

CITY OF GUYTON, GEORGIA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

**City of Guyton, Georgia
Audit of Financial Statements
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Guyton, Georgia

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 Guyton, Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guyton, Georgia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 40 and 41, and the Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on pages 42 and 43 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 the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Guyton, Georgia's basic financial statements. The combining and individual fund statements and schedules and schedule of projects paid with special purpose local option sales tax proceeds are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and schedule of projects paid with special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and schedule of projects paid with special purpose local option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of the City of Guyton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Guyton, Georgia's internal control over financial reporting and compliance.

Lanier, Dahl & Proctor

Statesboro, Georgia
September 29, 2020

City of Guyton, Georgia
Statement of Net Position
June 30, 2019

		Primary Government		
		Governmental Activities	Business-type Activities	Total
Assets				
Current assets:				
Cash and cash equivalents		\$ 758,014	\$ 865,316	\$ 1,623,330
Receivables:				
Accounts		10,625	41,374	51,999
Taxes		58,897		58,897
Intergovernmental		106,660		106,660
Interfund		398,119	(398,119)	
Other			46,560	46,560
Prepaid items		42,707	7,816	50,523
Restricted assets:				
Cash and cash equivalents		1,660,567		1,660,567
Capital assets:				
Nondepreciable capital assets		199,901	2,127,513	2,327,414
Depreciable capital assets, net		1,556,868	10,806,371	12,363,239
Other assets:				
Net pension asset		137,589		137,589
Total assets		4,929,947	13,496,831	18,426,778
Deferred outflows of resources				
Pension:				
Contributions after measurement date		4,591		4,591
Changes in assumptions		5,532		5,532
Deferred charge on refunding of bonds			407,136	407,136
Total deferred outflows of resources		10,123	407,136	417,259
Liabilities				
Current liabilities:				
Accounts payable		96,951	29,739	126,690
Accrued salaries and wages		3,295	1,275	4,570
Accrued interest payable		6,278	108,518	114,796
Unearned revenue		25,908		25,908
Compensated absences payable		2,576	76	2,652
Bonds payable			90,000	90,000
Capital leases payable		34,830		34,830
Long-term liabilities:				
Bonds payable (net of current portion)			8,635,000	8,635,000
Premium on notes payable (net of amortization)			482,334	482,334
Capital leases payable (net of current portion)		147,093		147,093
Total liabilities		316,931	9,346,942	9,663,873
Deferred inflows of resources				
Pension:				
Difference between projected and actual earnings on plan investments		34,855		34,855
Difference between expected and actual experience		63,350		63,350
Changes of assumptions		1,658		1,658
Total deferred inflows of resources		99,863	0	99,863
Net Position				
Net investment in capital assets		1,574,846	4,641,216	6,216,062
Restricted for:				
Capital projects		1,399,328		1,399,328
Debt service		142,677		142,677
Public safety		195,075		195,075
Unrestricted		1,211,350	(84,191)	1,127,159
Total net position		\$ 4,523,276	\$ 4,557,025	\$ 9,080,301

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Capital Projects Funds - SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents				
Unrestricted	\$ 758,014			\$ 758,014
Restricted		\$ 901,986	\$ 758,581	1,660,567
Receivables				
Accounts	10,625			10,625
Taxes	58,897			58,897
Intergovernmental	34,025	72,635		106,660
Interfund balances	405,135		6,987	412,122
Prepaid items	36,187		6,520	42,707
Total assets	\$ 1,302,883	\$ 974,621	\$ 772,088	\$ 3,049,592
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 95,539		\$ 1,412	\$ 96,951
Accrued salaries and wages	2,703		592	3,295
Interfund balances	6,987	\$ 7,016		14,003
Unearned revenues	25,908			25,908
Total liabilities	131,137	7,016	2,004	140,157
Deferred inflows of resources				
Property taxes	8,633			8,633
Intergovernmental		609		609
Total deferred inflows of resources	8,633	609	0	9,242
Total liabilities and deferred inflows of resources	139,770	7,625	2,004	149,399
Fund balances				
Nonspendable - prepaid items	36,187		6,520	42,707
Restricted for:				
Capital projects	72,410	966,996	432,332	1,471,738
Debt service			142,677	142,677
Public safety			188,555	188,555
Unassigned	1,054,516			1,054,516
Total fund balances	1,163,113	966,996	770,084	2,900,193
Total liabilities, deferred inflows of resources and fund balances	\$ 1,302,883	\$ 974,621	\$ 772,088	\$ 3,049,592

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2019

Total governmental fund balances \$ 2,900,193

Amounts reported for governmental activities in the statement of net position are different because:

Property taxes and intergovernmental revenues are deferred in the governmental funds because they are not available but they are reported as revenue in the statement of activities:

Property taxes		8,633
Intergovernmental		609

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	\$ 3,998,060		
Less accumulated depreciation	<u>(2,241,291)</u>		1,756,769

The deferred outflows of resources below are not current assets or financial resources and the deferred inflows resources are not due and payable in the current period and therefore are not reported in the governmental funds. Balances at June 30, 2019, are:

Deferred outflows		10,123
Deferred inflows		(99,863)

Accrued interest on long-term debt is not reported at the fund financial reporting level, but is reported at the government-wide reporting level.

(6,278)

Liabilities, including notes payable and compensated absences, are not due and payable in the current period and therefore are not reported in the fund financial reporting level, however are reported at the government-wide reporting level:

Capital leases payable	\$ (181,923)		
Compensated absences	(2,576)		
Net pension asset	<u>137,589</u>		<u>(46,910)</u>

Net position of governmental activities **\$ 4,523,276**

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Capital Projects Funds - SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 739,055			\$ 739,055
Licenses and permits	63,633			63,633
Intergovernmental	41,123	\$ 293,269	\$ 66,266	400,658
Charges for services	197,102		86,744	283,846
Fines and forfeitures	49,280			49,280
Investment income	1,467		52	1,519
Miscellaneous	38,018		376	38,394
Total revenues	<u>1,129,678</u>	<u>293,269</u>	<u>153,438</u>	<u>1,576,385</u>
Expenditures				
Current:				
General government				
Administration	338,492			338,492
Other governmental services	180,792			180,792
Public safety				
Police	203,413			203,413
Fire			86,972	86,972
Public works				
Streets and lanes	177,807			177,807
Sanitation	171,239			171,239
Parks and recreation				
Leisure services	22,261			22,261
Historic preservation	78			78
Capital Outlays		38,841		38,841
Debt service:				
Principal	14,731		8,453	23,184
Interest and fiscal charges	3,534		3,753	7,287
Total expenditures	<u>1,112,347</u>	<u>38,841</u>	<u>99,178</u>	<u>1,250,366</u>
Excess of revenues to expenditures	<u>17,331</u>	<u>254,428</u>	<u>54,260</u>	<u>326,019</u>
Other financing uses -				
Interfund transfers		<u>(82,088)</u>	<u>(17,884)</u>	<u>(99,972)</u>
Net change in fund balances	17,331	172,340	36,376	226,047
Fund balances beginning of year	<u>1,145,782</u>	<u>794,656</u>	<u>733,708</u>	<u>2,674,146</u>
Fund balances end of year	<u>\$ 1,163,113</u>	<u>\$ 966,996</u>	<u>\$ 770,084</u>	<u>\$ 2,900,193</u>

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019*

Net change in fund balances - total governmental funds \$ 226,047

**Amounts reported for governmental activities in the
statement of activities are different because:**

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.

