

Town of Dearing, Georgia

Annual Financial Report

**For the Fiscal Year Ended
December 31, 2018**

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Town of Dearing, Georgia
Annual Financial Report
December 31, 2018

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Annual Financial Report
December 31, 2018

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Independent Auditor's Report

Honorable Mayor and Members of Town Council
Town of Dearing
Dearing, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Dearing, Georgia (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Town of Dearing, Georgia, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2020 on our consideration of the Town'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 Town'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 Town's internal control over financial reporting and compliance.



Barmore Hammond, LLP
Certified Public Accountants

Thomson, Georgia
January 3, 2020

Town of Dearing, Georgia
Statement of Net Position
December 31, 2018

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 191,846	\$ -	\$ 191,846
Taxes receivable	47,684	-	47,684
Prepaid items	7,671	-	7,671
Investments	133,748	-	133,748
Capital assets			
Non-depreciable assets	175,000	-	175,000
Depreciable assets, net	879,762	2,632,802	3,512,564
Total Assets	<u>1,435,711</u>	<u>2,632,802</u>	<u>4,068,513</u>
Liabilities and Net Position			
Liabilities:			
Accounts payable	8,937	-	8,937
Total Liabilities	<u>8,937</u>	<u>-</u>	<u>8,937</u>
Net Position			
Net investment in capital assets	1,054,762	2,632,802	3,687,564
Restricted for streets and lanes	43,337	-	43,337
Unrestricted	328,675	-	328,675
Total Net Position	<u>\$ 1,426,774</u>	<u>\$ 2,632,802</u>	<u>\$ 4,059,576</u>

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

Town of Dearing, Georgia
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 113,200	\$ -	\$ -	\$ 10,254	\$ (102,946)	\$ -	\$ (102,946)
Public safety	12,079	-	-	-	(12,079)	-	(12,079)
Sanitation	28,314	31,318	-	-	3,004	-	3,004
Streets and lanes	2,653	-	-	-	(2,653)	-	(2,653)
Parks and recreation	27,107	12,593	-	-	(14,514)	-	(14,514)
Total Governmental Activities	183,353	43,911	-	10,254	(129,188)	-	(129,188)
Business-Type Activities							
Water and sewerage	113,888	-	-	-	-	(113,888)	(113,888)
Total Business-Type Activities	113,888	-	-	-	-	(113,888)	(113,888)
Total	<u>\$ 297,241</u>	<u>\$ 43,911</u>	<u>\$ -</u>	<u>\$ 10,254</u>	<u>\$ (129,188)</u>	<u>\$ (113,888)</u>	<u>\$ (243,076)</u>
General Revenues							
Sales tax					58,225	-	58,225
Franchise tax					46,395	-	46,395
Insurance premium tax					39,350	-	39,350
Intergovernmental					4,072	-	4,072
Business license					600	-	600
Other income					9,407	-	9,407
Investment income					244	-	244
Total General Revenues					158,293	-	158,293
CHANGE IN NET POSITION					29,105	(113,888)	(84,783)
NET POSITION - Beginning of Year					1,397,669	2,746,690	4,144,359
NET POSITION - End of Year					<u>\$ 1,426,774</u>	<u>\$ 2,632,802</u>	<u>\$ 4,059,576</u>

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

Town of Dearing, Georgia
Balance Sheet - Governmental Funds
December 31, 2018

	General Fund	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 191,846	\$ 191,846
Prepaid items	7,671	7,671
Investments	133,748	133,748
Total Assets	<u>333,265</u>	<u>333,265</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	8,937	8,937
Total Liabilities	<u>8,937</u>	<u>8,937</u>
Fund Balances		
Nonspendable	7,671	7,671
Restricted for streets and lanes	40,014	40,014
Unassigned	276,643	276,643
Total Fund Balances	<u>324,328</u>	<u>324,328</u>
Total Liabilities and Fund Balance	<u>\$ 333,265</u>	<u>\$ 333,265</u>

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

Town of Dearing, Georgia
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2018

Total fund balances - governmental funds	\$	324,328
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not current financial
resources and therefore are not reported in the fund financial statements,
but are reported in the governmental activities of the Statement of Net
Position

Land		175,000
Building and improvements		956,889
Vehicles and equipment		433,034
Furniture and fixtures		5,094
Infrastructure		107,225
Accumulated depreciation		(622,480)
		1,054,762

Some revenues will be collected after year end but are not available soon enough to pay
for the current period's expenditures and, therefore, are unavailable in the funds. These
revenues consist of:

Franchise taxes		37,318
Sales taxes		10,366
		47,684

Net position of governmental activities	\$	1,426,774
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The accompanying notes are an integral part of these financial statements.

