
**CITY OF GRAYSON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Grayson, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, aggregate discretely presented component unit and each major fund of the City of Grayson, Georgia (the "City") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 the *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.

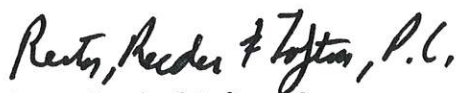
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, aggregate discretely presented component unit and each major fund of the City of Grayson, Georgia, as of August 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.



Rector, Reeder & Lofton, PC
Certified Public Accountants

Loganville, Georgia
February 28, 2020

CITY OF GRAYSON, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Grayson, Georgia we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Grayson, Georgia for the year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets of the City of Grayson, Georgia exceeded its liabilities at August 31, 2019 by \$8,775,885. Of this amount, unrestricted net position of \$2,731,848 may be used to meet the government's ongoing obligations to citizens and creditors. The total net position increased by \$945,910.
- As of the close of the current fiscal year, the City of Grayson, Georgia's governmental funds reported combined ending fund balances of \$3,403,319, an increase of \$260,700 in comparison with the prior year. Of this amount, \$12,593 is non-spendable, \$672,946 is restricted for capital projects, \$30,327 is assigned and \$2,687,453 is unassigned. The unassigned amount of \$2,687,453 consists of various assets netted against their respective liabilities. See the attached Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position for additional detail.

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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 and liabilities, with the difference between the two 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 City's net position changed during the most recent fiscal 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.

CITY OF GRAYSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other 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 of Grayson, Georgia include general government, public safety and courts, highways and streets, parks and recreation, community development, economic development, and code enforcement.

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.

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 fiscal period. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of 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 fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains one major governmental fund. The City's major governmental fund is the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for this major fund.

The City of Grayson, Georgia adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance for the year ended August 31, 2019 budget. An appropriate budget for the non-major funds and a project length budget for the SPLOST Capital Projects Fund have been adopted by the City and are presented in the individual fund financial statements.

CITY OF GRAYSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements.

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 of Grayson, Georgia, assets exceeded liabilities by \$8,775,885 at the close of the most recent fiscal year.

A portion of the City's net position (61%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Grayson, Georgia's Net Position

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$ 3,473,255	\$ 3,227,113	\$ 246,142
Capital assets	5,371,091	4,685,807	685,284
Total assets	<u>\$ 8,844,346</u>	<u>\$ 7,912,920</u>	<u>\$ 931,426</u>
Current liabilities	\$ 68,461	\$ 82,945	\$ (14,484)
Long-term liabilities	-	-	-
Total liabilities	<u>68,461</u>	<u>82,945</u>	<u>(14,484)</u>
Net position			
Net investment in capital assets	5,371,091	4,685,807	685,284
Restricted	672,946	639,623	33,323
Unrestricted	<u>2,731,848</u>	<u>2,504,545</u>	<u>227,303</u>
Total net position	<u>8,775,885</u>	<u>7,829,975</u>	<u>945,910</u>
Total liabilities & net position	<u>\$ 8,844,346</u>	<u>\$ 7,912,920</u>	<u>\$ 931,426</u>

CITY OF GRAYSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Current and other assets increased by \$246,142 or 7.63% due to an increase in cash and investments due to the disposition and sale proceeds from property for \$250,000. Capital Assets increased by \$685,284 or 14.62% due to the addition of an Amphitheater in the City Park.

Current liabilities decreased by \$14,484 due to decreases in accounts payable from timing at year-end.

Total Net Position increased by \$945,910 or 12.08%. A portion of the net position (\$672,946) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position (\$2,731,848) may be used to meet the government's ongoing obligations to citizens and creditors.

Additionally, the consolidated totals have the interfunds receivables and payables eliminated from the current assets and from the current liabilities.