Depreciation expense	\$ (165,007)	
Capital outlay	<u>79,646</u>	(85,361)

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred at 06/30/2019	\$ 8,633	
Deferred at 06/30/2018	<u>(8,737)</u>	(104)

Intergovernmental revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred at 06/30/2019	\$ 609	
Deferred at 06/30/2018	<u>(18,338)</u>	(17,729)

Interest expense on long-term debt reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.

Liability at 06/30/2019	\$ (6,278)	
Liability at 06/30/2018	<u>280</u>	(5,998)

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces liabilities in the statement of net position.

23,184

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences at 06/30/2019	\$ (2,576)	
Compensated absences at 06/30/2018	<u>5,424</u>	<u>2,848</u>

Net pension asset reported in the statement of activities does not provide/require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net pension asset		
Asset balance at 06/30/2019	\$ 137,589	
Asset balance at 06/30/2018	(100,693)	
Deferred inflows/outflows of resources from pensions		
Balance at 06/30/2019	(89,740)	
Balance at 06/30/2018	<u>83,917</u>	<u>31,073</u>

Change in net position of governmental activities \$ 173,960

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2019

	Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents	\$ 865,316
Receivables:	
Accounts	41,374
Other	46,560
Prepaid expenses	7,816
Total current assets	961,066
Noncurrent assets:	
Capital assets:	
Nondepreciable capital assets	2,127,513
Depreciable capital assets, net	10,806,371
Total noncurrent assets	12,933,884
Total assets	13,894,950
Deferred outflows of resources	
Deferred charge on refunding of bonds	407,136
Liabilities	
Current Liabilities	
Accounts payable	29,739
Accrued salaries and wages	1,275
Accrued interest payable	108,518
Interfund balances	398,119
Compensated absences	76
Notes payable	90,000
Total current liabilities	627,727
Long-term liabilities:	
Notes payable (net of current portion)	8,635,000
Premium on notes payable (net of amortization)	482,334
Total long-term liabilities	9,117,334
Total liabilities	9,745,061
Net Position	
Net investment in capital assets	4,641,216
Unrestricted	(84,191)
Total net position	\$ 4,557,025

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
*Statement of Revenues,
Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019*

	Water and Sewer
Operating revenues	
Charges for services	\$ 774,456
Connection fees	173,375
Miscellaneous	85,480
Total operating revenues	1,033,311
Operating expenses	
Salaries	133,643
Payroll taxes	12,002
Professional fees	150,535
Utilities	55,097
Maintenance - repairs	40,335
Supplies	33,071
Postage	6,942
Chlorine	1,865
Insurance	19,142
Bad debts	14,834
Miscellaneous	24,296
Depreciation	342,363
Total operating expenses	834,125
Operating income	199,186
Non-operating revenues (expenses)	
Gain on sale of timber	56,413
Investment earnings	16
Interest expense and fiscal fees	(317,876)
Total non-operating expenses	(261,447)
Loss before transfers	(62,261)
Interfund transfers	
Transfer from SPLOST fund	82,088
Transfer from 2015 CDBG fund	25
Transfer from construction trust fund	26,759
Transfer to debt service trust fund	(405,750)
Transfer from debt service trust fund	396,850
Total interfund transfers	99,972
Change in net position	37,711
Net position beginning of year	4,519,314
Net position end of year	\$ 4,557,025

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Water and Sewer</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities	
Cash received from customers	\$ 1,099,996
Cash payments to employees for personal services	(147,961)
Cash payments for goods and services	<u>(400,415)</u>
Net cash provided by operating activities	<u>551,620</u>
Cash flows from noncapital financing activities	
Interfund balances	<u>104,099</u>
Cash flows from capital and related financing activities	
Interfund transfers for capital asset projects	
From SPLOST Capital Projects Fund	82,088
From 2015 CDBG Fund	25
From Construction Trust Fund	26,759
To Debt Service Trust	(405,750)
From Debt Service Trust	396,850
Proceeds from sale of timber	56,413
Principal paid on notes	(65,000)
Interest and fiscal fees paid on debt	(331,850)
Payments for capital acquisitions	<u>(127,010)</u>
Net cash used for capital and related financing activities	<u>(367,475)</u>
Cash flows from investing activities	
Investment earnings	<u>16</u>
Net increase in cash and cash equivalents	288,260
Cash and cash equivalents beginning of year	<u>577,056</u>
Cash and cash equivalents end of year	<u>\$ 865,316</u>

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

(continued)

	<u>Water and Sewer</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 199,186
Adjustments:	
Depreciation and amortization	342,363
(Increase) decrease in assets	
Accounts receivable	66,685
Other receivable	(46,560)
Prepaid expense	347
Increase (decrease) in liabilities:	
Accounts payable	(8,085)
Accrued salaries and wages	369
Compensated absences payable	<u>(2,685)</u>
Net cash provided by operating activities	\$ <u>551,620</u>

The accompanying notes are an integral part of the financial statements.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Guyton, Georgia (the City) was incorporated under the provisions of Georgia law in 1887. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, sanitation, planning and zoning, water and sewer, and various administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles applicable to governments (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

The City has no component units and there are no organizations which have been excluded from the reporting entity.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government is presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; and (2) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns on the fund statements.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

Governmental Funds - Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

The General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

The SPLOST Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of capital projects under the Special Local Option Sales Tax referendum.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following is the City's major enterprise fund:

Water and Sewer Fund – This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer services to City residents.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are deferred for grants and entitlements received before the eligibility requirements are met (e.g., cash advances).

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Assets, Liabilities and Fund Equity

Cash, Cash Equivalents - Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

Receivables - All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges are accrued as receivables and revenue at June 30, 2019. The general fund and water and sewer enterprise fund reported an allowance of \$2,803 and \$14,834, respectively, at June 30, 2019.

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

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. In the enterprise fund statements and in the government-wide statements, assets purchased with capital leases are capitalized as capital assets and depreciated over their estimated useful lives.

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The City has capitalized only those infrastructure costs incurred in the years subsequent to June 30, 2003. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

Asset Class	Estimated Useful Lives	
	Governmental Activities	Business-type Activities
Buildings and improvements	30-50 Years	
Machinery and equipment	5-10 years	7-10 Years
Furniture and fixtures	5 years	
Office equipment	5 years	
Vehicles	5-8 years	5 Years
Infrastructure	3-10 years	
Water System		50 Years
Sewer collection system		50 Years

Compensated Absences - Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports total compensated absence liability at the fund level, if applicable. Governmental funds report compensated absence liability at the fund reporting level only "when due."

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums, Discounts and Issuance Costs - On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Bond issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

Fund Equity - Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level action to remove or change the constraint.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

Net Position - Net position represents the difference between assets and liabilities. The net position component, "net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The balance of net position is reported as unrestricted.

