

CITY OF GRAY, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2020

CITY OF GRAY, GEORGIA

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

CITY OF GRAY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, 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 49-50, the schedule of City contributions on page 51, and the notes to the required supplementary information on page 52-54 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 22, 2021 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.

Clifton, Lippford, Hardison & Parker LLC

Macon, Georgia
June 22, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

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, 2020.

Financial Highlights

- The assets and deferred outflows of resources for the City exceeded its liabilities and deferred inflows of resources as of December 31, 2020 by \$14,055,280.
- The government's total net position decreased by \$277,270 for the year ended December 31, 2020.
- As of December 31, 2020, total net position consisted of \$8,714,720 invested in capital equipment, net of related debt, \$686,256 restricted and \$4,654,304 unrestricted.
- As of the close of the current year the City's governmental funds reported combined ending fund balances of \$4,917,200 an increase of \$299,810 in comparison with the prior year.
- For the year ended December 31, 2020, fund balance for the general fund increased from \$3,998,254 to \$4,189,072.

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, 2020
(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 seven individual governmental funds: the general fund, a hotel/motel tax fund, a SPLOST fund, 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, 2020
(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 \$14,055,280 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, 2020 the investment consists of \$19,391,142 in assets, with accumulated depreciation of \$10,043,449 and outstanding debt of \$632,973.

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, 2020 current liabilities decreased by \$148,973 and net position decreased by \$277,270 compared to December 31, 2019.

	Summary of Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	Restated 2019	2020	2019	2020	Restated 2019
Assets						
Current and other assets	\$ 5,073,941	\$ 4,901,261	\$ 1,483,772	\$ 2,043,279	\$ 6,557,713	\$ 6,944,540
Capital assets	2,922,929	3,070,606	6,424,764	6,561,586	9,347,693	9,632,192
Total assets	7,996,870	7,971,867	7,908,536	8,604,865	15,905,406	16,576,732
Deferred outflows of resources						
Related to pensions	236,443	119,721	127,315	64,465	363,758	184,186
Total deferred outflows of resources	236,443	119,721	127,315	64,465	363,758	184,186
Liabilities						
Current and other liabilities	120,361	251,519	336,184	329,151	456,545	580,670
Long-term liabilities	715,131	297,467	1,017,647	1,512,212	1,732,778	1,809,679
Total liabilities	835,492	548,986	1,353,831	1,841,363	2,189,323	2,390,349
Deferred inflows of resources						
Related to pensions	15,965	24,712	8,596	13,307	24,561	38,019
Total deferred inflows of resources	15,965	24,712	8,596	13,307	24,561	38,019
Net position						
Net investment in capital assets	2,922,929	3,070,606	5,791,791	5,214,076	8,714,720	8,284,682
Restricted	652,199	543,276	34,057	337,108	686,256	880,384
Unrestricted	3,806,728	3,904,008	847,576	1,263,476	4,654,304	5,167,484
Total net position	\$ 7,381,856	\$ 7,517,890	\$ 6,673,424	\$ 6,814,660	\$ 14,055,280	\$ 14,332,550

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(CONTINUED)

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	Restated 2019	2020	2019	2020	Restated 2019
Revenues						
Program revenues						
Charges for services	\$ 153,370	\$ 224,985	\$ 2,154,055	\$ 2,134,860	\$ 2,307,425	\$ 2,359,845
Capital grants and contributions	671,326	732,685	157,193	201,801	828,519	934,486
General revenues						
Taxes	2,173,367	2,063,860	-	-	2,173,367	2,063,860
Investment revenues	17,383	37,990	9,185	12,218	26,568	50,208
Sale of Property	-	30,875	-	-	-	30,875
Miscellaneous	4,599	9,741	-	-	4,599	9,741
Total Revenues	3,020,045	3,100,136	2,320,433	2,348,879	5,340,478	5,449,015
Expenses						
General government	843,086	602,700	-	-	843,086	602,700
Judicial	83,060	78,933	-	-	83,060	78,933
Public safety	1,100,400	1,071,894	-	-	1,100,400	1,071,894
Public works	624,918	548,818	-	-	624,918	548,818
Other	407,222	341,807	-	-	407,222	341,807
Water and Sewer	-	-	2,383,409	2,128,256	2,383,409	2,128,256
Sanitation	-	-	175,653	165,937	175,653	165,937
Total Expenses	3,058,686	2,644,152	2,559,062	2,294,193	5,617,748	4,938,345
Increase (decrease) in net position before transfers	(38,641)	455,984	(238,629)	54,686	(277,270)	510,670
Transfers	(97,393)	(89,131)	97,393	89,131	-	-
Increase (decrease) in net position	(136,034)	366,853	(141,236)	143,817	(277,270)	510,670
Net position - Beginning	7,517,890	7,151,037	6,814,660	6,670,843	14,332,550	13,821,880
Net position - Ending	\$ 7,381,856	\$ 7,517,890	\$ 6,673,424	\$ 6,814,660	\$ 14,055,280	\$ 14,332,550

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.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(CONTINUED)

As of December 31, 2020 the City's governmental funds reported combined ending fund balances of \$4,917,200. The unassigned fund balance reflects a balance of \$3,841,285, which is available for spending at the government's discretion. \$331,945 is nonspendable fund balance related to prepaids. \$652,199 is restricted fund balance and the remainder of fund balance \$91,771 is assigned for miscellaneous law enforcement and fire department capital outlays and is not available for new spending.

The fund balance of the City's governmental funds increased by \$299,810 during the current year.

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 \$847,576.

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, 2020 totals \$9,347,693 net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery and equipment, and vehicles. The total decrease in the City's investment in capital assets for the current year was \$284,499. Detailed information regarding the capital asset activity for 2020 can be found in Note 8 of this report.

