

# CITY OF GRAY, GEORGIA



## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2018

**CITY OF GRAY, GEORGIA**  
**INDEPENDENT AUDITOR'S REPORT**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**

CITY OF GRAY, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2018

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Gray  
Gray, Georgia

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 management's discussion and analysis information on pages 4 through 9, the schedule of changes in the City's net pension liability and related ratios on page 48, the schedule of City contributions on page 49, and the notes to the required supplementary information on page 50 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gray, Georgia's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds and the Downtown Development Authority's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements are the responsibility of management and were derived from and relates 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 nonmajor fund financial statements, budgetary comparison schedules, schedule of projects constructed with special sales tax proceeds, and the Downtown Development Authority's financial statements 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 June 10, 2019 on our consideration of the City of Gray, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gray, Georgia's internal control over financial reporting and compliance.



Macon, Georgia  
June 10, 2019

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

# CITY OF GRAY, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

As management of the City of Gray, Georgia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2018.

### **Financial Highlights**

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources as of December 31, 2018 by \$13,899,378.
- The government's total net position increased by \$794,382 for the year ended December 31, 2018.
- As of December 31, 2018, total net position consisted of \$8,397,558 net investment in capital assets, \$820,865 restricted and \$4,680,955 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of \$4,182,709 an increase of \$414,807 in comparison with the prior year.
- For the year ended December 31, 2018, fund balance for the general fund increased from \$3,210,304 to \$3,609,655.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1. government-wide financial statements; 2. fund financial statements; and 3. notes to the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from others functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and public works. The business-type activities of the City include a water and sewer fund.

The government-wide financial statements can be found on pages 10 through 13 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018  
(CONTINUED)

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds: the general fund, a hotel/motel tax fund, two SPLOST funds, a law enforcement confiscation fund, a capital improvement fund, a CDBG fund and the perpetual care fund.

The City adopts an annual appropriated budget for the general fund, hotel/motel tax fund and the law enforcement confiscation fund. A budgetary comparison statement has been provided to demonstrate compliance with these budgets.

The basic governmental funds financial statements can be found on pages 14 through 19 of this report.

*Proprietary Funds*

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for the activities of the water and sewer fund and the sanitation fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20 through 25 of this report.

**Notes to Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018  
(CONTINUED)

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,899,378 at the close of the most recent year.

A portion of the City's net position reflects its investment in capital assets, less any related debt outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. As of December 31, 2018 the investment consists of \$18,511,841 in assets, with accumulated depreciation of \$8,815,356 and outstanding debt of \$1,298,927.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations.

As of December 31, 2018 current liabilities increased by \$2,425 and net position increased by \$794,382 compared to December 31, 2017.

	<b>Summary of Net Position</b>					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 4,337,014	\$ 3,919,026	\$ 1,901,043	\$ 1,811,688	\$ 6,238,057	\$ 5,730,714
Capital assets	3,195,887	3,358,824	6,500,598	6,199,890	9,696,485	9,558,714
<b>Total assets</b>	<b>7,532,901</b>	<b>7,277,850</b>	<b>8,401,641</b>	<b>8,011,578</b>	<b>15,934,542</b>	<b>15,289,428</b>
<b>Deferred outflows of resources</b>						
Related to pensions	63,989	54,693	42,659	33,522	106,648	88,215
<b>Total deferred outflows of resources</b>	<b>63,989</b>	<b>54,693</b>	<b>42,659</b>	<b>33,522</b>	<b>106,648</b>	<b>88,215</b>
<b>Liabilities</b>						
Current and other liabilities	145,159	136,255	396,622	403,101	541,781	539,356
Long-term liabilities	170,167	159,666	1,341,482	1,473,464	1,511,649	1,633,130
<b>Total liabilities</b>	<b>315,326</b>	<b>295,921</b>	<b>1,738,104</b>	<b>1,876,565</b>	<b>2,053,430</b>	<b>2,172,486</b>
<b>Deferred inflows of resources</b>						
Related to pensions	53,029	62,100	35,353	38,061	88,382	100,161
<b>Total deferred inflows of resources</b>	<b>53,029</b>	<b>62,100</b>	<b>35,353</b>	<b>38,061</b>	<b>88,382</b>	<b>100,161</b>
<b>Net position</b>						
Net investment in capital assets	3,195,887	3,358,824	5,201,671	4,754,634	8,397,558	8,113,458
Restricted	497,217	474,961	323,648	288,073	820,865	763,034
Unrestricted	3,535,431	3,140,737	1,145,524	1,087,767	4,680,955	4,228,504
<b>Total net position</b>	<b>\$ 7,228,535</b>	<b>\$ 6,974,522</b>	<b>\$ 6,670,843</b>	<b>\$ 6,130,474</b>	<b>\$ 13,899,378</b>	<b>\$ 13,104,996</b>

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018  
(CONTINUED)

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 254,870	\$ 231,062	\$ 2,057,086	\$ 2,150,908	\$ 2,311,956	\$ 2,381,970
Operating grants and contributio	159,527	51,713	14,441	-	173,968	51,713
Capital grants and contributions	362,043	337,353	647,364	169,982	1,009,407	507,335
General revenues						
Taxes	1,968,921	1,895,063	-	-	1,968,921	1,895,063
Investment revenues	6,513	8,486	6,395	3,386	12,908	11,872
Gain on sale of asset	27,500	-	-	-	27,500	-
Miscellaneous	4,354	18,428	-	-	4,354	18,428
<b>Total Revenues</b>	<b>2,783,728</b>	<b>2,542,105</b>	<b>2,725,286</b>	<b>2,324,276</b>	<b>5,509,014</b>	<b>4,866,381</b>
<b>Expenses</b>						
General government	521,119	521,233	-	-	521,119	521,233
Public safety	1,097,836	1,018,426	-	-	1,097,836	1,018,426
Public works	594,164	623,134	-	-	594,164	623,134
Other	229,634	169,398	-	-	229,634	169,398
Water and Sewer	-	-	2,117,341	1,962,548	2,117,341	1,962,548
Sanitation	-	-	154,538	150,776	154,538	150,776
<b>Total Expenses</b>	<b>2,442,753</b>	<b>2,332,191</b>	<b>2,271,879</b>	<b>2,113,324</b>	<b>4,714,632</b>	<b>4,445,515</b>
Increase (decrease) in net position before transfers	340,975	209,914	453,407	210,952	794,382	420,866
Transfers	(86,962)	(87,235)	86,962	87,235	-	-
Increase (decrease) in net position	254,013	122,679	540,369	298,187	794,382	420,866
Net position - beginning of year	6,974,522	6,851,843	6,130,474	5,832,287	13,104,996	12,684,130
Net position - end of year	\$ 7,228,535	\$ 6,974,522	\$ 6,670,843	\$ 6,130,474	\$ 13,899,378	\$ 13,104,996

**Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds*

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of December 31, 2018 the City's governmental funds reported combined ending fund balances of \$4,182,709. The unassigned fund balance reflects a balance of \$3,581,695. A total of \$601,014 is restricted or assigned to indicate that it is not available for new spending because it has already been committed for restricted purposes.

The fund balance of the City's governmental funds increased by \$414,807 during the current year.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018  
(CONTINUED)

*Proprietary Funds*

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The water and sewer system fund provides to the City's residential and commercial customers. The City strives to maintain competitive rates to its customers while providing safe drinking water and sewerage treatment. Unrestricted net position of the water and sewerage and sanitation operations at the end of the year amounted to \$1,145,524.

**General Fund Budgetary Highlights**

The City is ever cognizant of the necessity of being good stewards of public funds while at the same time having the responsibility of accumulating sufficient funds to effectively promote growth and development of the economy.