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

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital - Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

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

Comparative Data - Comparative total data for the prior year has been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

Note 2 – Stewardship, Compliance and Accountability

Budgetary Information

The City adopts an annual operating budget for the general fund, capital projects fund and the special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general, capital projects and special revenue fund's budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

Transfer of budget amounts can occur within departments. All unexpended annual appropriations lapse at year-end.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations for the year ended June 30, 2019, in the following departments for the general fund:

Administration	69,131
Other governmental services	16,458
Streets and lanes	4,938
Sanitation	11,239

The overexpenditures in these areas were funded by underexpenditures in other areas and excess revenues over amounts budgeted.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 3 - Cash and Cash Equivalents

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk; however, as of June 30, 2019, the government is not exposed to custodial credit risk.

Note 4 - Receivables

Receivables at June 30, 2019, consisted of taxes, intergovernmental, interest, accounts (billings for user charges), and other (insurance proceeds and reimbursements for third-party damages to water system).

Receivables and payables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Note 5 - Property Taxes

The City Council levies property taxes on or about July 15th of each year. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are usually billed on or about September 15th of each year and are payable within sixty days. The Effingham County Tax Commissioner bills and collects the City's property taxes and City property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For 2018, property taxes were levied on August 7, 2018. Property tax bills were mailed on September 15, 2018, and were due November 15, 2018. The lien date was December 1, 2018.

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 6 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2019, was as follows:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>199,901</u>			\$ <u>199,901</u>
Depreciable capital assets:				
Buildings	799,938			799,938
Machinery and equipment	659,837	\$ 2,460	\$ 116,534	545,763
Vehicles	578,520	37,154	23,982	591,692
Furniture & fixtures	36,959		7,550	29,409
Office equipment	92,314	25,254	17,321	100,247
Infrastructure	<u>1,716,332</u>	<u>14,778</u>		<u>1,731,110</u>
Total depreciable capital assets	<u>3,883,900</u>	<u>79,646</u>	<u>165,387</u>	<u>3,798,159</u>
Total capital assets	<u>4,083,801</u>	<u>79,646</u>	<u>165,387</u>	<u>3,998,060</u>
Accumulated depreciation:				
Buildings	324,207	22,106		346,313
Machinery and equipment	555,606	46,165	116,534	485,237
Vehicles	540,152	17,246	23,982	533,416
Furniture & fixtures	31,268	2,264	7,550	25,982
Office equipment	30,196	14,230	17,321	27,105
Infrastructure	<u>760,242</u>	<u>62,996</u>		<u>823,238</u>
Total accumulated depreciation	<u>2,241,671</u>	<u>165,007</u>	<u>165,387</u>	<u>2,241,291</u>
Governmental activities capital assets, net	\$ <u>1,842,130</u>	\$ <u>(85,361)</u>	\$ <u>0</u>	\$ <u>1,756,769</u>
Governmental activities depreciation expense:				
General government		\$ 22,170		
Public safety - police		13,572		
Public safety - fire		46,315		
Public works - streets		56,152		
Parks and recreation		<u>26,798</u>		
Total governmental activities depreciation expense		<u>\$ 165,007</u>		

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 6 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended June 30, 2019, was as follows:

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and rights	\$ 2,127,513			\$ 2,127,513
Depreciable capital assets:				
Improvements - not building	13,285,834	23,809		13,309,643
Machinery and equipment	540,492	103,201		643,693
Office equipment	12,070		7,584	4,486
Total depreciable capital assets	<u>13,838,396</u>	<u>127,010</u>	<u>7,584</u>	<u>13,957,822</u>
Total capital assets	<u>15,965,909</u>	<u>127,010</u>	<u>7,584</u>	<u>16,085,335</u>
Accumulated depreciation:				
Improvements - not building	2,431,842	305,283		2,737,125
Machinery and equipment	375,701	35,526		411,227
Office equipment	9,129	1,554	7,584	3,099
Total accumulated depreciation	<u>2,816,672</u>	<u>342,363</u>	<u>7,584</u>	<u>3,151,451</u>
Water and sewer capital assets, net	<u>\$ 13,149,237</u>	<u>\$ (215,353)</u>	<u>\$ 0</u>	<u>\$ 12,933,884</u>

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 7 - Interfund Balances and Transfers

Interfund balances at June 30, 2019, consisted of the following:

General fund receivable from SPLOST capital projects fund for general fund deposits erroneously deposited in SPLOST capital projects fund.	\$ 7,016
General fund receivable from water and sewer fund for various expenses paid by general fund	\$ 398,119
Fire fund receivable from general fund for revenues received into the general fund but not remitted to the fire fund before year end.	\$ 6,987

Interfund transfers for the year ended June 30, 2019, consisted of the following.

Transfer from SPLOST Fund to the Water and Sewer Fund for qualified water and sewer capital additions paid for by the SPLOST Fund.	\$ 82,088
Transfer from 2015 CDBG Fund to the Water and Sewer Fund for qualified water and sewer capital additions paid for by the 2015 CDBG Fund.	\$ 25
Transfer from Construction Trust Fund to the Water and Sewer Fund for qualified water and sewer capital additions paid for by the Construction Trust Fund	\$ 26,759
Transfer from the Water and Sewer Fund to the Debt Service Trust Fund to provide funds to meet debt service requirements.	\$ 405,750
Transfer from the Debt Service Trust Fund to the Water and Sewer Fund to make debt service payments due in current year.	\$ 396,850

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 8 - Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources in the form of expenditures until that time. Deferred charges on the refunding of bonds are reported in this category in the proprietary fund statement of net position and the government-wide statement of net position. Additionally, the differences between expected and actual experience and changes in assumptions related to pensions and the contributions made to the pension plan after the measurement date qualify for reporting in this category in the government wide statement of net position.

In addition to liabilities, the financial statements of the City will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources in the form of revenue until that time. The portion of property taxes and intergovernmental revenues that are not available for use (not received within 60 days subsequent to year end) are reported as deferred inflows of resources in the governmental funds balance sheet. This element is not present in the government-wide statement of net position. The changes in assumptions, the net difference between projected and actual earnings on investments and the difference between expected and actual experience related to pensions are the only items the City has that qualify for reporting in this category in the government-wide statement of net position for governmental activities.

Note 9 - Long-Term Liabilities

Governmental Activities

General Obligation Debt

General obligation debt at June 30, 2019, is comprised of the following.

Capital Leases - The City has entered into capital leases for various pieces of property and equipment. These leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. Assets recorded under capital leases are capitalized and depreciated over the estimated useful life of the asset. This depreciation is included in depreciation expense recorded in the enterprise funds and in the government wide statement of activity.