CITY OF GRAY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(CONTINUED)

**Capital Assets at Year-End
(Net of Accumulated Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,053,040	\$ 1,053,040	\$ 34,414	\$ 26,167	\$ 1,087,454	\$ 1,079,207
Water Rights	-	-	313,683	313,683	313,683	313,683
Construction in progress	-	-	261,745	528,611	261,745	528,611
Infrastructure	924,883	1,033,660	5,579,930	5,461,493	6,504,813	6,495,153
Buildings	533,326	552,951	-	-	533,326	552,951
Storm Drainage Improve.	-	-	109,162	82,127	109,162	82,127
Equipment	132,125	160,156	84,988	110,513	217,113	270,669
Vehicles	279,555	270,799	40,842	38,992	320,397	309,791
Total	\$ 2,922,929	\$ 3,070,606	\$ 6,424,764	\$ 6,561,586	\$ 9,347,693	\$ 9,632,192

Long-Term Debt

The Water and Sewerage Revenue Bonds, Series 2005 was paid in full as of December 31, 2020. In 2009, the City borrowed an additional \$1,090,026 from GEFA for a belt press for the wastewater treatment plant. The 2008 GEFA loan was paid in full as of December 31, 2020. In 2016, the City entered into a contract with GEFA for 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 \$317,566 with 17,556 due within one year. In 2018, the City entered into a contract with GEFA to provide financing for improvements to the sewer system. The total the City drew down on this loan was \$325,435. Notes payable equal \$315,407 with \$15,018 due within one year. Detailed information regarding the long-term debt activity for 2020 can be found in Note 9.

Accomplishments/Growth for 2020

In 2020, the City of Gray continued to make great strides in upgrading its water and sewer infrastructure. A water and sewer revenue bond and GEFA loan were paid in full. The Fire Department purchased a new Fire Truck. The police department purchased new vehicles.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,411,270	\$ 1,129,968	\$ 4,541,238	\$ 346,424
Certificates of deposit	1,046,146	227,089	1,273,235	-
Receivables (net of allowance):				
Accrued interest	-	1,283	1,283	-
Taxes	116,940	-	116,940	-
Accounts	8,051	154,137	162,188	-
Due from other governments	93,577	-	93,577	-
Prepays	331,945	3,250	335,195	-
Internal balances	66,012	(66,012)	-	-
Restricted assets:				
Cash and cash equivalents	-	34,057	34,057	-
Capital assets:				
Nondepreciable assets	1,053,040	609,843	1,662,883	377,972
Depreciable assets, net	1,869,889	5,814,921	7,684,810	134,093
Total assets	<u>7,996,870</u>	<u>7,908,536</u>	<u>15,905,406</u>	<u>858,489</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pensions	<u>236,443</u>	<u>127,315</u>	<u>363,758</u>	<u>-</u>
Total deferred outflows of resources	<u>236,443</u>	<u>127,315</u>	<u>363,758</u>	<u>-</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
 DECEMBER 31, 2020
 (CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<u>LIABILITIES</u>				
Accounts payable	90,679	113,036	203,715	-
Accrued liabilities	29,682	8,973	38,655	-
Customer deposits	-	214,175	214,175	-
Security deposits	-	-	-	500
Noncurrent liabilities:				
Due within one year				
Loans payable	-	32,574	32,574	-
Compensated absences	34,774	18,328	53,102	-
Due in more than one year				
Loans payable	-	600,399	600,399	-
Net pension liability	680,357	366,346	1,046,703	-
Total liabilities	<u>835,492</u>	<u>1,353,831</u>	<u>2,189,323</u>	<u>500</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows of resources related to pensions	<u>15,965</u>	<u>8,596</u>	<u>24,561</u>	<u>-</u>
Total deferred inflows of resources	<u>15,965</u>	<u>8,596</u>	<u>24,561</u>	<u>-</u>
<u>NET POSITION</u>				
Net investment in capital assets	2,922,929	5,791,791	8,714,720	512,065
Restricted for:				
Debt service	-	34,057	34,057	-
Capital outlay	629,401	-	629,401	-
Law enforcement	22,798	-	22,798	-
Unrestricted	<u>3,806,728</u>	<u>847,576</u>	<u>4,654,304</u>	<u>345,924</u>
Total net position	<u>\$ 7,381,856</u>	<u>\$ 6,673,424</u>	<u>\$ 14,055,280</u>	<u>\$ 857,989</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities				
General government	\$ 843,086	\$ 85,739	\$ -	\$ -
Judicial	83,060	-	-	-
Public safety	1,100,400	67,631	239,416	-
Public works	624,918	-	-	431,910
Health and Welfare	5,254	-	-	-
Housing and Development	401,968	-	-	-
Total governmental activities	<u>3,058,686</u>	<u>153,370</u>	<u>239,416</u>	<u>431,910</u>
Business-type activities				
Water & Sewer	2,383,409	1,960,698	12,516	144,677
Sanitation	175,653	193,357	-	-
Total business-type activities	<u>2,559,062</u>	<u>2,154,055</u>	<u>12,516</u>	<u>144,677</u>
Total primary government	<u>\$ 5,617,748</u>	<u>\$ 2,307,425</u>	<u>\$ 251,932</u>	<u>\$ 576,587</u>
Component Unit:				
Downtown Development Authority	<u>\$ 10,918</u>	<u>\$ 17,200</u>	<u>\$ -</u>	<u>\$ 360,000</u>

Property taxes
Sales taxes
Insurance premium tax
Franchise tax
Other taxes
Unrestricted investment earnings
Miscellaneous

Total general revenues

Transfers

Change in net position

Net position - beginning of year, restated

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, 2020
(CONTINUED)

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (757,347)	\$ -	\$ (757,347)	\$ -
(83,060)	-	(83,060)	-
(793,353)	-	(793,353)	-
(193,008)	-	(193,008)	-
(5,254)	-	(5,254)	-
(401,968)	-	(401,968)	-
<u>(2,233,990)</u>	<u>-</u>	<u>(2,233,990)</u>	<u>-</u>
-	(265,518)	(265,518)	-
-	17,704	17,704	-
<u>-</u>	<u>(247,814)</u>	<u>(247,814)</u>	<u>-</u>
<u>(2,233,990)</u>	<u>(247,814)</u>	<u>(2,481,804)</u>	<u>-</u>
			<u>366,282</u>
974,589	-	974,589	-
466,814	-	466,814	-
264,305	-	264,305	-
230,425	-	230,425	-
237,234	-	237,234	-
17,383	9,185	26,568	-
4,599	-	4,599	337
<u>2,195,349</u>	<u>9,185</u>	<u>2,204,534</u>	<u>337</u>
<u>(97,393)</u>	<u>97,393</u>	<u>-</u>	<u>-</u>
(136,034)	(141,236)	(277,270)	366,619
<u>7,517,890</u>	<u>6,814,660</u>	<u>14,332,550</u>	<u>491,370</u>
<u>\$ 7,381,856</u>	<u>\$ 6,673,424</u>	<u>\$ 14,055,280</u>	<u>\$ 857,989</u>