A detailed comparison of the general fund budget to actual amounts can be found on pages 18 through 19 of this report.

**Capital Assets and Debt Administration**

*Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2018 totals \$9,696,485 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total increase in the City's investment in capital assets for the current year was \$137,771. Detailed information regarding the capital asset activity for 2018 can be found in Note 8 of this report.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,053,040	\$ 1,043,463	\$ 26,167	\$ 26,167	\$ 1,079,207	\$ 1,069,630
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in progress	-	-	95,892	66,117	95,892	66,117
Infrastructure	1,142,437	1,251,214	5,773,704	5,442,462	6,916,141	6,693,676
Buildings	572,576	592,201	-	-	572,576	592,201
Storm Drainage Improve.	-	-	89,018	95,909	89,018	95,909
Equipment	186,947	157,920	137,380	165,036	324,327	322,956
Vehicles	240,887	314,026	64,754	90,516	305,641	404,542
<b>Total</b>	<b>\$ 3,195,887</b>	<b>\$ 3,358,824</b>	<b>\$ 6,500,598</b>	<b>\$ 6,199,890</b>	<b>\$ 9,696,485</b>	<b>\$ 9,558,714</b>

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018  
(CONTINUED)

*Long-Term Debt*

The water and sewer fund reflects revenue bonds as long-term debt as of December 31, 2018. Bonds payable equal \$255,000 as of December 31, 2018. In 2009, the City borrowed an additional \$1,090,026 from GEFA for a belt press for the wastewater treatment. Notes payable equal \$648,462 as of December 31, 2018, with \$53,692 due within one year. In 2016, the City entered into a contract with GEFA to provide financing for improvements to the water system. The total amount the City drew down on this loan was \$374,798. Notes payable equal \$352,142 with 17,198 due within one year. In 2018, the City entered into a contract with GEFA to provide financing for improvements to the sewer system. As of December 31, 2018 \$43,323 has been drawn down. Detailed information regarding the long-term debt activity for 2018 can be found in Note 9.

**Accomplishments/Growth for 2018**

In 2018, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. A chemical feed system was installed at the wastewater treatment plant. A project to replace one of the City's main lift stations was started. The City website was redesigned. Online hosting of the City's Code of Ordinances through Municode began in 2018. The Police Department purchased a new vehicle.

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Clerk of Gray, P. O. Box 443, Gray, Georgia 31032.

## **FINANCIAL STATEMENTS**

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
DECEMBER 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,039,695	\$ 1,243,823	\$ 4,283,518	\$ 16,574
Certificates of deposit	1,097,381	224,915	1,322,296	-
Receivables (net of allowance):				
Accrued interest	-	769	769	-
Taxes	115,094	-	115,094	-
Accounts	3,507	135,641	139,148	-
Due from other governments	44,209	-	44,209	-
Prepays	-	9,375	9,375	-
Internal balances	37,128	(37,128)	-	-
Restricted assets:				
Cash and cash equivalents	-	323,648	323,648	-
Capital assets:				
Nondepreciable assets	1,053,040	435,743	1,488,783	291,203
Depreciable assets, net	2,142,847	6,064,855	8,207,702	139,923
<b>Total assets</b>	<b>7,532,901</b>	<b>8,401,641</b>	<b>15,934,542</b>	<b>447,700</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pensions	63,989	42,659	106,648	-
<b>Total deferred outflows of resources</b>	<b>63,989</b>	<b>42,659</b>	<b>106,648</b>	<b>-</b>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
DECEMBER 31, 2018  
(CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>LIABILITIES</b>				
Accounts payable	87,680	81,574	169,254	-
Accrued liabilities	34,484	21,919	56,403	-
Accrued interest	-	1,081	1,081	-
Customer deposits	-	205,975	205,975	500
Noncurrent liabilities:				
Due within one year				
Loans payable	-	70,890	70,890	-
Compensated absences	22,995	15,183	38,178	-
Due in more than one year				
Loans payable	-	973,037	973,037	-
Bonds payable	-	255,000	255,000	-
Net pension liability	170,167	113,445	283,612	-
Total liabilities	315,326	1,738,104	2,053,430	500
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	53,029	35,353	88,382	-
Total deferred inflows of resources	53,029	35,353	88,382	-
<b>NET POSITION</b>				
Net investment in capital assets	3,195,887	5,201,671	8,397,558	431,126
Restricted for:				
Debt service	-	323,648	323,648	-
Perpetual care	77,498	-	77,498	-
Capital outlay	386,851	-	386,851	-
Law enforcement	32,868	-	32,868	-
Unrestricted	3,535,431	1,145,524	4,680,955	16,074
Total net position	\$ 7,228,535	\$ 6,670,843	\$ 13,899,378	\$ 447,200

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 521,119	\$ 85,687	\$ -	\$ -
Judicial	75,005	-	-	-
Public safety	1,097,836	169,183	79,961	-
Public works	594,164	-	-	362,043
Health and Welfare	5,992	-	79,566	-
Culture and recreation	7,250	-	-	-
Housing and Development	141,387	-	-	-
Total governmental activities	<u>2,442,753</u>	<u>254,870</u>	<u>159,527</u>	<u>362,043</u>
Business-type activities				
Water & Sewer	2,117,341	1,874,697	14,441	647,364
Sanitation	154,538	182,389	-	-
Total business-type activities	<u>2,271,879</u>	<u>2,057,086</u>	<u>14,441</u>	<u>647,364</u>
Total primary government	<u>\$ 4,714,632</u>	<u>\$ 2,311,956</u>	<u>\$ 173,968</u>	<u>\$ 1,009,407</u>
Component Unit:				
Downtown Development Authority	<u>\$ 32,384</u>	<u>\$ 12,200</u>	<u>\$ -</u>	<u>\$ 20,000</u>
		Property taxes		
		Sales taxes		
		Insurance premium tax		
		Franchise tax		
		Other taxes		
		Unrestricted investment earnings		
		Gain on sale of asset		
		Miscellaneous		
		Total general revenues		
		Transfers		
		Change in net position		
		Net position - beginning of year		
		Net position - end of year		

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (435,432)	\$ -	\$ (435,432)	\$ -
(75,005)	-	(75,005)	-
(848,692)	-	(848,692)	-
(232,121)	-	(232,121)	-
73,574	-	73,574	-
(7,250)	-	(7,250)	-
(141,387)	-	(141,387)	-
<u>(1,666,313)</u>	<u>-</u>	<u>(1,666,313)</u>	<u>-</u>
-	419,161	419,161	-
-	27,851	27,851	-
-	447,012	447,012	-
<u>(1,666,313)</u>	<u>447,012</u>	<u>(1,219,301)</u>	<u>-</u>
			<u>(184)</u>
877,926	-	877,926	-
393,073	-	393,073	-
234,019	-	234,019	-
220,362	-	220,362	-
243,541	-	243,541	-
6,513	6,395	12,908	-
27,500	-	27,500	-
4,354	-	4,354	-
<u>2,007,288</u>	<u>6,395</u>	<u>2,013,683</u>	<u>-</u>
<u>(86,962)</u>	<u>86,962</u>	<u>-</u>	<u>-</u>
254,013	540,369	794,382	(184)
<u>6,974,522</u>	<u>6,130,474</u>	<u>13,104,996</u>	<u>447,384</u>
<u>\$ 7,228,535</u>	<u>\$ 6,670,843</u>	<u>\$ 13,899,378</u>	<u>\$ 447,200</u>