Capital lease payable to Branch Banking and Trust Company, Inc., in equal annual payments of approximately \$12,619 through July, 2022 including interest at 3.17%. This lease was used to purchase a vehicle for the fire department with a cost of \$108,000. The equipment acquired by the lease is included in the governmental activities general capital assets in the amount of \$-0- (cost of \$108,000 less accumulated depreciation of \$108,000). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of June 30, 2019, follow:

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 9 - Long-Term Liabilities (continued)

Year	Principal	Interest	Total
2020	\$ 10,849	\$ 1,770	\$ 12,619
2021	11,267	1,352	12,619
2022	11,700	919	12,619
2023	12,151	468	12,619
Total	<u>\$ 45,967</u>	<u>\$ 4,509</u>	<u>\$ 50,476</u>

Capital lease payable to Branch Banking and Trust Company, Inc., in equal annual payments of approximately \$12,144 through September, 2025 including interest at 4.06%. This lease was used to purchase a vehicle for the fire department with a cost of \$159,382. The equipment acquired by the lease is included in the governmental activities general capital assets in the amount of \$39,847 (cost of \$159,382 less accumulated depreciation of \$119,535). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of June 30, 2019, follow:

Year	Principal	Interest	Total
2020	\$ 8,671	\$ 3,473	\$ 12,144
2021	9,098	3,046	12,144
2022	9,547	2,597	12,144
2023	10,017	2,127	12,144
2024	10,511	1,633	12,144
2025-2026	22,602	1,686	24,288
Total	<u>\$ 70,446</u>	<u>\$ 14,562</u>	<u>\$ 85,008</u>

Capital lease payable to Georgia Municipal Association in equal annual payments of approximately \$18,265 through November 2023 including interest at 3.71%. The purpose of the lease is the purchase of city-wide financial reporting software and pre-pay the related maintenance contract. The asset acquired by the lease is included in the governmental activities general capital assets in the amount of \$54,790 (cost of \$63,595 less accumulated depreciation of \$8,805). The outstanding balance of the corresponding liabilities is included in the governmental activities general long-term debt. Annual debt service requirements to amortize this capital lease as of June 30, 2019, follow:

Year	Principal	Interest	Total
2020	\$ 15,310	\$ 2,955	\$ 18,265
2021	16,001	2,264	18,265
2022	16,723	1,542	18,265
2023	17,476	789	18,265
Total	<u>\$ 65,510</u>	<u>\$ 7,550</u>	<u>\$ 73,060</u>

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 9 - Long-Term Liabilities (continued)

Business Type Activities

Water & Sewer Refunding and Improvement Revenue Bonds, "Series 2011 Bonds"

Issued on August 25, 2011, in the amount of \$9,565,000 for the refunding of all outstanding water and sewer related bonds and the construction of a waste water treatment facility. The bonds have maturity dates ranging from March 1, 2012, to March 1, 2041, in varying amounts. Interest is payable at varying rates ranging from 2.0% to 4.8% based on bond maturity. The bonds are secured by direct revenues of the water/sewer system.

Bond refunding - All of the Series 2011 Bonds were advance refunded on February 23, 2017, with Series 2017 bonds because of the decrease in interest rates.

Water and Sewer Refunding Revenue Bonds, Series 2017

Issued on February 23, 2017, in the amount of \$8,845,000 for the advance refunding of the remaining Series 2011 bonds. See Note 9 for further information of the refunding of bonds. The bonds have maturity dates ranging from March 1, 2016, through March 1, 2041, in varying amounts. Interest is payable at varying rates ranging from 2.0% to 4.0% based on bond maturity. The bonds were issued at a premium of \$596,870 which, net of accumulated amortization of \$114,536, is reported in the statement of net position at a value of \$482,334. The bonds are secured by direct revenues of the water/sewer system.

As of June 30, 2019, debt service requirement to maturity are as follows.

Year	Principal	Interest	Total
2020	\$ 90,000	\$ 330,550	\$ 420,550
2021	90,000	328,750	418,750
2022	140,000	326,950	466,950
2023	165,000	324,150	489,150
2024	230,000	320,850	550,850
2025-2029	1,725,000	1,455,375	3,180,375
2030-2034	2,270,000	1,058,775	3,328,775
2035-2039	2,755,000	567,375	3,322,375
2040-2041	1,260,000	68,875	1,328,875
Total	<u>\$ 8,725,000</u>	<u>\$ 4,781,650</u>	<u>\$ 13,506,650</u>

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 9 - Long-Term Liabilities (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended June 30, 2019:

	Outstanding 6/30/2018	Additions	Reductions	Outstanding 6/30/2019	Amounts due in one year
Governmental activities					
Capital leases payable					
Branch Banking and Trust	\$ 45,967			\$ 45,967	\$ 10,849
Branch Banking and Trust	78,898		\$ 8,452	70,446	8,671
Georgia Municipal Assoc.	80,242		14,732	65,510	15,310
Compensated absences	5,424	\$ 9,729	12,577	2,576	2,576
Total governmental activities	<u>\$ 210,531</u>	<u>\$ 9,729</u>	<u>\$ 35,761</u>	<u>\$ 184,499</u>	<u>\$ 37,406</u>
Business-type activities					
Water & Sewer Refunding & Improvement Bonds - "Series 2017 Bonds"					
	\$ 8,790,000		\$ 65,000	\$ 8,725,000	\$ 90,000
Compensated absences	2,761	\$ 4,946	7,631	76	76
Total business-type activities	<u>\$ 8,792,761</u>	<u>\$ 4,946</u>	<u>\$ 72,631</u>	<u>\$ 8,725,076</u>	<u>\$ 90,076</u>

The governmental activities notes payable are being financed through future general fund and fire special revenue expendable available financial sources as they become due. Principal and interest payments related to the City's water and sewer bonds fund are financed from income derived from the operation of the water and sewer system.

The compensated absences liability will be paid from the fund from which the employee's salaries are paid. Generally, the compensated absences liability has been liquidated by the general fund and the water and sewer fund in the prior year.

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 9 - Long-Term Liabilities (continued)

Total interest incurred (all of which was charged to operations) in the government-wide financial statements amounted to \$13,285 for governmental activities and \$317,876 for business-type activities.

Note 10 - Refunding of Bonds

On February 23, 2017, the City issued City of Guyton Water and Sewer Refunding Revenue Bonds, Series 2017, in the amount of \$8,845,000, with interest rates ranging between 2.00% and 4.00%. The City used the bonds to advance refund the Series 2011 bonds, with interest rates varying from 2.0% to 4.80%. The City deposited the net proceeds in an irrevocable trust to purchase U.S. government securities to provide for all future debt service on the aforementioned bond series. As a result, the refunded bonds are considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,050,000 at June 30, 2019.

Note 11 - Pension

General Information About the Pension Plan

Plan Description - All full-time city employees are eligible to participate in the Georgia Municipal Employees Benefit System (GMEBS) which is an agent multiple employer defined benefit plan administered by the Georgia Municipal Association which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by state statute and an adoption agreement executed by City Council. The Georgia Municipal Association issues a publicly available annual report that includes financial statements and required supplementary information for the Georgia Municipal Employees Benefit System Retirement Trust. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia, 30303.

Benefits Provided - GMEBS provides retirement, disability benefits and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with 5 years of total service are eligible to retire at age 65 and with ten years of total service are eligible to retire at age 55 with full benefits.

Employees Covered - At June 30, 2019, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	2
Active employees	8
Total	14

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 11 - Pension (continued)

Contributions - The City's employee's participation is noncontributory. The City is subject to minimum standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). Policy set by the City for contributing the annual pension expense exceeds the minimum requirements. Employer contribution rates are determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate.