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

CITY OF GRAY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

<u>ASSETS</u>	General	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,713,575	\$ 592,458	\$ 105,237	\$ 3,411,270
Certificates of deposit	1,046,146	-	-	1,046,146
Receivables, net of allowance				
Taxes	116,940	-	-	116,940
Accounts	7,408	-	643	8,051
Due from other governments	56,634	36,943	-	93,577
Due from other funds	66,202	-	-	66,202
Prepays	331,945	-	-	331,945
Total Assets	\$ 4,338,850	\$ 629,401	\$ 105,880	\$ 5,074,131
 <u>LIABILITIES</u>				
Accounts payable	\$ 83,716	\$ -	\$ 6,963	\$ 90,679
Accrued liabilities	29,682	-	-	29,682
Due to other funds	-	-	190	190
Total Liabilities	113,398	-	7,153	120,551
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	34,880	-	-	34,880
Unavailable revenue - other	1,500	-	-	1,500
Total Deferred Inflows of Resources	36,380	-	-	36,380
 <u>FUND BALANCES</u>				
Nonspendable	331,945	-	-	331,945
Restricted	-	629,401	22,798	652,199
Assigned	15,842	-	75,929	91,771
Unassigned	3,841,285	-	-	3,841,285
Total fund balances	4,189,072	629,401	98,727	4,917,200
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,338,850	\$ 629,401	\$ 105,880	\$ 5,074,131

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, 2020

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

Total fund balances - governmental funds	\$ 4,917,200
Capital Assets	
Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.	
Cost of assets	5,800,403
Accumulated depreciation	(2,877,474)
Deferred outflows of resources	
Related to pensions	236,443
Long-term Liabilities	
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	(34,774)
Net pension liability	(680,357)
Deferred inflows of resources	
Related to pensions	(15,965)
Revenues	
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>36,380</u>
Total Net position of Governmental Activities	<u><u>\$ 7,381,856</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, 2020

	General	2015 SPLOST	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 970,561	\$ -	\$ -	\$ 970,561
Sales	466,814	-	-	466,814
Other taxes	724,110	-	7,854	731,964
Licenses and permits	85,739	-	-	85,739
Intergovernmental	239,416	426,732	-	666,148
Fines and forfeitures	67,631	-	-	67,631
Investment earnings	17,286	5,178	97	22,561
Miscellaneous	4,099	-	500	4,599
Total revenues	2,575,656	431,910	8,451	3,016,017
EXPENDITURES:				
Current:				
General government	537,240	-	7,854	545,094
Judicial	83,060	-	-	83,060
Public safety	999,207	18,991	13,409	1,031,607
Public works	260,716	80,048	-	340,764
Health and welfare	5,254	-	-	5,254
Housing and development	401,968	-	-	401,968
Capital outlay	-	211,067	-	211,067
Total Expenditures	2,287,445	310,106	21,263	2,618,814
Excess (deficiency) of revenues over (under) expenditures	288,211	121,804	(12,812)	397,203
OTHER FINANCING SOURCES (USES):				
Transfers out	(97,393)	-	-	(97,393)
Total other financing sources and (uses)	(97,393)	-	-	(97,393)
Net change in fund balances	190,818	121,804	(12,812)	299,810
Fund balance - beginning of year, restated	3,998,254	507,597	111,539	4,617,390
Fund balance - end of year	\$ 4,189,072	\$ 629,401	\$ 98,727	\$ 4,917,200

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, 2020

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

Net change in fund balances - total governmental funds	\$ 299,810
--	------------

Capital Assets

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	114,235
Total depreciation	(261,912)

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	116,722
--	---------

Long-term Debt

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	(13,165)
Net pension liability	(404,499)

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	8,747
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Revenues

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

4,028

Change in net position of governmental activities

\$ (136,034)

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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 857,956	\$ 857,956	\$ 970,561	\$ 112,605
Local option sales tax	388,000	388,000	466,814	78,814
Other taxes:				
Insurance premium tax	230,000	230,000	264,305	34,305
Motor vehicle tax	98,200	98,200	108,680	10,480
Franchise tax	220,000	220,000	230,425	10,425
Beer and wine tax	80,000	97,393	97,393	-
Real estate transfer tax	2,000	2,000	6,545	4,545
Recording intangible taxes	8,000	8,000	15,154	7,154
Mobile home tax	450	450	529	79
Penalties and interest	2,000	2,000	1,080	(920)
Total Taxes	1,886,606	1,903,999	2,161,486	257,487
Licenses and Permits:				
Business licenses and permits	80,000	80,000	85,739	5,739
Intergovernmental Revenues:				
Department of transportation	-	51,929	51,929	-
Emergency management agency	-	179,486	179,485	(1)
Jones County Board of Education Crossing Guards	10,000	10,000	8,000	(2,000)
Total Intergovernmental Revenues	10,000	241,415	239,414	(2,001)
Fines, Forfeitures and Penalties:				
Fine and forfeitures	133,000	133,000	67,631	(65,369)
Total Fines, Forfeitures and Penalties	133,000	133,000	67,631	(65,369)
Miscellaneous:				
Interest earnings	12,349	12,349	17,286	4,937
Miscellaneous	1,600	1,600	4,099	2,499
Total Miscellaneous	13,949	13,949	21,385	7,436
Total Revenues	\$ 2,123,555	\$ 2,372,363	\$ 2,575,655	\$ 203,292

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, 2020
(CONTINUED)