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

CITY OF GRAY, GEORGIA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

<u>ASSETS</u>	General	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,530,036	\$ 386,851	\$ 122,808	\$ 3,039,695
Certificates of deposit	1,033,884	-	63,497	1,097,381
Receivables, net of allowance				
Taxes	115,094	-	-	115,094
Accounts	2,656	-	851	3,507
Due from other governments	44,209	-	-	44,209
Due from other funds	37,328	-	-	37,328
<b>Total Assets</b>	<b>\$ 3,763,207</b>	<b>\$ 386,851</b>	<b>\$ 187,156</b>	<b>\$ 4,337,214</b>
 <u>LIABILITIES</u>				
Accounts payable	\$ 86,927	\$ -	\$ 753	\$ 87,680
Accrued liabilities	34,484	-	-	34,484
Due to other funds	-	-	200	200
<b>Total Liabilities</b>	<b>121,411</b>	<b>-</b>	<b>953</b>	<b>122,364</b>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	30,641	-	-	30,641
Unavailable revenue - other	1,500	-	-	1,500
<b>Total Deferred Inflows of Resources</b>	<b>32,141</b>	<b>-</b>	<b>-</b>	<b>32,141</b>
 <u>FUND BALANCES</u>				
Restricted	-	386,851	110,366	497,217
Assigned	27,960	-	75,837	103,797
Unassigned	3,581,695	-	-	3,581,695
<b>Total fund balances</b>	<b>3,609,655</b>	<b>386,851</b>	<b>186,203</b>	<b>4,182,709</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,763,207</b>	<b>\$ 386,851</b>	<b>\$ 187,156</b>	<b>\$ 4,337,214</b>

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

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Total fund balances - governmental funds	\$ 4,182,709
<b>Capital Assets</b>	
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.	
Cost of assets	5,648,364
Accumulated depreciation	(2,452,477)
<b>Deferred outflows of resources</b>	
Related to pensions	63,989
<b>Long-term Liabilities</b>	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:	
Compensated absences	(22,995)
Net pension liability	(170,167)
<b>Deferred inflows of resources</b>	
Related to pensions	(53,029)
<b>Revenues</b>	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
	<u>32,141</u>
Total Net position of Governmental Activities	<u><u>\$ 7,228,535</u></u>

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

CITY OF GRAY, GEORGIA

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

	General	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property	\$ 883,986	\$ -	\$ -	\$ 883,986
Sales	393,073	-	-	393,073
Other taxes	687,401	-	10,520	697,921
Licenses and permits	85,687	-	-	85,687
Intergovernmental	79,961	361,854	79,566	521,381
Fines and forfeitures	143,023	-	26,160	169,183
Investment earnings	6,249	155	298	6,702
Miscellaneous	3,604	-	750	4,354
<b>Total revenues</b>	<b>2,282,984</b>	<b>362,009</b>	<b>117,294</b>	<b>2,762,287</b>
<b>EXPENDITURES:</b>				
Current:				
General government	494,886	-	10,520	505,406
Judicial	75,005	-	-	75,005
Public safety	898,331	22,947	117,099	1,038,377
Public works	288,136	52,234	6	340,376
Health and welfare	5,992	-	-	5,992
Culture and recreation	-	-	7,250	7,250
Housing and development	61,821	-	79,566	141,387
Capital outlay	-	167,425	6,800	174,225
<b>Total Expenditures</b>	<b>1,824,171</b>	<b>242,606</b>	<b>221,241</b>	<b>2,288,018</b>
Excess (deficiency) of revenues over (under) expenditures	458,813	119,403	(103,947)	474,269
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of assets	27,500	-	-	27,500
Transfers out	(86,962)	-	-	(86,962)
<b>Total other financing sources and (uses)</b>	<b>(59,462)</b>	<b>-</b>	<b>-</b>	<b>(59,462)</b>
<b>Net change in fund balances</b>	<b>399,351</b>	<b>119,403</b>	<b>(103,947)</b>	<b>414,807</b>
<b>Fund balance - beginning of year</b>	<b>3,210,304</b>	<b>267,448</b>	<b>290,150</b>	<b>3,767,902</b>
<b>Fund balance - end of year</b>	<b>\$ 3,609,655</b>	<b>\$ 386,851</b>	<b>\$ 186,203</b>	<b>\$ 4,182,709</b>

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

CITY OF GRAY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Net change in fund balances - total governmental funds	\$ 414,807
<b>Capital Assets</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	
Total capital outlays	115,265
Total depreciation	(257,306)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position	(20,896)
Deferred outflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.	
Change in deferred outflows of resources related to pensions	9,296
<b>Long-term Debt</b>	
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:	
Compensated absences	337
Net pension liability	(10,501)
Deferred inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.	
Change in deferred inflows of resources related to pensions	9,071
<b>Revenues</b>	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(6,060)</u>
Change in net position of governmental activities	<u>\$ 254,013</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 777,885	\$ 777,885	\$ 883,986	\$ 106,101
Local option sales tax	340,000	340,000	393,073	53,073
Other taxes:				
Insurance premium tax	195,000	195,000	234,019	39,019
Motor vehicle tax	108,746	108,746	129,959	21,213
Franchise tax	225,500	225,500	220,362	(5,138)
Beer and wine tax	80,000	86,962	86,962	-
Real estate transfer tax	1,500	1,500	2,931	1,431
Recording intangible taxes	5,000	5,000	7,360	2,360
Mobile home tax	468	468	2,582	2,114
Penalties and interest	2,500	2,500	3,226	726
Total Taxes	1,736,599	1,743,561	1,964,460	220,899
Licenses and Permits:				
Business licenses and permits	65,000	65,000	85,687	20,687
Intergovernmental Revenues:				
Department of transportation	-	47,658	47,658	-
Emergency management agency	-	-	22,303	22,303
Jones County Board of Education Crossing Guards	10,000	10,000	10,000	-
Total Intergovernmental Revenues	10,000	57,658	79,961	22,303
Fines, Forfeitures and Penalties:				
Fine and forfeitures	129,000	129,000	143,023	14,023
Total Fines, Forfeitures and Penalties	129,000	129,000	143,023	14,023
Miscellaneous:				
Interest earnings	5,000	5,000	6,249	1,249
Miscellaneous	1,384	1,384	3,604	2,220
Total Miscellaneous	6,384	6,384	9,853	3,469
Total Revenues	\$ 1,946,983	\$ 2,001,603	\$ 2,282,984	\$ 281,381

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
General Government				
General administration	\$ 538,170	\$ 538,170	\$ 494,886	\$ 43,284
Judicial				
Municipal court	72,160	72,160	71,705	455
Public defender	3,600	3,600	3,300	300
Public Safety				
Police	692,200	719,700	709,326	10,374
Prisoner custody	17,000	17,000	13,380	3,620
Fire	99,335	99,335	91,587	7,748
Dispatching	83,050	83,050	83,038	12
Emergency management	1,000	1,000	1,000	-
Public Works				
Highways and streets	292,000	339,658	288,136	51,522
Health and Welfare				
Community center	6,500	6,500	5,992	508
Housing and Development				
Better Hometown	25,000	25,000	25,000	-
Keep Jones Beautiful	7,368	7,368	7,221	147
Planning and Zoning	9,600	9,600	9,600	-
Downtown Development	20,000	20,000	20,000	-
Total Expenditures	<u>1,866,983</u>	<u>1,942,141</u>	<u>1,824,171</u>	<u>117,970</u>
Excess (Deficiency) of Revenues over Expenditures	<u>80,000</u>	<u>59,462</u>	<u>458,813</u>	<u>399,351</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds on sale assets	-	27,500	27,500	-
Transfer to Water and Sewer Fund	<u>(80,000)</u>	<u>(86,962)</u>	<u>(86,962)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(59,462)</u>	<u>(59,462)</u>	<u>-</u>
Net change in fund balance	-	-	399,351	399,351
Fund balance - beginning of year	<u>3,210,304</u>	<u>3,210,304</u>	<u>3,210,304</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,210,304</u>	<u>\$ 3,210,304</u>	<u>\$ 3,609,655</u>	<u>\$ 399,351</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2018