The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The City's contributions to the plan were \$6,121 for the year ended June 30, 2019.

Net Pension Liability

The City's net pension liability (NPL) for the plan is measured as the total pension liability (TPL), less the pension plan's fiduciary net position (FNP). The net pension liability of the plan is measured as of September 30, 2018, using an annual actuarial valuation as of January 1, 2019. a summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	January 1, 2019
Measurement date	September 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of ten years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20 % of market value.
Discount rate	7.50%
Inflation rate	2.75%
Net investment rate of return	7.50%
Projected salary increase	2.75% plus service based merit increases
Cost of living adjustments	Not applicable
Postretirement benefit increase	Not applicable

The underlying mortality assumptions and all other actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through June 30, 2014. Further details of the experience study can be obtained by contacting the Georgia Municipal Association.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 11 - Pension (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The discount rate remained unchanged since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 September 30, 2018, (see the discussion of the pension plan's investment policy) are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	45%	6.40%
International equity	20%	7.40%
Real estate	10%	5.10%
Global fixed income	5%	3.03%
Domestic fixed income	20%	1.75%
Cash	0%	
Total	<u>100%</u>	

Changes in Net Pension Liability

The changes in the Net Pension Liability for the plan are as follows:

	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
Balances as of September 30, 2017	\$ <u>492,469</u>	\$ <u>593,162</u>	\$ <u>(100,693)</u>
Changes for the year:			
Service cost	11,861		11,861
Interest	36,788		36,788
Differences between expected and actual experience	(15,664)		(15,664)

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 11 - Pension (continued)

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
Contributions - employer		14,943	(14,943)
Net investment income		58,450	(58,450)
Benefit payments	(27,659)	(27,659)	0
Administrative expense		(3,512)	3,512
Net changes	5,326	42,222	(36,896)
Balances as of September 30, 2018	\$ 497,795	\$ 635,384	\$ (137,589)

Sensitivity of the Net Pension Liability (Asset) to changes in the discount rate is as follows:

	Current Discount Rate (7.50%)		
1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)	
\$ (89,664)	\$ (137,589)	\$ (179,145)	

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized negative pension expense of \$24,952. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ (63,350)
Pension contributions subsequent to measurement date	\$ 4,591	
Changes of assumptions	5,532	(1,658)
Net difference between projected and actual earnings on pension plan investments		(34,855)
Total	\$ 10,123	\$ (99,863)

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 11 - Pension (continued)

\$4,591 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:		
2020	\$	(30,537)
2021		(36,621)
2022		(18,999)
2023		(8,174)
	\$	<u>(94,331)</u>

Note 12 - Net Investment in Capital Assets

Net investment in capital assets on the government-wide statement of net position as of June 30, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Cost of capital assets	\$ 3,998,060	\$ 16,085,335
Less accumulated depreciation	<u>2,241,291</u>	<u>3,151,451</u>
Book value	<u>1,756,769</u>	<u>12,933,884</u>
Less capital related debt		
Total debt	181,923	8,725,000
Less bond proceeds held in escrow for sewer system expansion		(432,332)
	<u>181,923</u>	<u>8,292,668</u>
Net investment in capital assets	<u>\$ 1,574,846</u>	<u>\$ 4,641,216</u>

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City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions; and workers compensation for which the City carries the following insurance coverages.

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the city in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2019. No provisions have been made in the financial statements for the year ended June 30, 2019, for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Note 14 - Commitments and Contingencies

Operating leases - The following is a schedule by years of future minimum rental payments under an operating lease which has noncancelable lease terms as of June 30, 2019.

For the year ended June 30,

2020	\$	2,640
2021		440
	\$	<u>5,720</u>

Lease expense relating to operating leases was \$2,640 for 2019.

Federal Grant Audits - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

City of Guyton, Georgia
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

Note 15 - Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (CRC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the CRC in Georgia. The CRC 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 a CRC. Separate financial statements may be obtained from Coastal Regional Commission of Georgia, 1181 Coastal Drive SW, Darien, GA 31305.

Note 16 - Subsequent Events

Subsequent events have been evaluated by management through September 29, 2020, which is the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruptions through mandated and voluntary closings. The related impact on the City and duration cannot be reasonably estimated at this time.

Required Supplementary Information

City of Guyton, Georgia
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 711,700	\$ 711,700	\$ 739,055	\$ 27,355
Licenses and permits	72,150	72,150	63,633	(8,517)
Intergovernmental	58,690	58,690	41,123	(17,567)
Charges for services	183,600	183,600	197,102	13,502
Fines and forfeitures	58,800	58,800	49,280	(9,520)
Investment earnings			1,467	1,467
Miscellaneous	13,400	13,400	38,018	24,618
Total revenues	<u>1,098,340</u>	<u>1,098,340</u>	<u>1,129,678</u>	<u>31,338</u>
Expenditures				
Current:				
General government				
Administration	284,576	287,626	356,757	(69,131)
Other governmental services	210,953	164,334	180,792	(16,458)
Public Safety - police	284,286	284,286	203,413	80,873
Public works				
Streets and lanes	132,300	172,869	177,807	(4,938)
Sanitation	160,000	160,000	171,239	(11,239)
Parks and recreation				
Leisure services	23,350	26,350	22,261	4,089
Historic preservation	2,875	2,875	78	2,797
Total expenditures	<u>1,098,340</u>	<u>1,098,340</u>	<u>1,112,347</u>	<u>(14,007)</u>
Excess (deficit) of revenues to expenditures	<u>\$ 0</u>	<u>\$ 0</u>	17,331	<u>\$ 17,331</u>
Fund balance beginning of year			<u>1,145,782</u>	
Fund balance end of year			<u>\$ 1,163,113</u>	

See the accompanying notes to the required supplementary information.

City of Guyton, Georgia
Notes to the Required Supplementary Information
Budget to Actual Comparisons
For the Year Ended June 30, 2019

Note 1 - Budgetary Information

The City adopts an annual operating budget for the general fund, each special revenue fund, and each capital projects fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approved two budget revisions.

All unexpended annual appropriations lapse at year-end.

	<u>Financial Statement</u>	<u>Budgetary Adjustment</u>	<u>Budget</u>
General fund			
General government - Administration	\$ 338,492	\$ 18,265	\$ 356,757
Debt service			
Principal	14,731	(14,731)	0
Interest and fiscal charges	<u>3,534</u>	<u>(3,534)</u>	<u>0</u>
	<u>\$ 356,757</u>	<u>\$ 0</u>	<u>\$ 356,757</u>

City of Guyton, Georgia
Schedule of Changes in the Net Pension Liability and Related Ratios
Defined Benefit Pension Plan
For the Year Ended June 30, 2019