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
General Government				
General administration	\$ 591,310	\$ 591,310	\$ 537,239	\$ 54,071
Judicial				
Municipal court	80,700	80,700	79,760	940
Public defender	3,600	3,600	3,300	300
Public Safety				
Police	829,200	1,000,586	807,875	192,711
Prisoner custody	17,000	17,000	1,170	15,830
Fire	100,627	108,727	106,124	2,603
Dispatching	83,050	83,050	83,038	12
Emergency management	1,000	1,000	1,000	-
Public Works				
Highways and streets	269,600	321,529	260,716	60,813
Health and Welfare				
Community center	5,500	5,500	5,254	246
Housing and Development				
Better Hometown	25,000	25,000	25,000	-
Keep Jones Beautiful	7,368	7,368	7,368	-
Planning and Zoning	9,600	9,600	9,600	-
Downtown Development	20,000	360,000	360,000	-
Total Expenditures	<u>2,043,555</u>	<u>2,614,970</u>	<u>2,287,444</u>	<u>327,526</u>
Excess (Deficiency) of Revenues over Expenditures	<u>80,000</u>	<u>(242,607)</u>	<u>288,211</u>	<u>530,818</u>
<u>Other Financing Sources (Uses):</u>				
Transfer to Water and Sewer Fund	<u>(80,000)</u>	<u>(97,393)</u>	<u>(97,393)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(97,393)</u>	<u>(97,393)</u>	<u>-</u>
Net change in fund balance	-	(340,000)	190,818	530,818
Fund balance - beginning of year	<u>3,998,254</u>	<u>3,998,254</u>	<u>3,998,254</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,998,254</u>	<u>\$ 3,658,254</u>	<u>\$ 4,189,072</u>	<u>\$ 530,818</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,033,777	\$ 96,191	\$ 1,129,968
Certificates of deposit	227,089	-	227,089
Restricted cash, cash equivalents and investments:			
Revenue bond covenant accounts	34,057	-	34,057
Accrued interest receivable	1,283	-	1,283
Accounts receivable (net of allowance for uncollectibles)	137,981	16,156	154,137
Due from other funds	-	3,928	3,928
Prepaid items	3,250	-	3,250
Total current assets	<u>1,437,437</u>	<u>116,275</u>	<u>1,553,712</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	609,843	-	609,843
Depreciable assets, net	5,814,921	-	5,814,921
Total capital assets	<u>6,424,764</u>	<u>-</u>	<u>6,424,764</u>
Total noncurrent assets	<u>6,424,764</u>	<u>-</u>	<u>6,424,764</u>
Total assets	<u>7,862,201</u>	<u>116,275</u>	<u>7,978,476</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources related to pensions	<u>127,315</u>	<u>-</u>	<u>127,315</u>
Total deferred outflows of resources	<u>127,315</u>	<u>-</u>	<u>127,315</u>

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

CITY OF GRAY, GEORGIA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020
 (CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 98,303	\$ 14,733	\$ 113,036
Accrued liabilities	8,973	-	8,973
Customer deposits payable	214,175	-	214,175
Compensated absences	18,328	-	18,328
Due to other funds	69,940	-	69,940
Notes payable - current	32,574	-	32,574
Total current liabilities	442,293	14,733	457,026
Noncurrent liabilities:			
Notes payable	600,399	-	600,399
Net pension liability	366,346	-	366,346
Total noncurrent liabilities	966,745	-	966,745
Total liabilities	1,409,038	14,733	1,423,771
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources related to pensions	8,596	-	8,596
Total deferred inflows of resources	8,596	-	8,596
<u>NET POSITION</u>			
Net investment in capital assets	5,791,791	-	5,791,791
Restricted:			
Restricted for debt service	34,057	-	34,057
Unrestricted	746,034	101,542	847,576
Total net position	\$ 6,571,882	\$ 101,542	\$ 6,673,424

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, 2020

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
Operating Revenues:			
Charges for sales and services:			
Water sales	\$ 1,039,168	\$ -	\$ 1,039,168
Sewerage fees	778,940	-	778,940
Garbage fees	-	193,357	193,357
Connection fees	103,690	-	103,690
Penalties and other fees	31,952	-	31,952
Miscellaneous	6,948	-	6,948
Total operating revenues	1,960,698	193,357	2,154,055
Operating Expenses:			
Salaries	479,244	-	479,244
Employee benefits	218,607	-	218,607
Depreciation	408,702	-	408,702
Utilities	119,780	-	119,780
Maintenance and supplies	405,910	-	405,910
Insurance	170,315	-	170,315
Gas, oil, tires	11,700	-	11,700
Professional fees	38,641	-	38,641
Contracted services	-	175,592	175,592
Travel	1,693	-	1,693
Engineering fees	18,674	-	18,674
County water expense	435,591	-	435,591
Other operating expenses	49,504	61	49,565
Total Operating Expenses	2,358,361	175,653	2,534,014
Operating Income (Loss)	(397,663)	17,704	(379,959)
Non-Operating Revenues (Expenses):			
Interest revenue	9,100	85	9,185
Intergovernmental revenue	12,516	-	12,516
Interest expense	(25,048)	-	(25,048)
Total Non-Operating Revenues (Expenses)	(3,432)	85	(3,347)

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, 2020
(CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor	Total
Sanitation Fund			
Net Income (Loss) before Contributions and Transfers	(401,095)	17,789	(383,306)
Capital contributions	144,677	-	144,677
Transfers in	97,393	-	97,393
Change in net position	(159,025)	17,789	(141,236)
Net position - beginning of year	6,730,907	83,753	6,814,660
Net position - end of year	\$ 6,571,882	\$ 101,542	\$ 6,673,424

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, 2020

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Sanitation Fund	Total
<u>Cash Flows from Operating Activities:</u>			
Cash received from customers	\$ 1,954,363	\$ 192,563	\$ 2,146,926
Cash paid to suppliers for good and services	(1,203,653)	(175,404)	(1,379,057)
Cash paid to employees	(555,858)	-	(555,858)
Net Cash Provided by (Used for) Operating Activities	194,852	17,159	212,011
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfer from General Fund	97,393	-	97,393
Net Cash Provided by (Used for) Noncapital Financing Activities	97,393	-	97,393
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and construction of assets	(127,203)	-	(127,203)
Intergovernmental revenue	12,516	-	12,516
Proceeds from financing	37,548	-	37,548
Principal paid on revenue bonds	(130,000)	-	(130,000)
Principal paid on notes	(622,085)	-	(622,085)
Interest paid on revenue bonds	(26,039)	-	(26,039)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(855,263)	-	(855,263)
<u>Cash Flows from Investing Activities:</u>			
Interest received	8,873	85	8,958
Net Cash Provided by (Used for) Investing Activities	8,873	85	8,958
Net Increase (Decrease) in Cash and Cash Equivalents	(554,145)	17,244	(536,901)
Cash and Cash Equivalents - Beginning of Year	1,849,068	78,947	1,928,015
Cash and Cash Equivalents - End of Year	\$ 1,294,923	\$ 96,191	\$ 1,391,114
<u>Reconciliation of Cash Equivalents:</u>			
Cash	\$ 1,260,866	\$ 96,191	\$ 1,357,057
Restricted cash	34,057	-	34,057
Total Cash and Cash Equivalents	\$ 1,294,923	\$ 96,191	\$ 1,391,114

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, 2020
 (CONTINUED)