CITY OF GRAYSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

City of Grayson, Georgia's Change in Net Position

	Governmental Activities	
	2019	2018
Revenue:		
Program Revenues -		
Grants & contributions	\$ 509,468	\$ 481,376
General Revenues -		
Property taxes	481,100	453,620
Franchise tax	318,269	260,433
Beer & wine tax	212,987	212,864
Insurance premium tax	195,428	183,291
Other taxes	86,013	76,578
Fees, Fines, and Charges for Services	149,986	140,358
Interest	6,751	10,244
Other	426,325	183,180
Total Revenues	<u>2,386,327</u>	<u>2,001,944</u>
Expenses:		
General government	890,874	798,461
Sanitation	206,964	199,494
Parks & Recreation	117,731	102,581
Streets	224,848	182,160
Total Expenses	<u>1,440,417</u>	<u>1,282,696</u>
(Decrease) increase in net position before transfers	945,910	719,248
Transfers/Prior Period Adjustment	<u>-</u>	<u>-</u>
(Decrease) increase in net position	945,910	719,248
Net position - beginning of period	<u>7,829,975</u>	<u>7,110,727</u>
Net position - end of period	\$ <u><u>8,775,885</u></u>	\$ <u><u>7,829,975</u></u>

Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Grayson, Georgia'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 of Grayson, Georgia's financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF GRAYSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

As of the end of the current year, the City's governmental funds reported combined ending net position balances of \$8,775,885, an increase of \$945,910 in comparison with the prior year. Of this amount, the City has an *unassigned fund balance* of \$2,687,453.

Capital assets and debt administration

Capital assets. The City's Capital Assets as of August 31, 2019 amounts to \$5,371,091 (net of accumulated depreciation). This amount includes land, buildings, vehicles, equipment, and infrastructure.

City of Grayson, Georgia			
Capital Assets			
	2019		2018
Land & land improvements	\$ 2,374,713	\$	2,374,713
Infrastructure	1,685,009		1,685,009
Buildings	2,208,809		1,433,046
Park equipment	298,680		290,986
Furniture & equipment	166,188		117,930
Less accumulated depreciation	(1,362,308)		(1,215,877)
Net	\$ <u>5,371,091</u>	\$	<u>4,685,807</u>

Additional information on the City of Grayson, Georgia's capital assets can be found in accompanying Notes to the Financial Statements.

Long-term debt. At the end of the current year, the City had no outstanding debt.

General Fund Budgetary Highlights and Analysis. The City of Grayson adopted a 2019 budget for the general fund of \$1,315,730. This was later revised to a budget of \$1,380,251 due to increased revenue and activity in insurance premium tax, vehicle tax and permits. The actual revenue for the year ended August 31, 2019, was \$1,576,992 which was \$196,741 more than the budgeted amount. The audit report shows as supplementary information the revenue from Grayson Day and Main Street totaling \$72,454 more in revenue. The City usually passes a budget with the costs shown net and not broad in revenue and expense. Consequently, the expense line items under Parks and Recreation was \$39,451 over budget. When these amounts are netted the result is a positive effect on the budget results. Additionally, there was \$102,779 more in property tax revenue received than budgeted, which is due to the timing of property tax billings. In total the budget for expenditures was \$1,380,251 while the expenditures were only \$1,349,615.

CITY OF GRAYSON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Requests for Information

This financial report is designed to provide a general overview of the City of Grayson, Georgia's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Grayson, Georgia
475 Grayson Parkway
Grayson, Georgia 30017

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

CITY OF GRAYSON, GEORGIA
STATEMENT OF NET POSITION
August 31, 2019

	Governmental Activities	Component Unit	Total (Memorandum)
Assets			
Cash and cash equivalents	\$ 2,555,568	\$ 162,297	\$ 2,717,865
Investments	443,287	-	443,287
Accounts receivable, net	-	-	-
Taxes receivable	461,807	-	461,807
Intergovernmental receivable	-	-	-
Prepaid items	12,593	-	12,593
Interfund receivables	-	-	-
Capital assets, not being depreciation	1,746,616	-	1,746,616
Capital assets, net of accumulated depreciation	<u>3,624,475</u>	<u>-</u>	<u>3,624,475</u>
Total Assets	\$ <u>8,844,346</u>	\$ <u>162,297</u>	\$ <u>9,006,643</u>
Liabilities			
Accounts payable	\$ 58,990	\$ 5,000	\$ 63,990
Due to other governmental agencies	-	-	-
Payroll liabilities	9,471	-	9,471
Accrued Interest	-	-	-
Liabilities payable from restricted assets:			
Customer deposits	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ <u>68,461</u>	\$ <u>5,000</u>	\$ <u>73,461</u>
Net Position			
Net investment in capital assets	\$ 5,371,091	\$ -	\$ 5,371,091
Restricted for:			
Roads and bridges	672,946	-	672,946
Unrestricted	<u>2,731,848</u>	<u>157,297</u>	<u>2,889,145</u>
Total Net Position	\$ <u>8,775,885</u>	\$ <u>157,297</u>	\$ <u>8,933,182</u>

