953	$ 7,807
Contributions in relation to the actuarially determined contribution	10,351	10,203	10,261	10,097	9,953	7,807
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 639,492	$ 574,648	$ 504,792	$ 507,503	$ 474,258	$ 487,455
Contributions as a percentage of covered employee payroll	1.62%	1.78%	2.03%	1.99%	2.10%	1.60%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	July 1, 2020
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	7.375%
Projected Salary Increases	2.25%
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, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
REVENUES				
Taxes				
Real property tax	$ 409,825	$ 409,825	$ 330,617	$ (79,208)
Motor vehicle taxes	13,000	13,000	7,441	(5,559)
Mobile home tax	7,500	7,500	7,052	(448)
Title advalorem tax-true up	31,000	31,000	47,124	16,124
Real estate transfer tax	600	600	1,421	821
Intangible tax	750	750	4,643	3,893
Franchise tax	94,000	94,000	89,662	(4,338)
Excise local option sales tax	20,600	20,600	25,324	4,724
Excise SPLOST	8,900	8,900	11,077	2,177
Local option sales tax	165,000	165,000	181,291	16,291
Alcoholic beverage tax	34,000	34,000	39,175	5,175
Insurance premium tax	145,000	145,000	155,563	10,563
General property tax	2,000	2,000	11,326	9,326
Fifa	1,000	1,000	3,473	2,473
Railroad equipment tax	1,060	1,060	-	(1,060)
Total taxes	934,235	934,235	915,189	(19,046)
Licenses and Permits				
General business license	13,000	13,000	28,716	15,716
Total licenses and permits	13,000	13,000	28,716	15,716
Intergovernmental				
Payment in lieu of taxes	10,899	10,899	10,899	-
Federal and State grants	-	-	90,038	90,038
Total intergovernmental	10,899	10,899	100,937	90,038
Charges for Services				
Sanitation fees	142,000	142,000	154,206	12,206
Total charges for services	142,000	142,000	154,206	12,206
Fines and Forfeitures				
Municipal court fines	200,000	200,000	88,540	(111,460)
Total fines and forfeitures	200,000	200,000	88,540	(111,460)
Use of Money and Property				
Rents	22,608	22,608	18,543	(4,065)
Total use of money and property	22,608	22,608	18,543	(4,065)
Other				
Miscellaneous	2,000	2,000	9,899	7,899
Total other	2,000	2,000	9,899	7,899
Total revenues	1,324,742	1,324,742	1,316,030	(8,712)

(Continued)

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, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
EXPENDITURES				
General government				
Mayor and City Council	6,513	6,513	6,643	130
General administration	358,027	358,027	294,673	(63,354)
Total general government	364,540	364,540	301,316	(63,224)
Public safety				
Police	527,844	527,844	470,869	(56,975)
Corrections	17,000	17,000	6,533	(10,467)
Fire	23,551	23,551	22,332	(1,219)
Total public safety	568,395	568,395	499,734	(68,661)
Public works				
Streets	194,151	194,151	176,097	(18,054)
Sanitation	143,875	143,875	143,050	(825)
Total public works	338,026	338,026	319,147	(18,879)
Culture and recreation				
Recreation	53,781	53,781	40,034	(13,747)
Total culture and recreation	53,781	53,781	40,034	(13,747)
Total expenditures	1,324,742	1,324,742	1,160,231	(164,511)
Excess of revenues over expenditures	-	-	155,799	155,799
Change in fund balance	$ -	$ -	$ 155,799	$ 155,799

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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 grant to be used for street infrastructure and housing improvements.

CDBG 2020 Fund - This fund was established to account for proceeds from a CDBG grant to be used for flood and drainage improvements and neighborhood revitalization activities.

CITY OF WARRENTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	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	CDBG 2020 Fund	
ASSETS									
Cash and cash equivalents	$ 10,056	$ 45,188	$ 332,522	$ 129,182	$ 38	$ -	$ 3,829	$ 86	$ 520,901
Intergovernmental receivables	-	-	45,978	10,090	-	-	6,075	-	62,143
Interfund receivables	543	-	-	-	-	-	-	-	543
Total assets	$ 10,599	$ 45,188	$ 378,500	$ 139,272	$ 38	$ -	$ 9,904	$ 86	$ 583,587
LIABILITIES									
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,825	$ -	$ 9,825
Interfund payables	-	-	-	-	-	-	79	86	165
Total liabilities	-	-	-	-	-	-	9,904	86	9,990
FUND BALANCES									
Restricted for:									
Public works	10,599	45,188	378,500	139,272	38	-	-	-	573,597
Total fund balances	10,599	45,188	378,500	139,272	38	-	-	-	573,597
Total liabilities and fund balances	$ 10,599	$ 45,188	$ 378,500	$ 139,272	$ 38	$ -	$ 9,904	$ 86	$ 583,587