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 11,861	\$ 13,551	\$ 17,751	\$ 14,276	\$ 14,706
Interest	36,788	36,222	35,225	38,030	35,985
Difference between expected and actual experience	(15,664)	(21,062)	(19,089)	(72,387)	(10,856)
Changes in assumptions		8,297			(5,805)
Benefit payments, including refunds of employee contributions	(27,659)	(23,829)	(18,225)	(13,994)	(1,302)
Net change in total pension liability	5,326	13,179	15,662	(34,075)	32,728
Total pension liability - beginning	492,469	479,290	463,628	497,703	464,975
Total pension liability - ending	<u>\$ 497,795</u>	<u>\$ 492,469</u>	<u>\$ 479,290</u>	<u>\$ 463,628</u>	<u>\$ 497,703</u>
Plan fiduciary net position					
Contributions - employer	\$ 14,943	\$ 21,054	\$ 24,327	\$ 31,224	\$ 25,814
Net investment income	58,450	78,366	52,094	4,677	43,717
Benefit payments, including of employee contributions	(27,659)	(23,829)	(18,225)	(13,994)	(1,302)
Administrative expense	(3,512)	(3,835)	(1,937)	(2,004)	(1,618)
Net change in fiduciary net position	42,222	71,756	56,259	19,903	66,611
Plan fiduciary net position - beginning	593,162	521,406	465,147	445,244	378,633
Plan fiduciary net position - ending	<u>\$ 635,384</u>	<u>\$ 593,162</u>	<u>\$ 521,406</u>	<u>\$ 465,147</u>	<u>\$ 445,244</u>
Net pension (asset) liability- ending	<u>\$ (137,589)</u>	<u>\$ (100,693)</u>	<u>\$ (42,116)</u>	<u>\$ (1,519)</u>	<u>\$ 52,459</u>
Plan fiduciary net position as a percentage of total pension liability	127.64%	120.45%	108.79%	100.33%	89.46%
Covered employee payroll	264,482	239,257	259,344	307,296	301,617
Net position asset as a percentage of covered-employee payroll	-52.02%	-42.09%	-16.24%	-0.49%	17.39%

Changes in assumptions

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

The investment return assumption was decreased from 7.75% to 7.5%

The inflation assumption was decreased from 3.25% to 2.75%

Benefit changes

There were no changes in benefit provisions in the last two fiscal years.

The City implemented GASB 68 for the fiscal year ended June 30, 2015. In time, this schedule will present the required ten years of data.

Other Supplementary Information

City of Guyton, Georgia
General Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 758,014	\$ 775,766
Receivables:		
Accounts	10,625	
Taxes	58,897	99,883
Intergovernmental	34,025	19,288
Interfund balances	405,135	307,374
Prepaid items	36,187	22,614
Total assets	\$ 1,302,883	\$ 1,224,925
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 95,539	\$ 31,853
Accrued salaries and wages	2,703	4,069
Unearned revenues	25,908	25,908
Interfund balances	6,987	
Total liabilities	131,137	61,830
Deferred inflows of resources		
Property taxes	8,633	8,737
Intergovernmental		8,576
Total deferred inflows of resources	8,633	17,313
Total liabilities and deferred inflows of resources		
	139,770	79,143
Fund balances		
Nonspendable - prepaid items	36,187	22,614
Restricted for capital projects	72,410	38,384
Unassigned	1,054,516	1,084,784
Total fund balances	1,163,113	1,145,782
Total liabilities and fund balances		
	\$ 1,302,883	\$ 1,224,925

City of Guyton, Georgia
General Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Taxes	\$ 739,055	\$ 719,315
Licenses and permits	63,633	82,793
Intergovernmental	41,123	84,160
Charges for services	197,102	181,707
Fines and forfeitures	49,280	49,888
Investment income	1,467	2,629
Miscellaneous	38,018	17,220
Total revenues	1,129,678	1,137,712
Expenditures		
Current:		
General government		
Administration	338,492	359,989
Other governmental services	180,792	224,693
Public safety - police	203,413	233,616
Public works		
Streets and lanes	177,807	156,158
Sanitation	171,239	153,846
Parks and recreation		
Leisure services	22,261	25,627
Historic preservation	78	47
Debt service:		
Principal	14,731	
Interest	3,534	
Total expenditures	1,112,347	1,153,976
Excess (deficit) of revenues to expenditures	17,331	(16,264)
Other financing sources		
Proceeds from capital lease		80,242
Proceeds from sale of capital assets		58,371
Total other financing sources	0	138,613
Net change in fund balance	17,331	122,349
Fund balances beginning of year	1,145,782	1,023,433
Fund balances end of year	\$ 1,163,113	\$ 1,145,782

City of Guyton, Georgia
SPLOST Capital Projects Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 901,986	\$ 758,520
Receivables - intergovernmental - county	72,635	47,779
Total assets	\$ 974,621	\$ 806,299
 Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Interfund balances	\$ 7,016	\$ 11,643
 Deferred Inflows of Resources		
Intergovernmental - county	609	0
Total liabilities and deferred inflows of resources	7,625	11,643
 Fund Balance		
Restricted for capital projects	966,996	794,656
Total liabilities, deferred inflows of resources and fund balance	\$ 974,621	\$ 806,299

City of Guyton, Georgia
SPLOST Capital Projects Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
For the years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Intergovernmental - County	\$ <u>293,269</u>	\$ <u>308,325</u>
Expenditures		
Capital Outlays:		
General government - administration	1,800	
Public safety - police	9,543	2,278
Public works - streets	12,720	21,836
Parks and recreation - leisure services	14,778	
	<u>38,841</u>	<u>24,114</u>
Excess of revenues over expenditures	254,428	284,211
Other financing uses		
Interfund transfers	<u>(82,088)</u>	<u>(36,876)</u>
Net change in fund balance	172,340	247,335
Fund balance beginning of year	<u>794,656</u>	<u>547,321</u>
Fund balance end of year	<u>\$ 966,996</u>	<u>\$ 794,656</u>

City of Guyton Georgia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Fire	Construction Trust	Debt Service Trust	Total
Assets				
Cash and cash equivalents	\$ 183,572	\$ 432,332	\$ 142,677	\$ 758,581
Interfund balances	6,987			6,987
Prepaid expenses	6,520			6,520
Total assets	\$ 197,079	\$ 432,332	\$ 142,677	\$ 772,088
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 1,412			\$ 1,412
Accrued salaries and wages	592			592
Total liabilities	2,004	0	0	2,004
Fund Balance				
Nonspendable - prepaid items	6,520			6,520
Restricted for public safety	188,555			188,555
Restricted for capital projects		\$ 432,332		432,332
Restricted for debt service			\$ 142,677	142,677
Total fund balances	195,075	432,332	142,677	770,084
 Total liabilities and fund balance	 \$ 197,079	 \$ 432,332	 \$ 142,677	 \$ 772,088

City of Guyton, Georgia
 Combining Statement of Revenues, Expenses and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2019