CITY OF GRAYSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues					
Functions/Programs	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit	
Primary Government:							
Governmental activities:							
General government	\$ 890,874	\$ 149,986	\$ -	\$ -	\$ (740,888)		
Sanitation	206,964	-	-	-	(206,964)		
Parks and recreation	117,731	-	-	-	(117,731)		
Streets	224,848	-	-	509,468	284,620		
Total governmental activities	1,440,417	149,986	-	509,468	(780,963)		
Total primary government	\$ 1,440,417	\$ 149,986	\$ -	\$ 509,468	(780,963)		
Component unit:							
Downtown Development Authority	\$ 1,589	\$ 2,300	\$ -	\$ -	-	\$	711
Total component unit	\$ 1,589	\$ 2,300	\$ -	\$ -	-		711
General revenues:							
Taxes							
Property taxes, levied for general purpose					481,100		-
Franchise tax					318,269		-
Beer & wine tax					212,987		-
Insurance premium tax					195,428		-
Other tax					86,013		-
Investment earnings					6,751		-
Other					426,325		-
Total general revenues					1,726,873		-
Change in net position					945,910		711
Net position - Beginning					7,829,975		156,586
Net position - Ending					\$ 8,775,885	\$	157,297

CITY OF GRAYSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2019

	General Fund	Capital Projects Fund	Total
Assets			
Cash and cash equivalents	\$ 1,882,622	\$ 672,946	\$ 2,555,568
Investments	443,287	-	443,287
Property taxes receivable	461,807	-	461,807
Prepaid items	12,593	-	12,593
Total Assets	\$ 2,800,309	\$ 672,946	\$ 3,473,255
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 38,757	\$ -	\$ 38,757
Escrow payable	20,233	-	20,233
Payroll liabilities	9,471	-	9,471
Total Liabilities	68,461	-	68,461
Deferred Inflows of Resources			
Unavailable revenue - property taxes	1,475	-	1,475
Fund Balances:			
Non-spendable prepaid items	12,593	-	12,593
Restricted for:			
Capital projects	-	672,946	672,946
Assigned for:			
Main street	19,758	-	19,758
Grayson day festival	10,277	-	10,277
Senior citizen activities	292	-	292
Unassigned	2,687,453	-	2,687,453
Total Fund Balances	2,730,373	672,946	3,403,319
Total Liabilities and Fund Balances	\$ 2,800,309	\$ 672,946	\$ 3,473,255

CITY OF GRAYSON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
August 31, 2019

Amounts reported for governmental activities in the statement of Net Position are different due to:

Total fund balances - total governmental funds	\$ 3,403,319
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Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.

5,371,091

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.

1,475

Net position of governmental activities

\$ 8,775,885

CITY OF GRAYSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	General	Capital Projects Fund	Total
Revenues			
Taxes	\$ 1,293,871	\$ -	\$ 1,293,871
Licenses and permits	149,986	-	149,986
Intergovernmental	-	508,557	508,557
Investment income	6,751	911	7,662
Other revenue	126,384	299,941	426,325
	<u>1,576,992</u>	<u>809,409</u>	<u>2,386,401</u>
Expenditures			
Current Operations:			
General government	904,554	-	904,554
Sanitation	206,964	-	206,964
Parks & Recreation	109,451	775,895	885,346
Streets	128,646	191	128,837
	<u>1,349,615</u>	<u>776,086</u>	<u>2,125,701</u>
Excess/(Deficiency) of revenues over expenditures	<u>227,377</u>	<u>33,323</u>	<u>260,700</u>
Net change in fund balance	227,377	33,323	260,700
Fund balance - September 1, 2018	<u>2,502,996</u>	<u>639,623</u>	<u>3,142,619</u>
Fund balance - August 31, 2019	\$ <u><u>2,730,373</u></u>	\$ <u><u>672,946</u></u>	\$ <u><u>3,403,319</u></u>