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,184,508	\$ 59,315	\$ 1,243,823
Certificates of deposit	224,915	-	224,915
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	323,648	-	323,648
Accrued interest receivable	769	-	769
Accounts receivable (net of allowance for uncollectibles)	120,711	14,930	135,641
Due from other funds	-	2,224	2,224
Prepaid items	9,375	-	9,375
Total current assets	<u>1,863,926</u>	<u>76,469</u>	<u>1,940,395</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	435,743	-	435,743
Depreciable assets, net	6,064,855	-	6,064,855
Total capital assets	<u>6,500,598</u>	<u>-</u>	<u>6,500,598</u>
Total noncurrent assets	<u>6,500,598</u>	<u>-</u>	<u>6,500,598</u>
Total assets	<u>8,364,524</u>	<u>76,469</u>	<u>8,440,993</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions	42,659	-	42,659
Total deferred outflows of resources	<u>42,659</u>	<u>-</u>	<u>42,659</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2018  
 (CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 68,413	\$ 13,161	\$ 81,574
Accrued liabilities	21,919	-	21,919
Customer deposits payable	205,975	-	205,975
Accrued interest payable	1,081	-	1,081
Compensated absences	15,183	-	15,183
Due to other funds	39,352	-	39,352
Notes payable - current	70,890	-	70,890
Total current liabilities	422,813	13,161	435,974
Noncurrent liabilities:			
Revenue bonds payable	255,000	-	255,000
Notes payable	973,037	-	973,037
Net pension liability	113,445	-	113,445
Total noncurrent liabilities	1,341,482	-	1,341,482
Total liabilities	1,764,295	13,161	1,777,456
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred inflows of resources related to pensions	35,353	-	35,353
Total deferred inflows of resources	35,353	-	35,353
<b><u>NET POSITION</u></b>			
Net investment in capital assets	5,201,671	-	5,201,671
Restricted:			
Restricted for debt service	323,648	-	323,648
Unrestricted	1,082,216	63,308	1,145,524
Total net position	\$ 6,607,535	\$ 63,308	\$ 6,670,843

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	\$ 973,800	\$ -	\$ 973,800
Sewerage fees	761,289	-	761,289
Garbage fees	-	182,389	182,389
Connection fees	102,040	-	102,040
Penalties and other fees	32,228	-	32,228
Miscellaneous	5,340	-	5,340
Total operating revenues	1,874,697	182,389	2,057,086
Operating Expenses:			
Salaries	442,950	-	442,950
Employee benefits	62,114	-	62,114
Depreciation	387,491	-	387,491
Utilities	130,104	-	130,104
Maintenance and supplies	396,490	-	396,490
Insurance	159,624	-	159,624
Gas, oil, tires	11,747	-	11,747
Professional fees	39,882	-	39,882
Contracted services	-	154,538	154,538
Travel	4,752	-	4,752
Engineering fees	19,254	-	19,254
County water expense	376,481	-	376,481
Other operating expenses	47,738	-	47,738
Total Operating Expenses	2,078,627	154,538	2,233,165
Operating Income (Loss)	(203,930)	27,851	(176,079)
Non-Operating Revenues (Expenses):			
Interest revenue	6,395	-	6,395
Intergovernmental revenue	14,441	-	14,441
Interest expense	(38,714)	-	(38,714)
Total Non-Operating Revenues (Expenses)	(17,878)	-	(17,878)

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

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Net Income (Loss) before Contributions and Transfers	(221,808)	27,851	(193,957)
Capital contributions	647,364	-	647,364
Transfers in	86,962	-	86,962
Change in net position	512,518	27,851	540,369
Net position - beginning of year	6,095,017	35,457	6,130,474
Net position - end of year	\$ 6,607,535	\$ 63,308	\$ 6,670,843

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

CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor	Total
Sanitation Fund			
<u>Cash Flows from Operating Activities:</u>			
Cash received from customers	\$ 1,893,828	\$ 181,824	\$ 2,075,652
Cash paid to suppliers for good and services	(1,198,357)	(154,537)	(1,352,894)
Cash paid to employees	(492,213)	-	(492,213)
Net Cash Provided by (Used for) Operating Activities	203,258	27,287	230,545
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfer from General Fund	86,962	-	86,962
Net Cash Provided by (Used for) Noncapital Financing Activities	86,962	-	86,962
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and construction of assets	(40,835)	-	(40,835)
Intergovernmental revenue	14,441	-	14,441
Proceeds from financing	43,323	-	43,323
Principal paid on revenue bonds	(120,000)	-	(120,000)
Principal paid on notes	(69,652)	-	(69,652)
Interest paid on revenue bonds	(38,801)	-	(38,801)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(211,524)	-	(211,524)
<u>Cash Flows from Investing Activities:</u>			
Interest received	5,812	-	5,812
Net Cash Provided by (Used for) Investing Activities	5,812	-	5,812
Net Increase (Decrease) in Cash and Cash Equivalents	84,508	27,287	111,795
Cash and Cash Equivalents - Beginning of Year	1,648,563	32,028	1,680,591
Cash and Cash Equivalents - End of Year	\$ 1,733,071	\$ 59,315	\$ 1,792,386
<u>Reconciliation of Cash Equivalents:</u>			
Cash	\$ 1,409,423	\$ 59,315	\$ 1,468,738
Restricted cash	323,648	-	323,648
Total Cash and Cash Equivalents	\$ 1,733,071	\$ 59,315	\$ 1,792,386

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

## CITY OF GRAY, GEORGIA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ (203,930)	\$ 27,851	\$ (176,079)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	387,491	-	387,491
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	15,581	(565)	15,016
(Increase) decrease in due from other funds	-	(489)	(489)
(Increase) decrease in prepaids	2,750	-	2,750
(Increase) decrease in deferred outflows - pensions	(9,137)	-	(9,137)
Increase (decrease) in accounts payable	(20,781)	490	(20,291)
Increase (decrease) in accrued liabilities	5,452	-	5,452
Increase (decrease) in customer water deposits	3,550	-	3,550
Increase (decrease) in due to other funds	5,746	-	5,746
Increase (decrease) in compensated absences	3,659	-	3,659
Increase (decrease) in net pension liability	15,585	-	15,585
Increase (decrease) in deferred inflows - pensions	(2,708)	-	(2,708)
Total adjustments	407,188	(564)	406,624
Net Cash Provided by (Used for) Operating Activities	\$ 203,258	\$ 27,287	\$ 230,545
NONCASH CAPITAL FINANCING ACTIVITIES			
Contributions of capital assets from government	\$ 647,364	-	\$ 647,364

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

## **NOTES TO THE FINANCIAL STATEMENTS**

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Policies**

The City of Gray was incorporated in 1911 under the provision of an Act of the General Assembly of Georgia. The City operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, recreation and general administrative services.

The accounting policies of the City of Gray conform to generally accepted accounting principles as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

**A. Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Gray, Georgia (primary government) and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationships with the City. In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards Board (GASB) No. 61 "The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34," the City's relationships with other governments and agencies have been examined. The component unit column in the combined financial statements includes the financial data for the Downtown Development Authority, as of December 31, 2018. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

**Downtown Development Authority** – The Downtown Development Authority is a public body, corporate and politic, and was created upon the adoption and approval of the Development Authorities Law of the State of Georgia. The Mayor and City Council appoint all members of the Downtown Development Authority. The Downtown Development Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

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Under Georgia law, the City, in conjunction with other cities and counties in the middle Georgia area, is a member of the Middle Georgia Regional Commission (the "RC") and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RC.