	<u>Fire</u>	<u>Constrcution Trust</u>	<u>2015 CDBG</u>	<u>Debt Service Trust</u>	<u>Total</u>
Revenues					
Intergovernmental revenues	\$ 66,266				\$ 66,266
Charges for service	86,744				86,744
Investment income		\$ 40		\$ 12	52
Miscellaneous	376				376
Total revenues	<u>153,386</u>	<u>40</u>	<u>\$ 0</u>	<u>12</u>	<u>153,438</u>
Expenditures					
Current:					
Public Safety	86,972				86,972
Debt service:					
Principal	8,453				8,453
Interest	3,693	60			3,753
Total expenditures	<u>99,118</u>	<u>60</u>	<u>0</u>	<u>0</u>	<u>99,178</u>
Excess (deficit) of revenues to expenditures	<u>54,268</u>	<u>(20)</u>	<u>0</u>	<u>12</u>	<u>54,260</u>
Other financing sources (uses)					
Interfund transfer from (to) water and sewer fund	0	(26,759)	(25)	8,900	(17,884)
Net change in fund balance	54,268	(26,779)	(25)	8,912	36,376
Fund balance beginning of year	<u>140,807</u>	<u>459,111</u>	<u>25</u>	<u>133,765</u>	<u>733,708</u>
Fund balance end of year	<u>\$ 195,075</u>	<u>\$ 432,332</u>	<u>\$ 0</u>	<u>\$ 142,677</u>	<u>\$ 770,084</u>

City of Guyton, Georgia
Fire Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 183,572	\$ 141,050
Receivables:		
Intergovernmental		9,762
Interfund	6,987	
Prepaid expenses	6,520	6,444
Total assets	\$ 197,079	\$ 157,256
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	\$ 1,412	\$ 4,085
Accrued salaries and wages	592	891
Interfund balances		1,711
Total liabilities	2,004	6,687
Deferred inflows of resources - intergovernmental	0	9,762
Total liabilities and deferred inflows of resources	2,004	16,449
Fund balances		
Nonspendable - prepaid items	6,520	6,444
Restricted for public safety	188,555	134,363
Total fund balances	195,075	140,807
Total liabilities, deferred inflows of resources and fund balance	\$ 197,079	\$ 157,256

City of Guyton, Georgia
Fire Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019
(With comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2018</u>
Revenues					
Intergovernmental revenues	\$ 85,118	\$ 85,118	\$ 66,266	\$ (18,852)	\$ 113,490
Charges for service	52,000	52,000	86,744	34,744	48,979
Miscellaneous	4,000	4,000	376	(3,624)	735
Total revenues	<u>141,118</u>	<u>141,118</u>	<u>153,386</u>	<u>12,268</u>	<u>163,204</u>
Expenditures					
Current:					
Public Safety	116,118	116,118	86,972	29,146	126,563
Debt service:					
Principal	19,000	19,000	8,453	10,547	18,832
Interest	6,000	6,000	3,693	2,307	5,535
	<u>141,118</u>	<u>141,118</u>	<u>99,118</u>	<u>42,000</u>	<u>150,930</u>
Excess of revenues to expenditures	<u>\$ 0</u>	<u>\$ 0</u>	54,268	<u>\$ 54,268</u>	12,274
Fund balance beginning of year			<u>140,807</u>		<u>128,533</u>
Fund balance end of year			<u>\$ 195,075</u>		<u>\$ 140,807</u>

City of Guyton, Georgia
Construction Trust Capital Projects Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ <u>432,332</u>	\$ <u>459,111</u>
Fund Balance		
Fund Balance		
Restricted for capital projects	\$ <u>432,332</u>	\$ <u>459,111</u>

City of Guyton, Georgia
Construction Trust Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Investment income	\$ <u>40</u>	\$ <u>74</u>
Expenditures		
Debt Service		
Interest and fiscal charges	<u>60</u>	<u> </u>
Excess (deficit) of revenues to expenditures	(20)	74
Other financing uses		
Interfund transfer to Water and Sewer Fund	<u>(26,759)</u>	<u>(868,965)</u>
Net change in fund balance	(26,779)	(868,891)
Fund balance beginning of year	<u>459,111</u>	<u>1,328,002</u>
Fund balance end of year	<u><u>\$ 432,332</u></u>	<u><u>\$ 459,111</u></u>

City of Guyton, Georgia
2015 CDBG Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Intergovernmental	\$ 0	\$ 363,678
Other financing uses		
Interfund transfer to water and sewer fund	(25)	(363,678)
Net change in fund balance	(25)	0
Fund balance beginning of year	25	25
Fund balance end of year	\$ 0	\$ 25

City of Guyton, Georgia
Debt Service Trust Fund
Comparative Balance Sheet
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ <u>142,677</u>	\$ <u>133,765</u>
Liabilities and Fund Balance		
Fund Balance		
Restricted for debt service	\$ <u>142,677</u>	\$ <u>133,765</u>

City of Guyton, Georgia
Debt Service Trust Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance
For the years ended June 30, 2019 and 2018

	2019	2018
Revenues		
Investment income	\$ 12	\$ 10
Expenditures	0	0
Excess of revenues to expenditures	12	10
Other financing sources (uses)		
Transfers from other funds to fund debt service when due		
From water and sewer fund	405,750	456,408
Transfer to water and sewer fund to fund debt service payments	(396,850)	(395,349)
Total other financing sources	8,900	61,059
Net change in fund balance	8,912	61,069
Fund balance beginning of year	133,765	72,696
Fund balance end of year	\$ 142,677	\$ 133,765

City of Guyton, Georgia
Water and Sewer Fund
Comparative Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 865,316	\$ 577,056
Receivables:		
Accounts	41,374	105,111
Intergovernmental		2,948
Other	46,560	
Prepaid expenses	7,816	8,163
Total current assets	961,066	693,278
Noncurrent assets:		
Capital assets:		
Nondepreciable capital assets	2,127,513	2,127,513
Depreciable capital assets, net	10,806,371	11,021,724
Total noncurrent assets	12,933,884	13,149,237
Total assets	13,894,950	13,842,515
Deferred outflows of resources		
Deferred charge on refunding of bonds	407,136	432,567
Liabilities		
Current Liabilities:		
Accounts payable	29,739	37,824
Accrued salaries and wages	1,275	906
Accrued interest payable	108,518	109,327
Interfund balances	398,119	294,020
Compensated absences	76	2,761
Notes payable	90,000	65,000
Total current liabilities	627,727	509,838
Long-term liabilities:		
Notes payable (net of current portion)	8,635,000	8,725,000
Premium on notes payable (net of amortization)	482,334	520,930
Total long-term liabilities	9,117,334	9,245,930
Total liabilities	9,745,061	9,755,768
Net Position		
Invested in capital assets, net of related debt	4,641,216	4,818,348
Unrestricted	(84,191)	(299,034)
Total net position	\$ 4,557,025	\$ 4,519,314