	Business-type Activities		
	Enterprise Funds		
	Water and Sewer Fund	Nonmajor	Total
Sanitation Fund			
<u>Reconciliation of Operating Income (Loss) to Net Cash</u> <u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ (397,663)	\$ 17,704	\$ (379,959)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	408,702	-	408,702
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivables	(10,835)	(794)	(11,629)
(Increase) decrease in due from other funds	-	(449)	(449)
(Increase) decrease in prepaids	3,125	-	3,125
(Increase) decrease in deferred outflows - pensions	(62,850)	-	(62,850)
Increase (decrease) in accounts payable	13,244	698	13,942
Increase (decrease) in accrued liabilities	(10,418)	-	(10,418)
Increase (decrease) in customer water deposits	4,500	-	4,500
Increase (decrease) in due to other funds	31,786	-	31,786
Increase (decrease) in compensated absences	2,165	-	2,165
Increase (decrease) in net pension liability	217,807	-	217,807
Increase (decrease) in deferred inflows - pensions	(4,711)	-	(4,711)
Total adjustments	592,515	(545)	591,970
Net Cash Provided by (Used for) Operating Activities	\$ 194,852	\$ 17,159	\$ 212,011
NONCASH CAPITAL FINANCING ACTIVITIES			
Contributions of capital assets from government	\$ 144,677	\$ -	\$ 144,677

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

CITY OF GRAY, GEORGIA

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2020

<u>ASSETS</u>	<u>Private-Purpose Trust Fund</u>
Cash and cash equivalent	\$ 1,901
Certificates of deposit	63,497
Interest receivable	1,027
	<hr/>
Total Assets	\$ 66,425
	<hr/> <hr/>
 <u>LIABILITIES AND NET POSITION</u>	
Liabilities:	
Accounts payable	\$ -
	<hr/>
Total Liabilities	-
	<hr/>
Net Position:	
Restricted for perpetual care	66,425
	<hr/>
Total Net Position	66,425
	<hr/>
Total Liabilities and Net Position	\$ 66,425
	<hr/> <hr/>

CITY OF GRAY, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Private-Purpose Trust Fund</u>
<u>Revenues:</u>	
Miscellaneous	\$ 1,000
Investment earnings	1,568
	<hr/>
Total Revenues	2,568
	<hr/>
<u>Expenditures:</u>	
Current:	
Culture and recreation	7,310
	<hr/>
Total Expenditures	7,310
	<hr/>
Net change in net position	(4,742)
Net Position, beginning of year	71,167
	<hr/>
Net Position, end of year	\$ 66,425
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020. 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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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
DECEMBER 31, 2020
(CONTINUED)

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
DECEMBER 31, 2020
(CONTINUED)

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

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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, 2020 and amount to \$34,774.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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, 2020:

	General Fund	2015 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Nonspendable:				
Prepays	\$ 331,945	\$ -	\$ -	\$ 331,945
Restricted:				
Law enforcement	-	-	22,798	22,798
Capital outlay	-	629,401	-	629,401
Assigned for:				
Law enforcement	10,137	-	-	10,137
Fire department	5,705	-	-	5,705
Capital outlay	-	-	75,929	75,929
Unassigned	3,841,285	-	-	3,841,285
Total fund balances	<u>\$ 4,189,072</u>	<u>\$ 629,401</u>	<u>\$ 98,727</u>	<u>\$ 4,917,200</u>

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 \$86,279 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 \$64,780 during the current year. Settled claims in the past three years have not exceeded the coverage.

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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, 2020, the City's only investments were in certificates of deposit.

At December 31, 2020, the City's certificates of deposit were as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of deposit - General Fund	1 - 6 months	\$ 686,629
	7 - 12 months	250,000
	12 - 24 months	109,517
Certificates of deposit - Water and Sewer Fund	1 - 6 months	149,718
	7 - 12 months	77,371
		<u>\$ 1,273,235</u>

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, 2020 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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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.

The property tax calendar is as follows:

	Real/Personal Property	Motor Vehicles
Assessment Date	January 1	January 1
Levy Date	August 30th	December 1
Due Date and Collection Date	December 31, 2020	Staggered
Lien Date	May 1, 2021	N/A

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2020 consist of the following:

	General Fund	Water & Sewer Fund	Nonmajor Proprietary Fund	Nonmajor Governmental Funds	Total
Receivables:					
Taxes	\$ 126,535	\$ -	\$ -	\$ -	\$ 126,535
Accounts	-	179,294	27,731	643	207,668
Accrued interest	7,408	1,283	-	-	8,691
Gross Receivables	133,943	180,577	27,731	643	342,894
Less: Allowances for Uncollectibles	(9,595)	(41,313)	(11,575)	-	(62,483)
Net Receivables	\$ 124,348	\$ 139,264	\$ 16,156	\$ 643	\$ 280,411

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2020, are as follows:

	<u>State</u>	<u>Other</u>	<u>Total</u>
Fund:			
General	\$ 43,646	\$ 12,988	\$ 56,634
2015 SPLOST	-	36,943	36,943
Total	<u>\$ 43,646</u>	<u>\$ 49,931</u>	<u>\$ 93,577</u>

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2020, 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	\$ 66,012
	Nonmajor Governmental Fund	190
Nonmajor Proprietary Fund	Water and Sewer Fund	<u>3,928</u>
Total		<u>\$ 70,130</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	\$ 97,393	\$ 97,393
Total	<u>\$ 97,393</u>	<u>\$ 97,393</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
DECEMBER 31, 2020
(CONTINUED)

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

Primary Government

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,053,040	\$ -	\$ -	\$ 1,053,040
Total capital assets, not being depreciated	1,053,040	-	-	1,053,040
Capital assets, being depreciated:				
Infrastructure	2,175,540	-	-	2,175,540
Buildings	842,008	-	-	842,008
Equipment	529,996	8,795	-	538,791
Vehicles	1,085,584	105,440	-	1,191,024
Total capital assets, being depreciated	4,633,128	114,235	-	4,747,363
Less accumulated depreciation for:				
Infrastructure	(1,141,880)	(108,777)	-	(1,250,657)
Buildings	(289,057)	(19,625)	-	(308,682)
Equipment	(369,840)	(36,826)	-	(406,666)
Vehicles	(814,785)	(96,684)	-	(911,469)
Total accumulated depreciation	(2,615,562)	(261,912)	-	(2,877,474)
Total capital assets being depreciated, net	2,017,566	(147,677)	-	1,869,889
Governmental capital assets, net	\$ 3,070,606	\$ (147,677)	\$ -	\$ 2,922,929