Separate financial statements may be obtained from:

Middle Georgia Regional Commission  
175-C Emery Highway  
Macon, GA 31217

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements**

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

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As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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The government reports the following major governmental funds:

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

Capital Projects Fund – The 2015 SPLOST Fund is used to account for SPLOST monies received to be used for improvements to the water and sewer system.

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the providing of water and sewer services to the citizens of the City.

**D. Deposits and Investments**

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

**E. Receivables**

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables have been reduced to their estimated net realizable value, and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based on historical experience rates.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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**F. Restricted Assets**

Certain assets of the enterprise funds are classified as restricted assets because their use is restricted by bond covenants.

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

**H. Inventories**

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

**I. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items acquired subsequent to January 1, 2004) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

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

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

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

Building	10 years
Water and Sewer System	10-50 years
Furniture and Equipment	5-10 years
Vehicles	5 years
Infrastructure	20 years

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**J. Compensated Absences**

Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs and compensatory time are accrued when incurred in the proprietary funds. The City does not budget for compensated absences in the governmental funds. All accumulated unpaid vacation costs and compensatory time (for funds other than proprietary) are reflected in the governmental activities at December 31, 2018 and amount to \$22,995.

**K. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

**L. Management Estimates**

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

**M. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense / expenditures) until then. The City has one item that qualifies for reporting in this category. The deferred outflow of resources related to the pension plans. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. This first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is the deferred inflow of resources relative to the differences between expected and actual experience and the net difference between projected and actual earnings on the pension plan investments. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

CITY OF GRAY, GEORGIA

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**N. Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**O. Fund Equity**

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.
- Assigned – amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the City Council.
- Unassigned – amounts that have not been assigned to other funds and that are not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

CITY OF GRAY, GEORGIA

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The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2018:

<b>Fund Balances</b>	General Fund	2015 SPLOST	Nonmajor Governmental	Total
<b>Restricted:</b>				
Perpetual care	\$ -	\$ -	\$ 77,498	\$ 77,498
Law enforcement	-	-	32,868	32,868
Capital outlay	-	386,851	-	386,851
<b>Assigned for:</b>				
Law enforcement	22,880	-	-	22,880
Fire department	5,080	-	-	5,080
Capital outlay	-	-	75,837	75,837
Unassigned	3,581,695	-	-	3,581,695
<b>Total fund balances</b>	<b>\$ 3,609,655</b>	<b>\$ 386,851</b>	<b>\$ 186,203</b>	<b>\$ 4,182,709</b>

**P. Risk Management**

The City is exposed to various risks of loss related to torts of, damage to, and destruction of assets; errors and omissions; and natural disaster. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the current year. Commercial insurance premiums totaled \$83,894 during the current year.

The City has obtained commercial insurance for workers compensation claims. The limits of the coverage are \$1,000,000 for each employee claim. Commercial insurance premiums for workers compensation insurance totaled \$42,044 during the current year. Settled claims in the past three years have not exceeded the coverage.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

**A. Budget Process**

An annual operating budget is prepared for the General Fund and Special Revenue Fund. Budgets are prepared for Capital Projects Funds on a project-length basis, which usually covers two or more fiscal years. Prior to November, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

After a review by the Mayor and Council, public hearings are conducted. Prior to December 31, the budget is legally enacted through passage of an ordinance.

The City Clerk is delegated the authority, upon the direction of and approval by the Mayor and Council to transfer sums from one department to another. No increase in the overall budget for the City may be made without the approval of the Mayor and Council and amendment to the budget.

The legal level of budgetary control is the department level. All annual appropriations lapse at year end.

All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – have been prepared on the basis described above.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Credit risk**

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law (Georgia Fund 1); repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At December 31, 2018, the City's only investments were in certificates of deposit.

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At December 31, 2018, the City's certificates of deposit were as follows:

Investment	Maturity	Amount
Certificates of deposit - General Fund	1 - 6 months	\$ 466,699
	7 - 12 months	317,185
	12 - 24 months	250,000
Certificates of deposit - Water and Sewer Fund	1 - 6 months	149,211
	7 - 12 months	75,704
Certificates of deposit - Nonmajor Governmental Fund	12 - 24 months	63,497
		\$ 1,322,296

**Interest rate risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk - Deposits**

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2018 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

**NOTE 4 – PROPERTY TAXES**

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by a Joint Board of Tax Assessors of Jones County.

Upon completion of all assessments and tax returns, the information is turned over to the Jones County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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The property tax calendar is as follows:

	<u>Real/Personal Property</u>	<u>Motor Vehicles</u>
Assessment Date	January 1	January 1
Levy Date	August 30th	December 1
Due Date and Collection Date	December 31, 2018	Staggered
Lien Date	May 1, 2019	N/A

**NOTE 5 – OTHER RECEIVABLES**

Receivables at December 31, 2018 consist of the following:

	<u>General Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Nonmajor Proprietary Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 125,780	\$ -	\$ -	\$ -	\$ 125,780
Accounts	-	159,840	22,449	851	183,140
Accrued interest	2,656	769	-	-	3,425
Gross Receivables	<u>128,436</u>	<u>160,609</u>	<u>22,449</u>	<u>851</u>	<u>312,345</u>
Less: Allowances for Uncollectibles	<u>(10,686)</u>	<u>(39,129)</u>	<u>(7,519)</u>	<u>-</u>	<u>(57,334)</u>
Net Receivables	<u>\$ 117,750</u>	<u>\$ 121,480</u>	<u>\$ 14,930</u>	<u>\$ 851</u>	<u>\$ 255,011</u>

**NOTE 6 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at December 31, 2018, are as follows:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Fund:				
General	\$ -	\$ 34,924	\$ 9,285	\$ 44,209
Total	<u>\$ -</u>	<u>\$ 34,924</u>	<u>\$ 9,285</u>	<u>\$ 44,209</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

Due to/from other funds:		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 37,128
	Nonmajor Governmental Fund	200
Nonmajor Proprietary Fund	Water and Sewer Fund	<u>2,224</u>
Total		<u>\$ 39,552</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

	<u>Transfers In:</u>	
	<u>Water and Sewer Fund</u>	<u>Total</u>
Transfer out:		
General Fund	<u>\$ 86,962</u>	<u>\$ 86,962</u>
Total	<u>\$ 86,962</u>	<u>\$ 86,962</u>

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching fund for various grant programs.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

**Primary Government**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,043,463	\$ 9,577	\$ -	\$ 1,053,040
Total capital assets, not being depreciated	1,043,463	9,577	-	1,053,040
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	842,008	-	-	842,008
Equipment	463,589	57,154	-	520,743
Vehicles	1,092,097	48,534	(83,599)	1,057,032
Total capital assets, being depreciated	4,573,234	105,688	(83,599)	4,595,323
Less accumulated depreciation for:				
Infrastructure	(924,326)	(108,777)	-	(1,033,103)
Buildings	(249,807)	(19,625)	-	(269,432)
Equipment	(305,669)	(28,127)	-	(333,796)
Vehicles	(778,071)	(100,777)	62,703	(816,145)
Total accumulated depreciation	(2,257,873)	(257,306)	62,703	(2,452,476)
Total capital assets being depreciated, net	2,315,361	(151,618)	(20,896)	2,142,847
Governmental capital assets, net	\$ 3,358,824	\$ (142,041)	\$ (20,896)	\$ 3,195,887