**CITY OF GRAYSON, 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 AUGUST 31, 2019**

Amounts reported for governmental activities in the statement of activities is different due to:

Net changes in fund balances - total government funds	\$	260,700
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Some of the City's taxes reported as revenues in the funds when the resources are measurable and available. Property taxes are reported as revenues in the Statement of Activities when they represent a legally enforceable claim.

(74)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays

831,716

Depreciation

(146,432)

Change in net position of governmental activities

\$ 945,910

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Reporting Entity:

The financial statements of the City of Grayson, Georgia (the City) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

2. Basis of Presentation, Basis of Accounting and Measurement Focus:

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. 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 as general revenues.

In conformity with GASB Statement 14, the City has one blended or discretely presented component unit.

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.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

2. Basis of Presentation, Basis of Accounting and Measurement Focus: (Cont'd)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental fund(s)

- *General Fund* – This is the City'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* – This fund is for SPLOST activities. It accounts for all financial resources of SPLOST projects such as roads, streets, bridges and recreational facilities.

The City complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the City to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, The City has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

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

Amounts reported as program 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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from Nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

3. Cash and Investments:

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenditures and Changes in Fund Balances.

4. Inventory:

Materials purchased during the year are shown as expenditures when acquired and are not inventoried at year end due to lack of materiality.

5. Restricted Assets:

The City is receiving SPLOST funds in advance of the actual projects. The funds are restricted for two purposes, recreational facilities and roads, streets and bridges. Total SPLOST funds received in advance as of August 31, 2019 are \$672,946.

6. Prepaid Items:

Prepaid balances, if any, are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

7. Capital Assets and Depreciation:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems 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 City as assets with an initial, individual cost of \$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 estimated fair market value at the date of donation.

Prior to September 1, 2003, governmental funds' infrastructure assets were not capitalized. At August 31, 2019, there was no construction-in-progress related to infrastructure assets. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Infrastructure	20 years
Buildings	15 - 40 years
Park equipment	15 years
Furniture and equipment	5 - 7 years
Land improvements	15 years

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

8. Compensated Absences:

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The City requires vacation benefits to be taken in the year the benefit is granted. Vacation benefits are not allowed to be accrued and carried over to future periods; therefore, any vacation benefits not taken are lost.

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid only upon the illness of an employee and are charged to expenditures when taken. These benefits are lost upon termination or retirement of an employee.

9. Long-term Obligations:

In the government-wide financial statements, and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

10. Equity Classifications:

Government-wide Statements

Equity is classified as net position and displayed in three components:

Investment in Capital Assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “investment in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted and unrestricted. Non-spendable reports amounts that cannot be spent and are, therefore, not included in the current year appropriations. There are two components: 1) not in spendable form and 2) legally or contractually required to be maintained intact. Restricted reports on resources that have spending constraints that are either 1) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. Unrestricted has three components: 1) Committed which represents amounts that have internally imposed restrictions mandated by formal action of the City Council through the adoption of a resolution, 2) Assigned which reports amounts that are constrained by the City Council’s intent that they will be used for a specific purpose, but are neither restricted or committed and 3) Unassigned which is the residual fund balance. The City Council, through resolution, has delegated to the City Administrator the authority to assign funds for a particular purpose. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

10. Equity Classifications: (Cont'd)

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 order committed, assigned and unassigned.

NOTE B - DEPOSIT AND INVESTMENTS:

Primary Government

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Georgia and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits consist of checking and savings accounts, and non-negotiable certificates of deposits in local banks. At August 31, 2019, the carrying amount of the City's deposits with financial institutions was \$2,998,855 and the bank balance was \$3,007,757. Of these amounts, \$250,000 is covered by Federal Depository Insurance. The remaining amount is covered by the OTFS Pledging Pool administered by Georgia's Banker Association, which provides collateral for all of the bonds that are pledged to the pool at 110% of the deposit value less any FDIC insurance.