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated					
Land	\$ 26,167	\$ 8,247	\$ -	\$ -	\$ 34,414
Water rights	313,683	-	-	-	313,683
Construction in progress	528,611	138,750	-	(405,616)	261,745
Total capital assets, not being depreciated	868,461	146,997	-	(405,616)	609,842
Capital assets, being depreciated					
Sewer system	2,717,690	60,557	-	405,616	3,183,863
Water system	6,318,138	-	-	-	6,318,138
Wastewater treatment plant	2,622,270	1,920	-	-	2,624,190
Building	41,526	-	-	-	41,526
Equipment	379,647	-	-	-	379,647
Storm drainage improvements	137,829	34,796	-	-	172,625
Vehicles	233,298	27,610	-	-	260,908
Total capital assets, being depreciated	12,450,398	124,883	-	405,616	12,980,897
Less accumulated depreciation for:					
Sewer system	(1,510,121)	(81,077)	-	-	(1,591,198)
Water system	(3,157,879)	(192,997)	-	-	(3,350,876)
Wastewater treatment plant	(1,528,605)	(75,582)	-	-	(1,604,187)
Building	(41,526)	-	-	-	(41,526)
Equipment	(269,134)	(25,525)	-	-	(294,659)
Storm drainage improvements	(55,702)	(7,761)	-	-	(63,463)
Vehicles	(194,306)	(25,760)	-	-	(220,066)
Total accumulated depreciation	(6,757,273)	(408,702)	-	-	(7,165,975)
Total capital assets, being depreciated, net	5,693,125	(283,819)	-	405,616	5,814,922
Business-type activities capital assets, net	\$ 6,561,586	\$ (136,822)	\$ -	\$ -	6,424,764
Less related long-term debt outstanding					(632,973)
Net investment in capital assets					\$ 5,791,791

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

Governmental activities	
General government	\$ 5,797
Public safety	113,506
Public works	142,609
Total	<u>\$ 261,912</u>
Business-type activities	
Water & Sewer	\$ 408,702
Total	<u>\$ 408,702</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020
 (CONTINUED)

Activity for the Downtown Development Authority for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Discretely presented component unit:				
Capital assets, not being depreciated:				
Land	\$ 291,203	\$ -	\$ -	\$ 291,203
Construction in progress	-	86,769	-	86,769
Total capital assets, not being depreciated	291,203	86,769	-	377,972
Capital assets, being depreciated:				
Buildings	145,753	-	-	145,753
Total capital assets, being depreciated	145,753	-	-	145,753
Less accumulated depreciation for:				
Buildings	(8,745)	(2,915)	-	(11,660)
Total accumulated depreciation	(8,745)	(2,915)	-	(11,660)
Total capital assets being depreciated, net	137,008	(2,915)	-	134,093
Governmental capital assets, net	\$ 428,211	\$ 83,854	\$ -	\$ 512,065

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 2020 was \$9,625. The Water and Sewerage Revenue Bonds, Series 2005 was paid in full as of December 31, 2020.

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. Total interest paid for 2020 was \$9,344. The 2008 GEFA Loan was paid in full as of December 31, 2020.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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 2020 was \$3,368.

Cash requirements to maturity for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 17,556	\$ 3,188	\$ 20,744
2022	17,738	3,007	20,745
2023	17,921	2,823	20,744
2024	18,107	2,637	20,744
2025	18,294	2,450	20,744
2026-2030	94,351	9,380	103,731
2031-2035	99,335	4,387	103,722
2036-2037	34,264	310	34,574
	<u>\$ 317,566</u>	<u>\$ 28,182</u>	<u>\$ 345,748</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. The total amount the City drew down on this loan was \$325,345. Monthly payments of \$1,480, including interest at .89% began in May 2020 and will end in April 2040. Total interest paid for 2020 was \$2,712.

Cash requirements to maturity for this loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,018	\$ 2,746	\$ 17,764
2022	15,152	2,612	17,764
2023	15,288	2,476	17,764
2024	15,424	2,340	17,764
2025	15,562	2,202	17,764
2026-2030	79,921	8,898	88,819
2031-2035	83,557	5,263	88,820
2036-2040	75,485	1,493	76,978
	<u>\$ 315,407</u>	<u>\$ 28,030</u>	<u>\$ 343,437</u>

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

Restricted Assets

The balance of the restricted asset accounts in the Water & Sewer enterprise fund as of December 31, 2020 is \$34,057.

B. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Net pension liability	\$ 275,858	\$ 404,499	\$ -	\$ 680,357	\$ -
Compensated absences	21,609	39,079	(25,914)	34,774	34,774
Governmental activities Long-term liabilities	<u>\$ 297,467</u>	<u>\$ 443,578</u>	<u>\$ (25,914)</u>	<u>\$ 715,131</u>	<u>\$ 34,774</u>
Business-type activities:					
2005 Revenue bonds	\$ 130,000	\$ -	\$ (130,000)	\$ -	\$ -
2008 GEFA loan	594,771	-	(594,771)	-	-
2016 GEFA loan - DW16002	334,943	-	(17,377)	317,566	17,556
2018 GEFA loan - CW2016039	287,796	37,549	(9,938)	315,407	15,018
Net pension liability	148,539	217,807	-	366,346	-
Compensated absences	16,163	22,571	(20,406)	18,328	18,328
Business-type activities Long-term liabilities	<u>\$ 1,512,212</u>	<u>\$ 277,927</u>	<u>\$ (772,492)</u>	<u>\$ 1,017,647</u>	<u>\$ 50,902</u>

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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 no impact on benefits.

Plan Membership

As of July 1, 2020, the date of the most recent actuarial valuation report, pension plan membership consisted of the following:

Retires and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits but not yet receiving them	15
Current active employees	22
Nonvested benefits	<u>11</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 7.61% 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, 2020, the City reported a net pension liability. The net pension liability was measured as of March 31, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of July 1, 2020. An expected total pension liability as of December 31, 2020 was determined using standard roll-forward techniques.

For the year ended December 31, 2020, the City recognized pension expense relative to GMEBS in the amount of \$517,202. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension from the following sources:

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 151,087	\$ 24,561
Changes of assumptions	18,601	-
Net difference between projected and actual earnings on pension plan investments	128,126	-
Employer contributions subsequent to the measurement date	65,945	-
	<u>\$ 363,759</u>	<u>\$ 24,561</u>

City contributions subsequent to the measurement date of March 31, 2020 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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>	
2021	\$ 55,953
2022	65,876
2023	85,356
2024	66,068

Actuarial Assumptions: The total pension liability as of December 31, 2020 was determined by an actuarial valuation as of July 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increase	2.25%, plus service based merit increases
Cost of living adjustments	0.00%
Investment rate of return	7.375%, On-going basis, based on long-term expected rate of return of pension plan investments

Mortality rates:

- Healthy retirees and beneficiaries: Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- Disabled participants: Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.
- Active participants, terminated vested participants, and deferred beneficiaries: Sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Plan termination basis (all lives): 1994 Group Annuity Reserving Unisex Table.

