

CITY OF LAFAYETTE, GEORGIA
FINANCIAL STATEMENTS
For The
Fiscal Year Ended September 30, 2019

David Hamilton
City Manager

By Authority Of
Mayor and Council

CITY OF LAFAYETTE, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
City of LaFayette
LaFayette, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of LaFayette, Georgia as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of LaFayette Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of LaFayette, Georgia as of and for the year ended September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, the Schedule of Changes in Net Pension Liability and Related Ratios on page 47, and the Schedule of Contributions – Pension Plan on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of LaFayette's basic financial statements. The combining and individual fund statements and schedules, the schedules of special purpose local option sales tax expenditures, as required by the Official Code of Georgia 48-8-121, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2020 on our consideration of the City of LaFayette, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of LaFayette, Georgia's internal control over financial reporting and compliance.

CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
September 2, 2020

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

Management's Discussion and Analysis

This section of the City of Lafayette's annual financial report is designed to provide the reader a better understanding of the City's financial activity for the fiscal year that ended September 30, 2019. It should be read in conjunction with the City's financial statements, which follow this section. Notes mentioned below are Notes to the Financial Statements, which follow the statements.

Financial Highlights

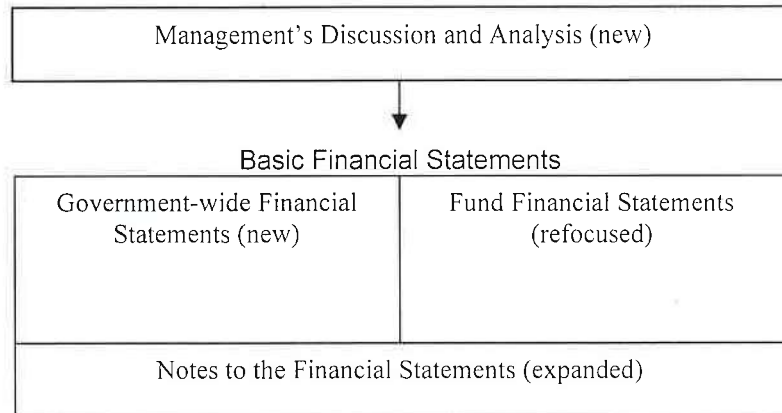
- The City's total assets exceed liabilities by \$36,968,638 at the end of the year. This amount includes \$28,952,485 invested in capital assets net of accumulated depreciation and related debt, restricted net position of \$2,232,832 and unrestricted net position of \$5,783,321. Significant portions of restricted net position include amounts for debt service and construction.
- The City's total net position increased by \$3,175,465, or 9.4% to \$36,968,638. The net position for governmental activities increased by \$1,610,553, or 18.5% and the business-type net position increased by \$1,564,912, or 6.2%.
- The City's revenues for governmental activities, excluding transfers were \$5,681,471. Total expenses for governmental activities, excluding transfers, were \$6,894,013.
- The City's business-type activities had total revenues, excluding transfers of \$21,249,855, while expenses, excluding transfers, were \$16,861,848.
- The General Fund, which is the City's primary operating fund, reported an increase in fund balance of \$386,358 in fiscal year 2019.
- Total cash (Note 3) at September 30, 2019 was \$7,364,454.
- The capital assets (Note 6), net of accumulated depreciation, of the City at the end of the 2019 fiscal year totaled \$39,610,173. This includes net capital assets for governmental activities of \$8,106,598 and business-type activities of \$31,503,575.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

An Overview of the Financial Statements

In light of the fact that this is a different presentation from the pre-GASB Statement 34 model, the following graph is provided to assist in understanding the component parts.

Required Components of the City's Annual Financial Report



The focus of the financial statements is on both the City's overall financial status and the major individual funds. The following briefly describes the component parts.

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position combines all of the City's current financial resources with capital assets and long-term obligations. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities** – These include the basic services provided by the City including police, fire, parks and recreation, public works and general administration.
- **Business-type activities** – These include services for which the City charges specific fees which are meant to cover the cost of providing the services. These include electric, gas, water and sewer services, solid waste collection, municipal airport and golf.

Governmental activities and business-type activities are consolidated and add to the total for the primary government.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's major funds rather than the City as a whole. 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 has two types of funds as described in the chart below.

Fund Financial Statements

	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Includes the City's basic services such as police, fire, traffic control, cultural activities, and parks	Services provided by the City that are operated similar to private businesses and for which the City charges a fee	Funds for which the City is the trustee or agent for someone else's resources
Examples	Police, fire, street and sidewalks, parks, and recreational activities	Electric, Gas, Water and Sewer and Solid Waste	City's revolving loan fund
Required financial statements	- Balance Sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of net position - Statement of revenues, expenses, and changes in net position - Statement of cash flows	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short and long-term	All assets and liabilities, both short and long-term; capital assets, if any, are included
Type of inflow / outflow information	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects the condensed Statement of Net Position for the current year. The City's net position increased by \$3,175,465, or 9.4%, in fiscal year 2019. The net position of the governmental activities includes \$7,280,843 net investment in capital assets. Capital assets of \$8,106,598 include land, buildings, park improvements, equipment and current year infrastructure additions. Related governmental activities debt includes general obligation bonds of \$735,000.

The net position of the business-type activities includes \$21,671,642 net investment in capital assets. Capital assets of \$31,503,575 include land, utility system, building, other improvements, equipment, airport and golf course. Related debt includes notes payable and revenue bonds of \$9,831,946.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

For more detailed information, see the Statement of Net Position on page 14 of the financial statements and the notes to the financial statements.