Investments – The investments held at August 31, 2019 are certificates of deposits which are not treated as cash equivalents at year end.

NOTE C - PROPERTY TAXES:

The value of all real and business personal property located in the City is assessed (appraised) by Gwinnett County. Taxable assessed value represents the appraisal value less applicable exemptions authorized by Gwinnett County. Appraised values are established by Gwinnett County. The City levies property taxes on August 13 of each year and the taxes are due on September 15 and November 15, with a lien date of April 1. Taxes are collected by Gwinnett County throughout the year and are remitted to the City. Current tax collections for the year ended August 31, 2019 were 4.3% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

NOTE D - ACCOUNTS RECEIVABLE:

As of August 31, 2019, accounts receivable consisted of the following:

	Governmental Activities
General fund	
Taxes receivable	\$ 461,807
Allowance for doubtful accounts	<u>0</u>
	<u>\$ 461,807</u>

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE E - CAPITAL ASSETS AND DEPRECIATION:

A summary of changes in capital assets are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,746,616	\$ -	\$ -	\$ 1,746,616
Total Capital Assets, not being depreciated	<u>1,746,616</u>	<u>-</u>	<u>-</u>	<u>1,746,616</u>
<i>Capital Assets, being depreciated:</i>				
Land improvements	628,097	-	-	628,097
Infrastructure	1,685,009	-	-	1,685,009
Buildings	1,433,045	775,764	-	2,208,809
Park Equipment	290,986	7,694	-	298,680
Furniture & Equipment	117,930	48,258	-	166,188
Total Capital Assets, being depreciated	<u>4,155,067</u>	<u>831,716</u>	<u>-</u>	<u>4,986,783</u>
<i>Less accumulated depreciation for:</i>				
Land improvements	275,279	34,654	-	309,933
Infrastructure	208,110	61,357	-	269,467
Buildings	394,781	30,329	-	425,110
Park Equipment	245,684	8,149	-	253,833
Furniture & Equipment	92,022	11,943	-	103,965
Total accumulated depreciation	<u>1,215,876</u>	<u>146,432</u>	<u>-</u>	<u>1,362,308</u>
Total Capital Assets, being depreciated, net	<u>2,939,191</u>	<u>685,284</u>	<u>-</u>	<u>3,624,475</u>
Governmental activities Capital Assets, net	\$ <u>4,685,807</u>	\$ <u>685,284</u>	\$ <u>-</u>	\$ <u>5,371,091</u>

Depreciation expense for governmental activities was charged to functions as follows:

General government	\$ 42,272
Parks and recreation	8,149
Streets	<u>96,011</u>
Total governmental activities depreciation expense	<u>\$ 146,432</u>

NOTE F - FUND DEFICITS:

No fund had a deficit fund balance or retained earnings balance at August 31, 2019.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE G - COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from federal grantor agencies are subject to audit and adjustment by the applicable agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation

Various claims and lawsuits are pending against the City. In the opinion of the City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

NOTE H - RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, job related illnesses or injuries to employees; natural disaster and unemployment compensation. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA), through which it shares liability, crime, motor vehicles and property damage risks.

GIRMA was created pursuant to Chapter 85 of Title 36 of the Official Code of Georgia Annotated to function as an unincorporated nonprofit instrumentality of its member counties. GIRMA was established to administer one or more group self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of City governments. It also exists to defend and protect, in accordance with each member government contract, GIRMA members against liability or loss.