Town of Dearing, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Total Governmental Funds
Revenues		
Taxes	\$ 141,118	\$ 141,118
Licenses and permits	600	600
Intergovernmental	14,326	14,326
Charges for services	43,911	43,911
Investment earnings	244	244
Other	9,407	9,407
Total Revenue	<u>209,606</u>	<u>209,606</u>
Expenditures		
Current		
General government	337,605	337,605
Public safety	20,066	20,066
Sanitation	28,314	28,314
Streets and lanes	2,653	2,653
Parks and recreation	12,222	12,222
Total Expenditures	<u>400,860</u>	<u>400,860</u>
Deficiency of Revenues Over Expenditures	<u>(191,254)</u>	<u>(191,254)</u>
Net Changes in Fund Balances	<u>(191,254)</u>	<u>(191,254)</u>
Fund Balance at Beginning of Year	<u>515,582</u>	<u>515,582</u>
Fund Balance at End of Year	<u><u>\$ 324,328</u></u>	<u><u>\$ 324,328</u></u>

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

Town of Dearing, Georgia
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - governmental funds	\$ (191,254)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the asset's estimated useful life as depreciation expense for the period.

Capital outlays	239,801
Depreciation expense	(22,294)
Excess of capital outlay over depreciation expense	217,507

Revenues in the Statement of Activities that do not provide current financial resources are not as revenues in the funds.

Franchise taxes	1,898
Sales taxes	954
	2,852

Change in net position of governmental activities	\$ 29,105
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The accompanying notes are an integral part of these financial statements.

Town of Dearing, Georgia
Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget and Actual - General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 100,450	\$ 100,450	\$ 141,118	\$ 40,668
Licenses and permits	1,500	1,500	600	(900)
Intergovernmental	-	-	14,326	14,326
Charges for services	47,000	47,000	43,911	(3,089)
Investment earnings	15,000	15,000	244	(14,756)
Other	2,000	2,000	9,407	7,407
Total Revenue	<u>165,950</u>	<u>165,950</u>	<u>209,606</u>	<u>43,656</u>
Expenditures				
Current				
General government	274,200	274,200	337,605	(63,405)
Public safety	28,000	28,000	20,066	7,934
Sanitation	27,800	27,800	28,314	(514)
Streets and lanes	8,700	8,700	2,653	6,047
Parks and recreation	12,250	12,250	12,222	28
Total Expenditures	<u>350,950</u>	<u>350,950</u>	<u>400,860</u>	<u>(49,910)</u>
Deficiency of Revenues Over Expenditures	<u>(185,000)</u>	<u>(185,000)</u>	<u>(191,254)</u>	<u>(6,254)</u>
Other Sources				
Prior year fund balance	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>(185,000)</u>
Total Other Sources	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>(185,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(191,254)</u>	<u>\$ (191,254)</u>
Fund Balance, Beginning of Year			<u>515,582</u>	
Fund Balance, End of Year			<u>\$ 324,328</u>	

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

Town of Dearing, Georgia
Statement of Net Position - Proprietary Fund
December 31, 2018

	<u>Water & Sewer</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ -
Accounts receivable	-
Total Current Assets	<u>-</u>
Non-Current Assets	
Capital assets, net of depreciation	<u>2,632,802</u>
Total Non-Current Assets	<u>2,632,802</u>
Total Assets	<u>2,632,802</u>
Liabilities and Net Position	
Liabilities	
Current Liabilities	
Accounts payable	-
Total Current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Net investment in capital assets	2,632,802
Unrestricted	-
Total Net Position	<u>\$ 2,632,802</u>

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

Town of Dearing, Georgia
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Fund
For the Year Ended December 31, 2018

	<u>Water & Sewer</u>
Operating Revenues	
Water and sewer sales	\$ -
Total operating revenues	<u>-</u>
Operating Expenses	
Depreciation	<u>113,888</u>
Total Operating Expenses	<u>113,888</u>
Operating Loss	(113,888)
Capital Contributions	<u>-</u>
Change in Net Position	(113,888)
Net Position - Beginning of Year	<u>2,746,690</u>
Net Position - End of Year	<u><u>\$ 2,632,802</u></u>

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

Town of Dearing, Georgia
Statement of Cash Flows -
Proprietary Fund
For the Year Ended December 31, 2018

	<u>Water & Sewer</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (113,888)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	<u>113,888</u>
Total adjustments	<u>113,888</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>
Noncash investing, capital, and financing activities	
Contribution of capital assets from other government	<u>\$ -</u>
Total noncash investing, capital, and financing activities	<u><u>\$ -</u></u>

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

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies

The accounting and reporting policies of the Town reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments.