City of Guyton, Georgia
Water and Sewer Fund
Comparative Statement of Revenues,
Expenses and Changes in Net Position
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Charges for services	\$ 774,456	\$ 802,609
Connection fees	173,375	361,825
Miscellaneous	85,480	121,848
Total operating revenues	<u>1,033,311</u>	<u>1,286,282</u>
Operating expenses		
Salaries	133,643	124,529
Payroll taxes	12,002	10,073
Professional fees	150,535	72,091
Utilities	55,097	47,786
Sewerage treatment		85,974
Maintenance - repairs	40,335	35,930
Supplies	33,071	40,024
Postage	6,942	7,309
Chlorine	1,865	3,415
Insurance	19,142	14,396
Bad debts	14,834	
Other	24,296	30,949
Depreciation	342,363	263,538
Total operating expenses	<u>834,125</u>	<u>736,014</u>
Operating income	<u>199,186</u>	<u>550,268</u>
Non-operating revenues (expenses)		
Gain on sale of timber	56,413	
Investment earnings	16	9
Interest expense	(317,876)	(278,209)
Total non-operating revenues (expenses)	<u>(261,447)</u>	<u>(278,200)</u>
Income (loss) before transfers	<u>(62,261)</u>	<u>272,068</u>
Interfund transfers		
Transfer from SPLOST fund	82,088	36,876
Transfer from 2015 CDBG fund	25	363,678
Transfer from construction trust fund	26,759	868,965
Transfer from debt service reserve trust fund		2
Transfer to debt service fund (to provide debt service funding)	(405,750)	(456,408)
Transfer from debt service fund (debt service payments)	396,850	395,349
Total interfund transfers	<u>99,972</u>	<u>1,208,462</u>
Change in net position	37,711	1,480,530
Net position beginning of year	<u>4,519,314</u>	<u>3,038,784</u>
Net position end of year	<u>\$ 4,557,025</u>	<u>\$ 4,519,314</u>

City of Guyton, Georgia
Schedule of Projects Paid with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended June 30, 2019

	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Percentage Complete
2006 Effingham County SPLOST						
Streets	\$ 488,000	\$ 383,000	\$ 340,468	\$ 10,260	\$ 350,728	91.57%
Recreation	244,000	128,751	74,669	14,778	89,447	69.47%
Water and sewerage	488,000	500,758	500,758		500,758	100.00%
Total	<u>\$ 1,220,000</u>	<u>\$ 1,012,509</u>	<u>\$ 915,895</u>	<u>\$ 25,038</u>	<u>\$ 940,933</u>	
Funds remaining at June 30, 2019					<u>\$ 71,576</u>	
2012 Effingham County SPLOST						
Roads, streets and bridges	\$ 513,864	\$ 513,864				0.00%
Public safety	26,352	26,352	\$ 12,378	\$ 7,616	\$ 19,994	75.87%
Recreation	250,344	250,344				0.00%
Water and sewer	527,040	527,040	326,293	77,438	403,731	76.60%
Total	<u>\$ 1,317,600</u>	<u>\$ 1,317,600</u>	<u>\$ 338,671</u>	<u>\$ 85,054</u>	<u>\$ 423,725</u>	
Funds remaining at June 30, 2019					<u>\$ 304,663</u>	
2017 Effingham County SPLOST						
Streets and lanes	\$ 676,800	\$ 676,800				0.00%
Public safety	676,800	676,800				0.00%
Recreation	112,800	112,800				0.00%
Technology	112,800	112,800		\$ 10,837	\$ 10,837	9.61%
Water and sewer	676,800	676,800				0.00%
Total	<u>\$ 2,256,000</u>	<u>\$ 2,256,000</u>	<u>\$ 0</u>	<u>\$ 10,837</u>	<u>\$ 10,837</u>	
Funds remaining at June 30, 2019					<u>\$ 590,757</u>	

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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 City Council
City of Guyton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Guyton, Georgia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Guyton, Georgia's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as 2019-1 through 2019-3 in the accompany schedule of findings and responses to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as 2019-4 in the accompany schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Guyton, Georgia'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Guyton, Georgia's Response to Findings

City of Guyton, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Guyton, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lanier, Deal & Proctor

Statesboro, Georgia
September 29, 2020

City of Guyton, Georgia
Schedule of Findings and Responses
For the Year Ended June 30, 2019

MATERIAL WEAKNESSES

2019-1 Lack of segregation of duties (Repeat Finding 2018-01)

Condition: There is a lack of segregation of duties in various areas of duties performed by the utility clerk, city clerk and receptionist.

Context: Internal control procedures should be in place to ensure there is a proper segregation of duties surrounding collecting cash, recording receipts and disbursements, authorizing disbursements, authorizing adjustments to accounts and reconciling accounts.

Effect: This condition could lead to inappropriate transactions and the risk of potential fraud or theft.

Cause: The utility clerk, receptionist, and city clerk each perform conflicting duties, the general descriptions of which are physical access, transaction recording, transaction approval, and reconciliation.

Recommendation: Establish procedures to segregate the duties of receiving cash, disbursing cash, recording cash, authorizing cash transactions, reconciling cash, and approving adjustments to customer accounts. Segregate duties in such a way that no one person performs any two of the following functions: 1) collects or has access to cash, (2) records receipts and disbursements, (3) authorizes disbursements, (4) authorizes and records customer account adjustments, and (5) reconciles accounts.

Management response: The City will consistently strive to mitigate the effects of a lack of segregation of duties. The City has hired a new City Manager who is establishing procedures and job descriptions to mitigate this finding where possible. We continue to evaluate the cost and benefit of additional personnel.

2019-2 Bank statement reconciliations (Repeat Finding 2018-02)

Condition: The City's bank accounts were not consistently reconciled in a timely manner throughout the year.

Context: Bank statements should be reconciled to ensure proper recording.

Effect: Incomplete bank reconciliations result in increased risk that financial activity recorded is incomplete and inaccurate and could result in material misstatements in the financial statements.

Cause: A lack of time was devoted to bank reconciliation procedures. This appears to be primarily related to additional work added to responsibilities of bank reconciliation personnel in the wake of personnel changes.

Recommendation: Design and implement controls to ensure that all bank statements are consistently reconciled in a timely manner.

Management response: Management agrees with this finding. Management has established procedures to more effectively allocate tasks among staff to allow for sufficient time for appropriate bank reconciliation procedures and to require the timely review of bank reconciliations by the Mayor or City Manager and documentation of such review.

2019-3 Misclassification of transactions (Repeat Finding 2018-03)

Condition: Prior to audit detection, there were several misclassifications of transactions among various general ledger accounts totaling to a material amount in various funds.

Context: Internal control procedures should be sufficiently designed and implemented to ensure that general ledger transactions are classified properly and that misclassifications are detected and corrected in a timely manner.

Effect: This condition could lead to a material misstatement of the financial statements and to theft or other fraud.

Cause: Incorrect general ledger coding and insufficient management review of general ledger activity.

Recommendation: Establish procedures to ensure that transactions are recorded correctly, and that management review is conducted in a thorough and timely manner to detect and correct account misclassifications.

Management response: Management agrees with finding and will reassess internal control procedures to ensure that transactions are properly recorded, and that management performs routine periodic review of the trial balance and general ledger activity to detect and correct account misclassifications.

SIGNIFICANT DEFICIENCIES

2019-4 Reconciling grant revenues to underlying agreement (Repeat Finding 2018-4)

Condition: The City does not determine whether the amounts received under grant contracts are correct.

Context: All receipts should be examined to ensure that the correct amount was received.

Effect: Potential to receive an amount different than that provided for under the grant contract and misstate the financial statements.

Cause: Staff have not taken adequate measures to examine, recalculate, or research the underlying calculations (per the grant agreements) of the amounts received under the agreements.

Recommendation: Design and implement controls to ensure that all amounts received pursuant to provisions of grant contracts are in accordance with the underlying contract.

Management response: Management agrees with this finding. Procedures have been established to ensure that all amounts received pursuant to provisions of grant contracts are in accordance with the underlying contract.