The City is obligated as follows under the intergovernmental contract of GIRMA:

- To participate at all times in at least one Fund which is established by the Board
- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established by the Board
- To select a person to serve as a Member representative
- To allow the Board and its agents reasonable access to all facilities of the Member and all records, including but not limited to financial records, which relate to the purposes of ACCG-IRMA
- To allow attorneys appointed by GIRMA to represent the Member in investigation, settlement discussions and all levels of litigation arising out of any claim made against a Member within the scope of loss protection furnished by the Fund or Funds established by GIRMA
- To assist and cooperate in the defense settlement of claims against the Member
- To furnish full cooperation to GIRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of GIRMA relating to the purposes of GIRMA
- To follow all loss reduction and prevention procedures established by GIRMA
- To furnish to GIRMA such budget, operating and underwriting information as may be requested by the Board
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incident which could result in GIRMA or any Fund established by GIRMA being required to pay 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 Member participates.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE H - RISK MANAGEMENT: (Cont'd)

The City retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA who then bills the City for any risk loss up to the \$1,000 deductible.

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

The City does not have workers' compensation coverage.

During the year ended August 31, 2019, the City paid no claims. The City has not compiled a record of claims paid up to the \$1,000 deductible for prior years. No claims were outstanding as of August 31, 2019. Settled claims for the past three years have not exceeded coverage.

NOTE I - JOINT VENTURE:

Under Georgia law, the City, in conjunction with other cities and counties in the ten county metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). The City pays no annual dues to ARC. Membership in a Regional Commission (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 each county commission chairman in the region, one mayor from each county (except Fulton County) chosen by the caucus of mayors, one mayor from the northern half and one mayor from the southern half of Fulton County elected by a caucus of mayors within northern and southern Fulton County, the mayor of the City of Atlanta, one member of the Atlanta City Council, fifteen private citizens, one from each of the fifteen multi-jurisdictional districts of roughly equal population, elected by the twenty-three public officials, and one member appointed by the Board of the Georgia Department of Community Affairs. OCGA 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 Atlanta Regional Commission, 40 Courtland Street, NE, Atlanta, GA 30303.

NOTE J - GRANTS:

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE K - COMPONENT UNIT:

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity", and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The City has one discretely presented component unit, Grayson Downtown Development Authority. To help understand the significance of each component unit, a condensed financial statement is presented below as of August 31, 2019:

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE K - COMPONENT UNIT: (Cont'd)

Statement of Net Assets

	Downtown Development Authority	Totals
Assets		
Cash and cash equivalents	\$ 162,297	\$ 162,297
Capital assets, net	-	-
Total Assets	\$ 162,297	\$ 162,297
Liabilities		
Accounts payable	\$ 5,000	\$ 5,000
Total Liabilities	\$ 5,000	\$ 5,000
Net Position		
Net investment in capital assets	\$ -	\$ -
Unrestricted	157,297	157,297
Total Net Position	\$ 157,297	\$ 157,297

Statement of Activities

	Downtown Development Authority	Totals
Revenues		
Intergovernmental	\$ -	\$ -
Co-working	100	100
Incubator	300	300
Other revenue	1,900	1,900
Disposition of property	-	-
Total Revenues	\$ 2,300	\$ 2,300
Expenditures		
Advertising	\$ -	\$ -
Sundry Administration	651	651
Purchased/contract services	938	938
Total Expenditures	1,589	1,589
Change in Net Assets	711	711
Net Assets - Beginning of Year	156,586	156,586
Net Assets - End of Year	\$ 157,297	\$ 157,297

Component unit financial statements may be obtained by contacting the Grayson Downtown Development Authority, 438 Grayson Parkway, Grayson, GA 30017.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2019
(Continued)

NOTE L - SUBSEQUENT EVENTS:

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through February 28, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statement.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2019