The Town of Dearing, Georgia (the "Town") complies with Generally Accepted Accounting Principles (GAAP) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. The Reporting Entity

The Town was incorporated in 1910. The Town's citizens elect the mayor and four council members at large. The Town provides traditional municipal services as authorized by its charter as well as water and sewerage service (enterprise service). As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the Town (the Primary Government). The Town has no component units as defined by GASB.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all activities of the Town. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements if applicable. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Each major fund is reported in a separate column in the fund financial statements.

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and 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 collected within the current fiscal period. The availability period of grant revenues is generally considered to be one year. Major revenue sources that are susceptible to accrual are property taxes, sales tax, transient occupancy tax, franchise fees, motor vehicle in lieu, highway users tax, investment income, and grant revenues. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Town reports the following major governmental funds:

General Fund - The General Fund is the Town's primary operating fund and is always classified as a major fund. The General Fund is used to account for all financial resources and legally authorized activities of the Town except for those required to be accounted for in other funds. Major revenue sources include property taxes, intergovernmental revenues, and investment of idle funds. Primary expenditures are for general administration, public safety, sanitation, streets and lanes, and parks and recreation.

Proprietary fund financial statements are used to account for activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows.

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred. On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expenses that are not a result of the direct operations of the activity.

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Town reports the following proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund provides water and sewer services to the incorporated and immediately surrounding areas. The Town owns the water and sewer infrastructure. The system and funds are managed and billed by the City of Thomson, Georgia.

D. Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments - The Town'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. State statutes and the Town's official investment policy authorize the Town to invest in obligations of Georgia and other states, obligations issued by the U.S. government, obligations fully insured or guaranteed by the U.S. government, obligations of any corporation of the U.S. government, prime bankers' acceptances, the local government investment pool established by state law, repurchase agreements, and obligations of other political subdivisions of Georgia. The Town records investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities.

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.

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Capital Assets - Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 to 50
Improvements other than buildings	5 to 50
Infrastructure	15 to 75
Utility systems	40
Machinery and equipment	5 to 10

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts - The Town did not have a liability for unpaid vacation, sick pay, or other employee benefits at December 31, 2018.

Net Position - The Town's net position is classified as follows:

Net investment in capital assets - This represents the Town's total investment in capital assets net of debt related to those capital assets.

Restricted - This represents the net amount of assets subject to constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Unrestricted - This represents the net amount of net position, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in any other category of net position.

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Fund Balance - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of resolution. Only the Town Council may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Through resolution, the Town Council has authorized the Town to assign fund balances.

Unassigned - Fund balances are reported as unassigned at the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balances only in the general fund. Negative unassigned fund balances may be reported in all funds.

For the classification of Governmental Fund Balances, the Town considers an expenditure to be made from the most restrictive level first when more than one classification is available. The Town would typically use restricted first, followed by committed resources, and the assigned resources as appropriate opportunities arrive, but reserve the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Use of Estimates - The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

E. Stewardship, Compliance, and Accountability Budgetary Information

During the year preceding the budget year, the Town follows the below administrative and fiscal procedures in establishing the budgetary data reflected in the accompanying financial statements of the General Fund:

The budget is prepared on the modified accrual basis at the department level, which is the legal level of budgetary control. The departments submit to the Town Clerk a budget of estimated expenditures for the ensuing year, after which, the Town Clerk subsequently submits a budget of estimated expenditures and revenues to the Town Council.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance. The Town Council adopted a formal budget as required by accounting principles generally accepted in the United States of America, which is included on page 9 as a comparison of actual revenues and expenditures with those budgeted. Variances from the approved budget are generally authorized by the Council, but the original budget is not always amended to reflect the authorizations.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, for the General Fund presents a comparison of the legally adopted budget with actual operating results on a budgetary basis. Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is not used by the Town.