The mortality tables (other than the one used for the plan termination basis) are adjusted from 2012 to future years using sex-distinct generational projection under scale SSA2019-2D to reflect expected mortality improvement.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

Net Pension Liability:

Changes in the Net Pension Liability:	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 1,504,871	\$ 1,080,474	\$ 424,397
Changes for the year:			
Service cost	40,288	-	40,288
Interest	114,211	-	114,211
Difference between expected and actual experience	78,842	-	78,842
Contributions - employer	-	79,221	(79,221)
Net investment income	-	(78,791)	78,791
Benefit payments	(44,690)	(44,690)	-
Administrative expense	-	(12,975)	12,975
Other	376,420	-	376,420
Net changes	565,071	(57,235)	622,306
Balance at December 31, 2020	\$ 2,069,942	\$ 1,023,239	\$ 1,046,703

The City's net pension liability is recorded in the Government-Wide Statement of Net Position in the amounts of \$275,858 for governmental-activities and \$148,539 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, 2020 is summarized in the following table:

Asset class	Target allocation	Long-term Expected real rate of return
Domestic Equity	45%	6.41%
International Equity	20%	6.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Domestic fixed income	20%	1.96%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 7.375%. 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

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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 7.375%, 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 (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease <u>(6.375%)</u>	Current discount rate <u>(7.375%)</u>	1% Increase <u>(8.375%)</u>
Sensitivity of the Net Pension Liability to Changes in the Discount Rate	\$ 1,375,857	\$ 1,046,703	\$ 777,534

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.

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.

CITY OF GRAY, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020
(CONTINUED)

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 – RESTATEMENT FOR NEW ACCOUNTING STANDARD

During 2020, the City implemented new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as of January 1, 2020.

The effect of this adjustment is as follows:

	Governmental Activities	Non-Major Governmental Fund Perpetual Care
Net position / Fund Balance		
December 31, 2019, as previously reported	\$ 7,589,057	\$ 71,167
Implementation of GASB 84 for Fiduciary activities	<u>(71,167)</u>	<u>(71,167)</u>
Net position / Fund Balance		
December 31, 2019 restated	<u>\$ 7,517,890</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GRAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	2020	2019	2018
Total pension liability			
Service cost	\$ 40,288	\$ 40,286	\$ 41,554
Interest on total pension liability	114,211	99,637	87,298
Difference between expected and actual experience	78,842	94,886	49,519
Benefit payments, including refunds of employee contributions	(44,690)	(36,287)	(33,553)
Other	376,420	-	18,332
Net change in total pension liability	565,071	198,522	163,150
Total pension liability - beginning of year	1,504,871	1,306,349	1,143,199
Total pension liability - end of year	\$ 2,069,942	\$ 1,504,871	\$ 1,306,349
Plan fiduciary net position			
Contributions - employer	\$ 79,221	\$ 66,990	\$ 69,433
Net investment income	(78,791)	37,562	111,517
Benefit payments, including refunds of member contributions	(44,690)	(36,287)	(33,553)
Administrative expenses	(12,975)	(10,528)	(10,333)
Net change in plan fiduciary net position	(57,235)	57,737	137,064
Plan fiduciary net position - beginning of year	1,080,474	1,022,737	885,673
Plan fiduciary net position - end of year	\$ 1,023,239	\$ 1,080,474	\$ 1,022,737
City's net pension liability (asset) - ending	\$ 1,046,703	\$ 424,397	\$ 283,612
Plan fiduciary net position as a percentage of the total pension liability	49.43%	71.80%	78.29%
Covered-employee payroll	1,167,082	1,139,991	1,100,149
Net pension liability as a percentage of covered-employee payroll	89.69%	37.23%	25.78%

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, 2020

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

2017	2016	2015
\$ 37,831	\$ 41,553	\$ 43,993
85,512	79,822	73,019
(66,619)	(14,131)	3,180
(33,821)	(33,821)	(33,821)
-	-	1,415
<u>22,903</u>	<u>73,423</u>	<u>87,786</u>
1,120,296	1,046,873	959,087
<u>\$ 1,143,199</u>	<u>\$ 1,120,296</u>	<u>\$ 1,046,873</u>
\$ 74,129	\$ 75,298	\$ 61,770
97,753	2,776	62,637
(33,821)	(33,821)	(33,821)
(10,618)	(7,666)	(6,813)
<u>127,443</u>	<u>36,587</u>	<u>83,773</u>
758,230	721,643	637,870
<u>\$ 885,673</u>	<u>\$ 758,230</u>	<u>\$ 721,643</u>
<u>\$ 257,526</u>	<u>\$ 362,066</u>	<u>\$ 325,230</u>
77.47%	67.68%	68.93%
1,049,773	1,000,466	973,479
24.53%	36.19%	33.41%

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, 2020

SCHEDULE OF CITY CONTRIBUTIONS

	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 87,926	\$ 73,653	\$ 64,769	\$ 70,988	\$ 75,176	\$ 75,338
Contributions in relation to the actuarially determined contribution	87,926	75,653	64,769	70,988	75,176	75,338
Contribution deficiency (excess)	\$ -	\$ (2,000)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$1,155,401	\$1,139,991	\$1,067,035	\$1,017,020	\$1,000,466	\$973,479
Contributions as a percentage of covered-employee payroll	7.61%	6.64%	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

CITY OF GRAY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

Changes of assumptions:

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

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at age 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.
- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40%

CITY OF GRAY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.

- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

Benefit Changes:

Amounts reported for fiscal years ending in 2020 and later reflect that effective January 1, 2020, the benefit multiplier increased from 1.50% to 2.00% for Employees and from \$24 to \$36 for Officials. The new multipliers apply to all years of service.