CITY OF GRAYSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property tax	\$ 425,000	\$ 378,395	\$ 481,174	\$ 102,779
Franchise tax	250,000	318,269	319,799	1,530
Transfer tax	3,500	3,289	3,290	1
Intangible tax	9,000	9,127	9,127	-
Beer & wine tax	215,000	212,987	212,987	-
Insurance premium tax	170,000	181,767	195,428	13,661
Vehicle tax	50,000	61,972	72,066	10,094
Total Taxes	<u>1,122,500</u>	<u>1,165,806</u>	<u>1,293,871</u>	<u>128,065</u>
Licenses, Permits & Fees				
Business license	50,000	42,524	42,562	38
Alcohol license	26,000	27,200	27,200	-
Permits	40,000	70,874	71,474	600
Rezoning fees	2,000	6,000	6,000	-
Variance fees	-	800	800	-
Sign permits	500	1,750	1,950	200
Total Licenses, Permits & Fees	<u>118,500</u>	<u>149,148</u>	<u>149,986</u>	<u>838</u>
Other Income				
Grayson Day (Parks & Recreation)	-	-	14,473	(1) 14,473
Land rental - cell tower	37,000	42,641	42,641	-
Main Street (Parks & Recreation)	-	-	57,981	(1) 57,981
Interest income	2,000	4,403	6,751	2,348
Other	35,730	18,253	11,289	(6,964)
Total Other Income	<u>74,730</u>	<u>65,297</u>	<u>133,135</u>	<u>67,838</u>
Prior Year Fund Balance - Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues & Prior Year Fund Balance	<u>\$ 1,315,730</u>	<u>\$ 1,380,251</u>	<u>\$ 1,576,992</u>	<u>\$ 196,741</u>

CITY OF GRAYSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
General Government				
Personnel Services & Benefits	\$ 291,010	\$ 243,538	\$ 236,064	\$ 7,474
Purchased/Contracted Services	380,000	444,045	424,028	20,017
Capital Outlay	-	-	-	-
Supplies	7,000	7,000	5,730	1,270
Other	252,720	270,668	238,732	31,936
Total General Government	<u>930,730</u>	<u>965,251</u>	<u>904,554</u>	<u>60,697</u>
Sanitation				
Purchased/Contracted Services	200,000	207,000	206,964	36
Supplies	-	-	-	-
Total Sanitation	<u>200,000</u>	<u>207,000</u>	<u>206,964</u>	<u>36</u>
Parks & Recreation				
Purchased/Contracted Services	35,000	35,000	87,950 (1)	(52,950)
Supplies	35,000	35,000	21,501	13,499
Total Parks & Recreation	<u>70,000</u>	<u>70,000</u>	<u>109,451</u>	<u>(39,451)</u>
Streets				
Purchased/Contracted Services	115,000	138,000	128,369	9,631
Supplies	-	-	277	(277)
Total Streets	<u>115,000</u>	<u>138,000</u>	<u>128,646</u>	<u>9,354</u>
Total Expenditures	<u>1,315,730</u>	<u>1,380,251</u>	<u>1,349,615</u>	<u>30,636</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	227,377	\$ <u>166,105</u>
Fund balance - Beginning of year			<u>2,502,996</u>	
Fund balance - End of year			\$ <u>2,730,373</u>	

(1) Grayson Day Expense and Main Street Fund shown broad in financials, but reported net in the budget

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended August 31, 2018

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information

The City's annual budget is prepared based on anticipated revenues and appropriated expenditures. Revenue anticipations, generally conservative, are designed to help ensure fiscal responsibility and maintain a balanced budget. The responsibility of budgeting is with the Mayor and City Council members. Sums sufficient to provide for debt service may not be diverted to any other purpose by the Mayor and the City Council. Public hearings are held to obtain taxpayer input and a final budget is enacted by passage of an ordinance prior to August 31. The appropriated budget is prepared by fund, function and department. Budgets were adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The legal level of budgetary control is the department level.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2019

CITY OF GRAYSON, GEORGIA
SCHEDULE OF PROJECT EXPENDITURES WITH
SPECIAL OPTION SALES TAX REVENUE
FOR THE YEAR ENDED AUGUST 31, 2019