Expenditures for general government were \$63,405 more than budgeted amounts due to additional costs of the community services building that was funded with available carry over fund balance.

Expenditures for sanitation were \$514 more than budgeted amounts due to an increase in volume and was funded with available carry over fund balance.

The water-sewer fund reported a loss of \$113,888 that is all depreciation expense which is a non-cash expense.

Note 2 - Deposits, Investments, and Investment Policies

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town's investment policy requires deposits in excess of federal depository insurance to be collateralized with securities of the federal government, or its agencies, and held by a pledging financial institution's trust department in the Town's name. As of December 31, 2018, none of the Town's bank balances of \$191,846 were exposed to custodial credit risk.

Town of Dearing, Georgia
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Deposits, Investments, and Investment Policies (continued)

Investments

The Town has investments subject to its control and jurisdiction in obligations of the United States, bond or certificates of indebtedness of the State of Georgia, certificates of deposits of banks which have deposits insured by the Federal Deposit Insurance Corporation, and other legal investments. All investments held by the Town are in accordance with policy.

Nonparticipating interest-earning investment contracts (investments whose value is not affected by interest rates or other market changes), including savings accounts, certificates of deposit, repurchase agreements, money market investments (short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations) and participating interest-bearing investment contracts that have a remaining maturity, at purchase, of one year or less are reported at cost or amortized cost assuming their fair value has not been impacted by changes in the credit worthiness of the issuer or similar factors. All other investments are reported at fair value (the amount at which the financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

Note 3 - Property Taxes

The Town did not levy property tax for the year ended December 31, 2018.

Town of Dearing, Georgia
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 - Capital Assets

General Government

A summary of changes in capital assets follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
<i>Non-Depreciable Assets:</i>					
Land	\$ 175,000	\$ -	\$ -	\$ -	\$ 175,000
	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
<i>Depreciable Assets:</i>					
Infrastructure	54,803	52,422	-	-	107,225
Buildings and improvements	778,637	178,252	-	-	956,889
Vehicles and equipment	425,701	7,333	-	-	433,034
Furniture and fixtures	3,300	1,794	-	-	5,094
	<u>1,262,441</u>	<u>239,801</u>	<u>-</u>	<u>-</u>	<u>1,502,242</u>
<i>Accumulated Depreciation</i>					
Infrastructure	(3,425)	(1,807)	-	-	(5,232)
Buildings and improvements	(174,349)	(18,539)	-	-	(192,888)
Vehicles and equipment	(420,003)	(1,498)	-	-	(421,501)
Furniture and fixtures	(2,409)	(450)	-	-	(2,859)
	<u>(600,186)</u>	<u>(22,294)</u>	<u>-</u>	<u>-</u>	<u>(622,480)</u>
Total capital assets being depreciated, net	<u>662,255</u>	<u>217,507</u>	<u>-</u>	<u>-</u>	<u>879,762</u>
Total Governmental Activities	<u>\$ 837,255</u>	<u>\$ 217,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,054,762</u>

In most cases, assets with an initial cost of \$5,000 or more and an estimated life in excess of one year are capitalized. Additionally, infrastructure has been added to the capital assets balance.

Depreciation expense for the year ended December 31, 2018 was charged to functions of the primary government as follows:

<i>Governmental Activities</i>	
General Government	\$ 3,253
Public Safety	2,841
Parks and Recreation	16,200
	<u>\$ 22,294</u>
<i>Business-Type Activities</i>	
Water & Sewerage	<u>\$ 113,888</u>

Town of Dearing, Georgia
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

Note 4 - Capital Assets (continued)

Proprietary Fund

A summary of changes in Business-type activities capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
<i>Depreciable Assets:</i>					
Infrastructure	\$4,555,552	\$ -	\$ -	\$ -	\$4,555,552
	<u>4,555,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,555,552</u>
<i>Accumulated Depreciation</i>					
Infrastructure	(1,808,862)	(113,888)	-	-	(1,922,750)
	<u>(1,808,862)</u>	<u>(113,888)</u>	<u>-</u>	<u>-</u>	<u>(1,922,750)</u>
Total capital assets being depreciated, net	<u>2,746,690</u>	<u>(113,888)</u>	<u>-</u>	<u>-</u>	<u>2,632,802</u>
Total Business-Type Activities	<u>\$2,746,690</u>	<u>\$ (113,888)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,632,802</u>

Note 5 - Interfund Receivables/Transfers

There were no interfund receivables and payables or interfund transfers in and out as of and for the year ended December 31, 2018.