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated					
Land	\$ 26,167	\$ -	\$ -	\$ -	\$ 26,167
Water rights	313,683	-	-	-	313,683
Construction in progress	66,117	149,591	-	(119,816)	95,892
Total capital assets, not being depreciated	405,967	149,591	-	(119,816)	435,742
Capital assets, being depreciated					
Sewer system	2,595,886	1,988	-	119,816	2,717,690
Water system	5,763,806	536,620	-	-	6,300,426
Wastewater treatment plant	2,617,320	-	-	-	2,617,320
Building	41,526	-	-	-	41,526
Equipment	379,647	-	-	-	379,647
Storm drainage improvements	137,829	-	-	-	137,829
Vehicles	233,298	-	-	-	233,298
Total capital assets, being depreciated	11,769,312	538,608	-	119,816	12,427,736
Less accumulated depreciation for:					
Sewer system	(1,383,432)	(60,603)	-	-	(1,444,035)
Water system	(2,772,591)	(191,540)	-	-	(2,964,131)
Wastewater treatment plant	(1,378,527)	(75,039)	-	-	(1,453,566)
Building	(41,526)	-	-	-	(41,526)
Equipment	(214,611)	(27,656)	-	-	(242,267)
Storm drainage improvements	(41,920)	(6,891)	-	-	(48,811)
Vehicles	(142,782)	(25,762)	-	-	(168,544)
Total accumulated depreciation	(5,975,389)	(387,491)	-	-	(6,362,880)
Total capital assets, being depreciated, net	5,793,923	151,117	-	119,816	6,064,856
Business-type activities capital assets, net	\$ 6,199,890	\$ 300,708	\$ -	\$ -	6,500,598
Less related long-term debt outstanding					(1,298,927)
Net investment in capital assets					\$ 5,201,671

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

Governmental activities	
General government	\$ 5,797
Public safety	102,251
Public works	149,258
Total	\$ 257,306
Business-type activities	
Water & Sewer	\$ 387,491
Total	\$ 387,491

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
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(CONTINUED)

Activity for the Downtown Development Authority for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Discretely presented component unit:</b>				
Capital assets, not being depreciated:				
Land	\$ 291,203	\$ -	\$ -	\$ 291,203
Total capital assets, not being depreciated	291,203	-	-	291,203
Capital assets, being depreciated:				
Buildings	145,753	-	-	145,753
Total capital assets, being depreciated	145,753	-	-	145,753
Less accumulated depreciation for:				
Buildings	(2,914)	(2,916)	-	(5,830)
Total accumulated depreciation	(2,914)	(2,916)	-	(5,830)
Total capital assets being depreciated, net	142,839	(2,916)	-	139,923
Governmental capital assets, net	\$ 434,042	\$ (2,916)	\$ -	\$ 431,126

**NOTE 9 – LONG-TERM DEBT**

**A. Proprietary Funds**

*Revenue Bonds*

In 2009, the City issued \$1,060,000 Water and Sewerage Revenue Bonds, Series 2005, due in various semi-annual installments, including interest at 5 percent through January 1, 2021, to finance the construction of a new water tank. Total interest paid for 2018 was \$21,500. Principal amount outstanding at December 31, 2018 is \$255,000.

Cash requirements to maturity for this issue are as follows:

	Principal	Interest	Total
2020	\$ 125,000	\$ 9,625	\$ 134,625
2021	130,000	3,250	133,250
Total	\$ 255,000	\$ 12,875	\$ 267,875

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*Loans Payable*

2008 GEFA Loan Payable

During 2008, the City was approved for a loan from Georgia Environmental Facilities Authority (GEFA) to finance the costs of acquiring, constructing and installing a new belt press for the water and sewer treatment plant. The amount of the loan as originally approved in June of 2008 was not to exceed \$833,400. During 2009, it was determined that the original costs estimates were not sufficient so an additional \$67,000 was approved in 2009. The construction of the belt press was completed during 2009. The total amount the City drew down on this loan was \$1,090,026, including capitalized interest. Monthly payments of \$5,514, including interest at 2%, began in December 2009 and end in November 2029. Total interest paid for 2018 was \$13,491.

Cash requirements to maturity for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 53,692	\$ 12,479	\$ 66,171
2020	54,776	11,395	66,171
2021	55,882	10,290	66,172
2022	57,010	9,162	66,172
2023	58,160	8,011	66,171
2024-2028	308,891	21,964	330,855
2029	60,051	602	60,653
	<u>\$ 648,462</u>	<u>\$ 73,903</u>	<u>\$ 722,365</u>

2016 GEFA Loan Payable DW 16-002

In 2016, the City entered into a contract with the Georgia Environmental Facilities Authority for a Drinking Water State Revolving Loan Fund grant / loan to provide financing for improvements to the water system. The City may draw down funds up to \$810,135, of which 40% or \$324,054 is forgivable. The total amount the City drew down on this loan was \$374,798. Monthly payments of \$1,729, including interest at 1.03% began in September 2017 and will end in August 2037. Total interest paid for 2018 was \$3,722.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018  
 (CONTINUED)

Cash requirements to maturity for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 17,198	\$ 3,546	\$ 20,744
2020	17,376	3,368	20,744
2021	17,556	3,188	20,744
2022	17,738	3,007	20,745
2023	17,921	2,823	20,744
2024-2028	92,429	11,294	103,723
2029-2033	97,311	6,421	103,732
2034-2037	74,613	1,450	76,063
	<u>\$ 352,142</u>	<u>\$ 35,097</u>	<u>\$ 387,239</u>

2018 GEFA Loan Payable CW 2016039

In 2018, the City entered into a contract with the Georgia Environmental Facilities Authority for a Clean Water State Revolving Loan Fund grant / loan to provide financing for improvements to the sewer system. The City may draw down funds up to \$711,000, of which 25% or \$177,750 is forgivable. As of December 31, 2018, \$43,323 has been drawn down. Interest is accrued monthly at 0.89%. Principal payments will begin after the final draw has been made.

***Restricted Assets***

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2018 is \$323,648.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

**C. Changes in long-term liabilities**

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net pension liability	\$ 159,666	\$ 10,501	\$ -	\$ 170,167	\$ -
Compensated absences	23,332	35,724	(36,061)	22,995	22,995
Governmental activities Long-term liabilities	\$ 182,998	\$ 46,225	\$ (36,061)	\$ 193,162	\$ 22,995
Business-type activities:					
2005 Revenue bonds	\$ 375,000	\$ -	\$ (120,000)	\$ 255,000	\$ -
2008 GEFA loan	701,092	-	(52,630)	648,462	53,692
2016 GEFA loan - DW16002	369,164	-	(17,022)	352,142	17,198
2018 GEFA loan - CW2016039	-	43,323	-	43,323	-
Net pension liability	97,860	15,585	-	113,445	-
Compensated absences	11,524	20,887	(17,228)	15,183	15,183
Business-type activities Long-term liabilities	\$ 1,554,640	\$ 79,795	\$ (206,880)	\$ 1,427,555	\$ 86,073

For the governmental activities, compensated absences and net pension liability are generally liquidated by the general fund and for the business-type activities, compensated absences and net pension liability are liquidated by the Water and Sewer Fund.

**NOTE 10 – EMPLOYEE RETIREMENT PLANS**

**Georgia Municipal Employees Benefit System**

**Plan Description**

The City contributes to the Georgia Municipal Employees Benefit System (the system), an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association. The City of Gray Retirement Plan is a defined benefit plan that provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Public Retirement Systems Standard Law (Georgia Code Section 47-20-10) assigned the authority to establish and amend the plan to the City of Gray. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Georgia Municipal Employees Benefit System, 201 Pryor Street S.W., Atlanta, Georgia 30303.

**Benefits Provided**

The GMEBS Plan provides retirement, disability and death benefits to plan members and beneficiaries. Effective January 1, 2017, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

no impact on benefits.