	Original Estimated Cost	Current Estimated Cost	(1)	Expenditures			Completed
				Prior Years	Reallocation & Adjustments	Current Year	
2009 SPLOST							
Roads, Streets & Bridges	\$ 478,700	\$ 682,773	\$	682,773	\$	\$	100.00%
Recreational Facilities	670,179	291,845		291,845	-	-	100.00%
Administrative Facilities	765,920	765,920		765,920	-	-	100.00%
Total 2009 SPLOST	<u>1,914,799</u>	<u>1,740,538</u>		<u>1,740,538</u>	<u>-</u>	<u>-</u>	
2014 SPLOST							
Roads, Streets & Bridges	1,047,547	1,231,869		1,047,318	-	-	85.02%
Recreational Facilities	335,215	335,215		335,215	-	-	100.00%
Administrative Facilities	13,967	13,967		11,570	-	-	82.84%
Total 2014 SPLOST	<u>1,396,729</u>	<u>1,581,051</u>		<u>1,394,103</u>	<u>-</u>	<u>-</u>	
2017 SPLOST							
Roads, Streets & Bridges	1,730,603	1,730,603		-	-	-	0.00%
Recreational Facilities	1,153,736	1,153,736		77,304	-	764,763	72.99%
Administrative Facilities	-	-		-	-	-	0.00%
Total 2017 SPLOST	<u>2,884,339</u>	<u>2,884,339</u>		<u>77,304</u>	<u>-</u>	<u>764,763</u>	
Total SPLOST	<u>\$ 6,195,867</u>	<u>\$ 6,205,928</u>	<u>\$</u>	<u>3,211,945</u>	<u>\$ -</u>	<u>\$ 764,763</u>	<u>\$ 3,976,708</u>

(1) Current estimated cost is based upon revised collection numbers and the application of interest income and other grant funds received which will offset expenditures.

CITY OF GRAYSON, GEORGIA
Grayson, Georgia

COMPLIANCE AND INTERNAL CONTROL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
City of Grayson, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Grayson, Georgia, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Grayson, Georgia's basic financial statements, and have issued our report thereon dated February 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grayson, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grayson, Georgia'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. 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 of Grayson, Georgia's financial statements are free of 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, should 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 on the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grayson, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds, and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. These statements and schedules have 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 financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Project Expenditures with Special Option Sales Tax Revenue is presented fairly in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance and should be read in conjunction with this report in considering the results of our audit.



Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Loganville, Georgia
February 28, 2020

City of Grayson, Georgia
Grayson, Georgia

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended August 31, 2018 contained three formal audit findings, they are restated here along with the current status:

Finding 2016-001 Accounting for Capital Assets – Inventory and Depreciation
Significant Deficiency – Equipment and Real Property Management

Criteria: Good internal control practices as provided in the Government Auditing Standards along with the common rule in Federal regulations require that the Capital Assets be supported with detailed capital asset records, and that these be supported by an inventory conducted at least every two years. Also, the State of Georgia requires a complete inventory of all property every year. The results of the inventory should be compared with the capital asset records to give assurance that the books and records of account are adequately supported. Adequate controls should be put in place which result in the depreciation schedule being maintained in sufficient manner that the costs be in agreement and reconciled back to the general ledger control accounts.

Status for 2019: *The City has completed an inventory of all nonexpendable equipment and reconciled the items to the detailed depreciation and fixed asset schedule. Consequently, this finding is cleared.*

Finding 2016-002 – Financial Management Procedures & Controls
Significant Deficiency

Criteria: Good Internal Control policies and procedures and State and Federal regulations require that all records of account should be reviewed and maintained on a regular basis for all programs. In addition, the City personnel should be adequately trained in order to determine whether the existing financial statements either internally generated or issued by the management company are accurate and reliable. Also, the GASB's first accounting and financial reporting principle (GASB Codification, Sec. 1100.101) states: A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Status for 2019: *The City has accepted the responsibility for recording the prior year audit adjustments to the books and records of account. Moving forward the City is receiving assistance in recording these transactions and making sure the books and records are in agreement with the issued audit report. Consequently, this finding is cleared.*

Finding 2016-003 – Lack of Segregation of Duties and Responsibilities
Significant Deficiency

Criteria: Due to the size of the City, there has not always been adequate personnel to separate certain duties and responsibilities. Consequently, historical practice has been that the City Manager handles all books and records of account as well as serve in the capacity of accounts payable and cash collection. Good internal control procedures require that certain critical accounting functions be separated or reviewed in order to protect the assets of the City.

Status for 2019: *The City is in the process of adopting a new procurement policy and currently has a level of controls which is adequate for the size of the administrative office. Consequently, this finding is cleared.*