Valuation date	The actuarially determined contribution rate was determined as of July 1, 2020, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2021.
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Closed level dollar for the remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 16 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%

CITY OF GRAY, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(CONTINUED)

Retirement Age	Ages 55-59 rate of 10%, age 60 rate of 20%, age 61 rate of 25%, age 62 rate of 35%, age 63 rate of 40%, age 64 rate of 45%, ages 65-69 rate of 50% and age 70 and over rate of 100%
Mortality	Healthy retirees and beneficiaries – Sex-distinct Pri-2012 head count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 Disabled participants – Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25 Active participants, terminated vested participants, and deferred beneficiaries – Sex-distinct Pri-2012 head-count weighted Employee Mortality Table Plan termination basis (all lives) – 1994 Group Annuity Reserving Unisex Table The mortality tables (other than the one used for the plan termination basis) are adjusted from 2012 to future years using sex-distinct generational projection under scale SSA2019-2D to reflect expected mortality improvement.

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.

CITY OF GRAY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue Funds		Capital Projects		Total Nonmajor Governmental Funds
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	2016 CDBG Fund	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 29,118	\$ 100	\$ 75,929	\$ 90	\$ 105,237
Accounts receivable	-	643	-	-	643
Total Assets	\$ 29,118	\$ 743	\$ 75,929	\$ 90	\$ 105,880
<u>LIABILITIES</u>					
Accounts payable	\$ 6,320	\$ 643	\$ -	\$ -	\$ 6,963
Due to other funds	-	100	-	90	190
Total Liabilities	6,320	743	-	90	7,153
<u>FUND BALANCES</u>					
Restricted	22,798	-	-	-	22,798
Assigned	-	-	75,929	-	75,929
Total Fund Balances	22,798	-	75,929	-	98,727
Total Liabilities and Fund Balances	\$ 29,118	\$ 743	\$ 75,929	\$ 90	\$ 105,880

CITY OF GRAY, GEORGIA

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

	Special Revenue Funds		Capital Projects		Total Nonmajor Governmental Funds
	Law Enforcement Confiscation	Hotel / Motel Fund	Capital Improvements	2016 CDBG Fund	
<u>REVENUES</u>					
Taxes	\$ -	\$ 7,854	\$ -	\$ -	\$ 7,854
Miscellaneous earnings	500	-	-	-	500
Investment earnings	28	-	69	-	97
Total Revenues	528	7,854	69	-	8,451
<u>EXPENDITURES</u>					
Current					
General government	-	7,854	-	-	7,854
Public safety	13,409	-	-	-	13,409
Total Expenditures	13,409	7,854	-	-	21,263
Net change in fund balance	(12,881)	-	69	-	(12,812)
Fund balances - beginning of year	35,679	-	75,860	-	111,539
Fund balances - end of year	\$ 22,798	\$ -	\$ 75,929	\$ -	\$ 98,727

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, 2020

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Miscellaneous earnings	\$ 10,000	\$ 500	\$ (9,500)
Investment earnings	-	28	28
Total Revenues	10,000	528	(9,472)
<u>EXPENDITURES</u>			
Current			
Public safety	16,320	13,409	2,911
Total Expenditures	16,320	13,409	2,911
Net change in fund balance	(6,320)	(12,881)	(6,561)
Fund balance - beginning of year	35,679	35,679	-
Fund balance - end of year	\$ 29,359	\$ 22,798	\$ (6,561)

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, 2020

	Final Budget	Actual	Variance with Final Budget
<u>REVENUES</u>			
Taxes	\$ 11,000	\$ 7,854	\$ (3,146)
Total Revenues	11,000	7,854	(3,146)
<u>EXPENDITURES</u>			
Current			
General government	11,000	7,854	3,146
Total Expenditures	11,000	7,854	3,146
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, 2020

	Prior Years	Current Year	Total to Date	Project Authorization
<u>REVENUES</u>				
Department of Community Affairs	\$ 488,016	\$ -	\$ 488,016	\$ 500,000
Total Revenues	488,016	-	488,016	500,000
<u>EXPENDITURES</u>				
Acquisition of Property (Public)	-	-	-	500
Clearance	5,500	-	5,500	6,000
Contingencies - Unprogramed Funds	-	-	-	38,991
Rehabilitation of Private Properties	140,104	-	140,104	246,389
Reconstruction of Private Properties	342,412	-	342,412	208,120
Total Expenditures	488,016	-	488,016	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, 2020

2015 SPLOST	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Water & sewer system Improvements	\$ 1,318,800	\$ 571,188	\$ 144,677	\$ 715,865
Police Vehicles	362,250	311,589	33,118	344,707
Street Improvements	199,500	88,576	76,915	165,491
Fire Equipment, Vehicles, and Facilities	119,280	53,100	18,991	72,091
Public Works Vehicles and Equipment	100,170	33,585	36,405	69,990
Total 2015 SPLOST	\$ 2,100,000	\$ 1,058,038	\$ 310,106	\$ 1,368,144

CITY OF GRAY, GEORGIA

BALANCE SHEET
 COMPONENT UNIT-DOWNTOWN DEVELOPMENT AUTHORITY
 DECEMBER 31, 2020

ASSETS

Cash and cash equivalent	\$ 346,424
Total Assets	<u>\$ 346,424</u>

LIABILITIES AND FUND BALANCES

Liabilities:	
Security deposit	<u>\$ 500</u>
Total Liabilities	<u>500</u>
Fund Balances:	
Assigned	20,000
Unassigned	<u>325,924</u>
Total Fund Balance	<u>345,924</u>
Total Liabilities and Fund Balance	<u>\$ 346,424</u>

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

Total fund balances - governmental funds	\$ 345,924
Capital Assets	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of the assets	523,725
Accumulated depreciation	<u>(11,660)</u>
Net Position of Governmental Activities	<u>\$ 857,989</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, 2020

Revenues:

Intergovernmental	\$	360,000
Rental income		17,200
Donations		337
		<hr/>
Total Revenues		<hr/> 377,537 <hr/>

Expenditures:

Current:

Housing and development		8,003
Capital outlay		86,769
		<hr/>

Total Expenditures		<hr/> 94,772 <hr/>
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Net change in fund balances		282,765
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Fund Balance, beginning of year		<hr/> 63,159 <hr/>
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Fund Balance, end of year	\$	<hr/> <hr/> 345,924 <hr/> <hr/>
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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds	\$	282,765
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Capital Assets

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated 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		86,769
Total depreciation		(2,915)
		<hr/>

Change in Net Position of Governmental Activities	\$	<hr/> <hr/> 366,619 <hr/> <hr/>
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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clifton, Yipford, Hardison & Pate LLC

Macon, Georgia
June 22, 2021

CITY OF GRAY, GEORGIA

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	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, 2020 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