**Plan Membership**

As of July 1, 2018, the date of the most recent actuarial valuation report, pension plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	16
Current active employees	21
Nonvested benefits	<u>13</u>
Total membership in the plan	<u><u>59</u></u>

**Contributions**

The plan members are not required to contribute to the plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.07% of annual covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the City reported a net pension liability. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2018. An expected total pension liability as of December 31, 2018 was determined using standard roll-forward techniques.

For the year ended December 31, 2018, the City recognized pension expense relative to GMEBS in the amount of \$60,642. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,325	\$ 51,477
Changes of assumptions	15,747	-
Net difference between projected and actual earnings on pension plan investments	-	36,905
Employer contributions subsequent to the measurement date	<u>48,576</u>	<u>-</u>
	<u><u>\$ 106,648</u></u>	<u><u>\$ 88,382</u></u>

City contributions subsequent to the measurement date of March 31, 2018 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year ended December 31:</u>	
2019	\$ (8,914)
2020	(6,437)
2021	(18,095)
2022	(8,172)
2023	11,308

**Actuarial Assumptions:** The total pension liability as of December 31, 2018 was determined by an actuarial valuation as of July 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	2.75%, plus service based merit increases
Investment rate of return	7.50%, On-going basis, based on long-term expected rate of return of pension plan investments

Mortality rates were based on the RP-2000 Combined Mortality Table with sex-distinct rates, set forward two years for males and one year for females, and the RP-2000 Disabled Mortality Table with sex-distinct rates.

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

**Net Pension Liability:**

<u>Changes in the Net Pension Liability:</u>	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 1,143,199	\$ 885,673	\$ 257,526
Changes for the year:			
Service cost	41,554	-	41,554
Interest	87,298	-	87,298
Difference between expected and actual experience	49,519	-	49,519
Contributions - employer	-	69,433	(69,433)
Net investment income	-	111,517	(111,517)
Benefit payments	(33,553)	(33,553)	-
Administrative expense	-	(10,333)	10,333
Other	18,332	-	18,332
Net changes	163,150	137,064	26,086
Balance at December 31, 2018	\$ 1,306,349	\$ 1,022,737	\$ 283,612

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of \$170,167 for governmental-activities and \$113,445 for business-type activities.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2018 is summarized in the following table:

Asset class	Target allocation	Long-term Expected real rate of return
Domestic Equity	45%	6.71%
International Equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Total	<u>100%</u>	

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

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	\$ 493,107	\$ 283,612	\$ 112,137

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report which is publically available at [www.gmanet.com](http://www.gmanet.com).

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

**NOTE 11 – SPECIAL FUNDING DEFINED BENEFIT PENSION PLAN**

**A. Peace Officers' Annuity and Benefit Fund of Georgia**

The City's Deputies are covered by the State of Georgia Peace Officers' Annuity and Benefit Fund. The City makes no contribution to this plan. Contributions are collected by the City as the agent for this fund through its court systems. This plan is administered through the Peace Officers' Annuity and Benefit Fund of Georgia located at 1210 Greenbelt Parkway in Griffin, Georgia where separate financial statements may be obtained. This plan is considered immaterial to the City of Gray's financial statements.

**B. Georgia Firefighters' Pension Fund**

The City's Volunteer Firemen are eligible to participate in the Georgia Firefighters' Pension Fund, a voluntary pension system. The City makes no contributions to this plan. Contributions are made through monthly dues by eligible firefighters electing to participate in the plan and non-employer contributions which consist of insurance premium taxes collected and remitted by insurers directly to the pension fund in accordance with the law. The plan is administered by the Georgia Firefighters' Pension Fund located at 2171 Eastview Parkway NE in Conyers, Georgia where separate financial statements may be obtained. This plan is considered immaterial to the City of Gray's financial statements.

**NOTE 12 – CONTINGENT LIABILITIES**

**Litigation**

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

**NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through June 10, 2019, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

	2018	2017	2016	2015
<b>Total pension liability</b>				
Service cost	\$ 41,554	\$ 37,831	\$ 41,553	\$ 43,993
Interest on total pension liability	87,298	85,512	79,822	73,019
Difference between expected and actual experience	49,519	(66,619)	(14,131)	3,180
Benefit payments, including refunds of employee contributions	(33,553)	(33,821)	(33,821)	(33,821)
Other	18,332	-	-	1,415
<b>Net change in total pension liability</b>	<b>163,150</b>	<b>22,903</b>	<b>73,423</b>	<b>87,786</b>
<b>Total pension liability - beginning of year</b>	<b>1,143,199</b>	<b>1,120,296</b>	<b>1,046,873</b>	<b>959,087</b>
<b>Total pension liability - end of year</b>	<b>\$ 1,306,349</b>	<b>\$ 1,143,199</b>	<b>\$ 1,120,296</b>	<b>\$ 1,046,873</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 69,433	\$ 74,129	\$ 75,298	\$ 61,770
Net investment income	111,517	97,753	2,776	62,637
Benefit payments, including refunds of member contributions	(33,553)	(33,821)	(33,821)	(33,821)
Administrative expenses	(10,333)	(10,618)	(7,666)	(6,813)
<b>Net change in plan fiduciary net position</b>	<b>137,064</b>	<b>127,443</b>	<b>36,587</b>	<b>83,773</b>
<b>Plan fiduciary net position - beginning of year</b>	<b>885,673</b>	<b>758,230</b>	<b>721,643</b>	<b>637,870</b>
<b>Plan fiduciary net position - end of year</b>	<b>\$ 1,022,737</b>	<b>\$ 885,673</b>	<b>\$ 758,230</b>	<b>\$ 721,643</b>
<b>City's net pension liability (asset) - ending</b>	<b>\$ 283,612</b>	<b>\$ 257,526</b>	<b>\$ 362,066</b>	<b>\$ 325,230</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>78.29%</b>	<b>77.47%</b>	<b>67.68%</b>	<b>68.93%</b>
<b>Covered-employee payroll</b>	<b>1,100,149</b>	<b>1,049,773</b>	<b>1,000,466</b>	<b>973,479</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>25.78%</b>	<b>24.53%</b>	<b>36.19%</b>	<b>33.41%</b>

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to the required supplementary information are an integral part of this schedule

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE OF CITY CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determined contributions	\$ 64,769	\$ 70,988	\$ 75,176	\$ 75,338
Contributions in relation to the actuarially determined contribution	64,769	70,988	75,176	75,338
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,067,035	\$ 1,017,020	\$ 1,000,466	\$ 973,479
Contributions as a percentage of covered-employee payroll	6.07%	6.98%	7.51%	7.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

The accompanying notes to the required supplementary information are an integral part of this schedule



## **SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**Law Enforcement Confiscation Fund** - This fund accounts for condemned funds restricted for Law enforcement expenditures.

**Hotel / Motel Fund** - This fund accounts for the hotel/motel taxes collected and expenditures relative to tourism.

### CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Capital Improvements Fund** - This fund is used to account for the purchase or construction of major capital facilities or equipment for the City.

**2016 CDBG Fund** - This fund was established to account for the grant funds from the Community Development Block Grant and the related expenditures.

**2009 SPLOST Fund** - This fund was established to account for SPLOST monies received to be used for improvements to the water and sewer system.