Note 6 - Risk Management

The Town carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the Town.

Risk Pool

The Town is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Worker's Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

Town of Dearing, Georgia
Notes to Basic Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (continued)

As part of their agreement, the Town must assist and cooperate in the defense and settlement of claims against the Town. The Town must furnish full cooperation to the pools' claims adjusters and any agent or independent contractor of the pools. In addition, the Town must report as promptly as possible and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the Town participates.

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

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Town's insurance coverage.

Note 7 - Subsequent Events

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report, January 3, 2020 for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

Note 8 - Joint Venture

Under Georgia law, the Town of Dearing, in conjunction with other towns, cities, and counties in the central east Georgia area, is a member of the CSRA Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code Annotated (O.C.G.A) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC board membership includes the chief official of each county and municipality of the area. O.C.G.A. 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

CSRA Regional Commission
3023 River Watch Parkway, Suite A
Augusta, GA 30907



Benjamin B. Barmore, CPA, PC

W. Lee Hammond, CPA, PC

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

Phone: 706.595.7764
Fax: 706.595.7288
www.barmorehammond.com

**Independent Auditors' 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***

Honorable Mayor and Members of Town Council
Town of Dearing
Dearing, 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 and the business-type activities of the Town of Dearing, Georgia (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 3, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

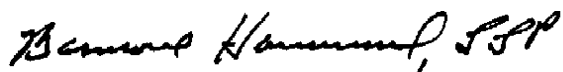
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-001 and 2018-002.

Town of Dearing, Georgia's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Barmore Hammond, LLP
Certified Public Accountants

Thomson, Georgia
January 3, 2020

Town of Dearing, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> X </u> Yes	<u> </u> No

Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No
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Section II. Financial Statement Findings

Item 2018-001: Adoption of Uniform Chart of Accounts

Condition: The Town of Dearing has not fully adopted the *Uniform Chart of Accounts for Local Governments in Georgia* as required by OCGA 36-81-3(e)

Criteria: Beginning in 2001, local governments in the State of Georgia must have adopted and used the uniform chart in their accounting records, audited financial statements, and reports to state agencies.

Cause: The Town's accounting software limits the number of characters available for the account number structure and does not adequately provide for governmental fund accounting.

Effect: These limitations do not allow the Town to properly classify their transactions in conformity with the fund, balance sheet, revenue, and expenditure classification descriptions contained in the *Uniform Chart of Accounts for Local Governments in Georgia*.

Recommendation: We recommend that the Town consider changing its accounting software to a package that will allow for extended account numbers, provide for fund accounting, and revise its chart of accounts to comply with the *Uniform Chart of Accounts for Local Governments in Georgia* as required by OCGA 36-81-3(e).

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and will consult with third-parties to determine what software is available to meet the needs of the Town. Once a decision is made on appropriate software, the Town will make the necessary revisions to its chart of accounts to comply with the *Uniform Chart of Accounts for Local Governments in Georgia*.

Town of Dearing, Georgia
Schedule of Findings and Responses
For the Year Ended December 31, 2018

Section II. Financial Statement Findings (Continued)

Item 2018-002: Fund Accounting and Commingling of Funds

Condition: The Town receives funding from the Transportation Investment Act (TSPLOST) and Local Maintenance Improvement Grants (LMIG). These funds are deposited into the same bank account and all transactions are accounted for within the General Fund.

Criteria: Proceeds from TSPLOST and LMIG should be maintained in separate bank accounts, used exclusively for the specified purpose, and accounted for in their respective fund in accordance with the *Uniform Chart of Accounts for Local Governments in Georgia*.

Cause: The Town has historically deposited these funds into the same account since their specified purposes are both related to maintenance of streets and lanes. Funds are accumulated over time and are generally used in street resurfacing projects. Accordingly, expenditures from the account are infrequent.

Effect: The Town is not in compliance with the requirements pertaining to these funds.

Recommendation: We recommend that the Town open an additional bank account and separate the TSPLOST and LMIG cash balances currently held. Separate funds, including the required revenue and expenditure accounts, should be established to account for the transactions of each revenue stream to insure that they are utilized for their specified purpose.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding. Management stipulated that these accounts were separated at one point time and that they were inadvertently combined during a recent bank merger. Management has agreed to make a determination of account balances and separate the accounts.