CITY OF WARRENTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	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	CDBG 2020 Fund	
REVENUES									
Taxes	$ -	$ -	$ -	$ 57,364	$ -	$ -	$ -	$ -	$ 57,364
Intergovernmental	-	-	116,466	-	31,140	-	35,583	-	183,189
Total revenues	-	-	116,466	57,364	31,140	-	35,583	-	240,553
EXPENDITURES									
Capital outlay									
Public safety	-	3,500	-	-	-	-	-	-	3,500
Public works	2,500	2,947	-	32,753	31,140	98	35,583	-	105,021
Total expenditures	2,500	6,447	-	32,753	31,140	98	35,583	-	108,521
Excess (deficiency) of revenues over (under) expenditures	(2,500)	(6,447)	116,466	24,611	-	(98)	-	-	132,032
OTHER FINANCING USES									
Transfers out	-	(163,219)	-	-	-	-	-	-	(163,219)
Total other financing uses	-	(163,219)	-	-	-	-	-	-	(163,219)
NET CHANGE IN FUND BALANCES	(2,500)	(169,666)	116,466	24,611	-	(98)	-	-	(31,187)
FUND BALANCES, BEGINNING OF YEAR	13,099	214,854	262,034	114,661	38	98	-	-	604,784
FUND BALANCES, END OF YEAR	$ 10,599	$ 45,188	$ 378,500	$ 139,272	$ 38	$ -	$ -	$ -	$ 573,597

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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)
GRANT NUMBER 19b-x-149-2-6096
FOR THE YEAR ENDED DECEMBER 31, 2020

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 19b-x-149-2-6096					
Acquisition	$ 24,000	$ 750	$ 378	$ 1,128	none
Engineering	11,372	5,461	30,140	35,601	none
Flood/Drainage	596,163	-	-	-	none
Clearance	64,800	-	-	-	none
Rehabilitation	18,854	-	-	-	none
Reconstruction	185,687	-	-	-	none
Administration	62,650	19,547	2,500	22,047	none
	$ 963,526	$ 25,758	$ 33,018	$ 58,776	

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	29,508
Funds still available from program year 2019 resources	$ 934,018
Total program year 2019 funds drawn and received by recipient	$ 29,508
Less funds applied and expended to program year 2019 costs	25,758
Total program year 2019 funds held by recipient	$ 3,750

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 COMMUNITY DEVELOPMENT BLOCK GRANT
PROJECT COSTS AND SOURCE AND APPLICATION OF FUNDS (CASH BASIS)
GRANT NUMBER 20b-x-149-2-6167
FOR THE YEAR ENDED DECEMBER 31, 2020

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 20b-x-149-2-6167					
Acquisition	$ 40,000	$ -	$ -	$ -	none
Clearance	50,000	-	-	-	none
Street Improvements	121,170	-	-	-	none
Flood & Drainage	337,251	-	-	-	none
Pedestrian Walkways	113,280	-	-	-	none
Rehabilitation of Private Properties	111,014	-	-	-	none
Reconstruction of Private Properties	167,285	-	-	-	none
Administration	60,000	-	-	-	none
	$ 1,000,000	$ -	$ -	$ -	

Source of other funds: local match

Source and Application of Funds	
Grant Number 20b-x-149-2-6167	
Total program year 2020 funds allocated to recipient	$ 1,000,000
Less total program year 2020 funds drawn by recipient	-
Funds still available from program year 2020 resources	$ 1,000,000
Total program year 2020 funds drawn and received by recipient	$ -
Less funds applied and expended to program year 2020 costs	-
Total program year 2020 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 SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2020

Projects:	Original Estimated Cost	Prior Years	Current Year	Total To Date	Estimated Percentage of Completion
SPLOST 2007 - 2012					
Water improvements	$ 275,195	$ 227,814	$ -	$ 227,814	82.78%
Roads, streets, and bridges	30,241	65,755	2,500	68,255	225.70%
Public safety facilities	36,416	59,188	-	59,188	162.53%
	$ 341,852	$ 352,757	$ 2,500	$ 355,257	
SPLOST 2012 - 2017					
Water sewer projects	$ 374,400	$ 131,074	$ 163,219	$ 294,293	78.60%
Roads, streets, and bridges	28,800	56,788	2,947	59,735	207.41%
Public safety facilities	54,400	17,373	3,500	20,873	38.37%
	$ 457,600	$ 205,235	$ 169,666	$ 374,901	
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
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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, 2020 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 30, 2021.

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. However, material weaknesses may exist that have not been identified.

(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 2020-001.

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 30, 2021

CITY OF WARRENTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

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?	_____	Yes	X	None reported
Noncompliance material to financial statements noted?	X	Yes	_____	No

SECTION II. FINANCIAL STATEMENT FINDINGS

ITEM 2020-001: 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, 2020.

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.

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, 2020 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 5.0% 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, 2020

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.

Recommendation: We recommended 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 completed its integration of the utility billing module with its general ledger software in 2021 and is currently developing policies and procedures to insure that all monthly billings are properly recorded in the general ledger.

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.

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 rate increase of 5.0% in February 2020 and in. July 2020, approved a new rate schedule that bills customers based on meter size rather than the traditional designations of residential, commercial, and industrial.

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