### PERMANENT FUND

Permanent funds are used to account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

**Perpetual Care Permanent Fund** - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

CITY OF GRAY, GEORGIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	Special Revenue Funds		Capital Projects			Permanent	Total
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	2016 CDBG Fund	2009 SPLOST Fund	Perpetual Care	Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 32,868	\$ 100	\$ 75,837	\$ 100	\$ -	\$ 13,903	\$ 122,808
Certificates of deposit	-	-	-	-	-	63,497	63,497
Accounts receivable	-	753	-	-	-	-	753
Interest receivable	-	-	-	-	-	98	98
<b>Total Assets</b>	<b>\$ 32,868</b>	<b>\$ 853</b>	<b>\$ 75,837</b>	<b>\$ 100</b>	<b>\$ -</b>	<b>\$ 77,498</b>	<b>\$ 187,156</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 753	\$ -	\$ -	\$ -	\$ -	\$ 753
Due to other funds	-	100	-	100	-	-	200
<b>Total Liabilities</b>	<b>-</b>	<b>853</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>953</b>
<b>FUND BALANCES</b>							
Restricted	32,868	-	-	-	-	77,498	110,366
Assigned	-	-	75,837	-	-	-	75,837
<b>Total Fund Balances</b>	<b>32,868</b>	<b>-</b>	<b>75,837</b>	<b>-</b>	<b>-</b>	<b>77,498</b>	<b>186,203</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,868</b>	<b>\$ 853</b>	<b>\$ 75,837</b>	<b>\$ 100</b>	<b>\$ -</b>	<b>\$ 77,498</b>	<b>\$ 187,156</b>

CITY OF GRAY, GEORGIA

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

	Special Revenue Funds		Capital Projects			Permanent	Total
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	2016 CDBG Fund	2009 SPLOST Fund	Perpetual Care	Nonmajor Governmental Funds
<b>REVENUES</b>							
Taxes	\$ -	\$ 10,520	\$ -	\$ -	\$ -	\$ -	\$ 10,520
Intergovernmental	-	-	-	79,566	-	-	79,566
Fines and forfeitures	26,160	-	-	-	-	-	26,160
Miscellaneous earnings	-	-	-	-	-	750	750
Investment earnings	-	-	-	-	34	264	298
<b>Total Revenues</b>	<b>26,160</b>	<b>10,520</b>	<b>-</b>	<b>79,566</b>	<b>34</b>	<b>1,014</b>	<b>117,294</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
General government	-	10,520	-	-	-	-	10,520
Public works	-	-	-	-	6	-	6
Public safety	165	-	-	-	116,934	-	117,099
Housing development	-	-	-	79,566	-	-	79,566
Culture and recreation	-	-	-	-	-	7,250	7,250
Capital outlay	-	-	6,800	-	-	-	6,800
<b>Total Expenditures</b>	<b>165</b>	<b>10,520</b>	<b>6,800</b>	<b>79,566</b>	<b>116,940</b>	<b>7,250</b>	<b>221,241</b>
Net change in fund balance	25,995	-	(6,800)	-	(116,906)	(6,236)	(103,947)
Fund balances - beginning of year	6,873	-	82,637	-	116,906	83,734	290,150
<b>Fund balances - end of year</b>	<b>\$ 32,868</b>	<b>\$ -</b>	<b>\$ 75,837</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 77,498</b>	<b>\$ 186,203</b>

CITY OF GRAY, GEORGIA

LAW ENFORCEMENT CONFISCATION FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Fines and forfeitures	\$ 10,000	\$ 26,160	\$ 16,160
Total Revenues	10,000	26,160	16,160
<u>EXPENDITURES</u>			
Current			
Public safety	10,000	165	9,835
Total Expenditures	10,000	165	9,835
Net change in fund balance	-	25,995	25,995
Fund balance - beginning of year	6,873	6,873	-
Fund balance - end of year	\$ 6,873	\$ 32,868	\$ 25,995

CITY OF GRAY, GEORGIA

HOTEL / MOTEL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Taxes	\$ 13,000	\$ 10,520	\$ (2,480)
Total Revenues	13,000	10,520	(2,480)
<u>EXPENDITURES</u>			
Current			
General government	13,000	10,520	2,480
Total Expenditures	13,000	10,520	2,480
Net change in fund balance	-	-	-
Fund balance - beginning of year	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -

CITY OF GRAY, GEORGIA

2016 COMMUNITY DEVELOPMENT BLOCK GRANT

#16h-x-084-2-5852

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2018

	Prior Years	Current Year	Total to Date	Project Authorization
<u>REVENUES</u>				
Department of Community Affairs	\$ 135,292	\$ 79,566	\$ 214,858	\$ 500,000
Total Revenues	135,292	79,566	214,858	500,000
<u>EXPENDITURES</u>				
Acquisition of Property (Public)	-	-	-	500
Clearance	-	-	-	6,000
Contingencies - Unprogramed Funds	-	-	-	38,991
Rehabilitation of Private Properties	42,830	-	42,830	246,389
Reconstruction of Private Properties	92,462	79,566	172,028	208,120
Total Expenditures	135,292	79,566	214,858	500,000
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

CITY OF GRAY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED  
WITH SPECIAL SALES TAX PROCEEDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
<b>2009 SPLOST</b>				
Water & sewer system Improvements	\$ 1,688,000	\$ 1,517,714	\$ -	\$ 1,517,714
Police Vehicles	400,000	380,863	-	380,863
Street Improvements	250,000	238,483	6	238,489
Fire Equipment	200,000	74,170	116,934	191,104
Public Works Vehicles and Equipment	150,000	235,602	-	235,602
<b>Total 2009 SPLOST</b>	<b>\$ 2,688,000</b>	<b>\$ 2,446,832</b>	<b>\$ 116,940</b>	<b>\$ 2,563,772</b>

\* The 2009 SPLOST was closed out as of December 31, 2018.

	Original Estimated Cost	Expenditures		Total
		Prior Years	Current Year	
<b>2015 SPLOST</b>				
Water & sewer system Improvements	\$ 1,318,800	\$ 328,520	\$ 122,358	\$ 450,878
Police Vehicles	362,250	164,682	19,539	184,221
Street Improvements	199,500	36,342	52,234	88,576
Fire Equipment, Vehicles, and Facilities	119,280	-	39,469	39,469
Public Works Vehicles and Equipment	100,170	24,579	9,006	33,585
<b>Total 2015 SPLOST</b>	<b>\$ 2,100,000</b>	<b>\$ 554,123</b>	<b>\$ 242,606</b>	<b>\$ 796,729</b>

CITY OF GRAY, GEORGIA

BALANCE SHEET  
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY  
DECEMBER 31, 2018

ASSETS

Cash and cash equivalent	\$	<u>16,574</u>
Total Assets	\$	<u><u>16,574</u></u>

LIABILITIES AND FUND BALANCES

Liabilities:		
Security deposit	\$	<u>500</u>
Total Liabilities		<u>500</u>
Fund Balances:		
Unassigned		<u>16,074</u>
Total Fund Balance		<u>16,074</u>
Total Liabilities and Fund Balance	\$	<u><u>16,574</u></u>

CITY OF GRAY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Revenues:</u>	
Intergovernmental	\$ 20,000
Rental income	12,200
	<hr/>
Total Revenues	32,200
	<hr/>
<u>Expenditures:</u>	
Current:	
Housing and development	29,468
	<hr/>
Total Expenditures	29,468
	<hr/>
Net change in fund balances	2,732
Fund Balance, beginning of year	13,342
	<hr/>
Fund Balance, end of year	\$ 16,074
	<hr/> <hr/>

**GOVERNMENTAL REPORT**



**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**

Mayor and City Council  
City of Gray  
Gray, Georgia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gray, Georgia (the "City") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Macon, Georgia  
June 10, 2019

CITY OF GRAY, GEORGIA

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

**Section I – Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

There was not an audit of major federal award programs for the year ended December 31, 2018 due to the total amount expended being less than \$750,000.

**Section II – Financial Statement Findings**

Findings noted on the 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*:

None Reported