**Table 1
Statement of Net Position
As of September 30
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$ 4,149	\$ 2,878	\$ 7,757	\$ 6,651	\$11,906	\$ 9,529
Capital Assets	8,106	8,199	31,503	30,402	39,609	38,601
Total Assets	<u>12,255</u>	<u>11,077</u>	<u>39,260</u>	<u>37,053</u>	<u>51,515</u>	<u>48,130</u>
Deferred Outflows of Resources						
Pension Contributions	304	365	247	408	551	773
Total Deferred Outflows of Resources	<u>304</u>	<u>365</u>	<u>247</u>	<u>408</u>	<u>551</u>	<u>773</u>
Liabilities						
Current and Other Liabilities	1,214	1,242	3,400	3,120	4,614	4,362
Long-Term Debt Outstanding	500	938	9,036	8,774	9,536	9,712
Total Liabilities	<u>1,714</u>	<u>2,180</u>	<u>12,436</u>	<u>11,894</u>	<u>14,150</u>	<u>14,074</u>
Deferred Inflows of Resources						
Changes in Pension Plan	523	550	425	486	948	1,036
Total Deferred Inflows of Resources	<u>523</u>	<u>550</u>	<u>425</u>	<u>486</u>	<u>948</u>	<u>1,036</u>
Net Position						
Net Investment in Capital Assets	7,281	6,970	21,672	20,841	28,953	27,811
Restricted	1,417	868	815	1,429	2,232	2,297
Unrestricted	1,624	874	4,159	2,811	5,783	3,685
Total Net Position	<u>\$10,322</u>	<u>\$ 8,712</u>	<u>\$26,646</u>	<u>\$25,081</u>	<u>\$36,968</u>	<u>\$33,793</u>

CHANGES IN NET POSITION

The City's total revenues before transfers were \$26,931,327 in the 2019 fiscal year. Expenses before transfers were \$23,755,861 during that same period. Governmental and business-type activities combined provided a \$3,175,465 increase in net position.

Governmental activities revenues were \$5,681,471 and included \$1,602,081 for charges for services, \$1,433,823 grant revenues, \$640,475 property taxes, and \$673,539 for sales taxes. The largest governmental activities expenses were for public safety of \$2,448,629 (police, fire, and animal control), public works of \$1,109,750, general government of \$1,789,603 and recreation of \$1,015,314. Expenses include depreciation expense as explained in the notes to the financial statements (Note 6).

Business-type activity revenues were \$21,249,855 and included \$20,934,749 charges for services, \$273,729 for capital grants, and \$41,377 interest. The largest business-type activity expenses were for purchases of energy for resale to customers such as electricity for \$7,812,344 and gas for \$1,154,206.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

**Table 2
Changes in Net Position
(in thousands)**

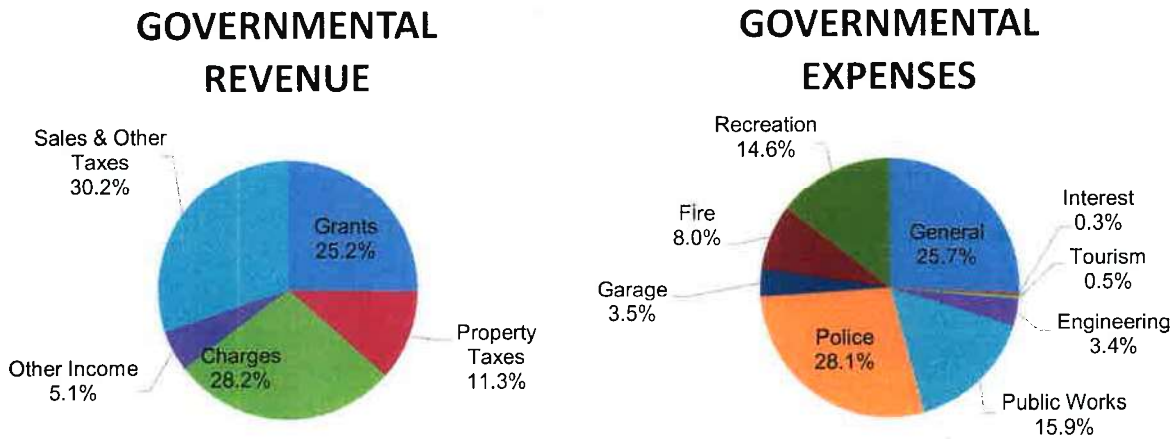
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 1,602	\$ 1,438	\$ 20,935	\$ 19,576	\$ 22,537	\$ 21,014
Operating Grants and Contributions	481	252	-	-		
Capital Grants and Contributions	953	722	274	215	1,227	937
General Revenues						
Property Taxes	640	593	-	-	640	593
Local Option Sales Tax	673	634	-	-	673	634
Other Taxes	1,041	969	-	-	1,041	969
Investment Income	60	23	41	14	101	37
Other Revenues	230	256	-	12	230	268
Total Revenues	<u>5,680</u>	<u>4,887</u>	<u>21,250</u>	<u>19,817</u>	<u>26,449</u>	<u>24,452</u>
Expenses						
General Government	1,789	1,856	-	-	1,789	1,856
Police	1,888	1,925	-	-	1,888	1,925
Fire	560	375	-	-	560	375
Public Works	1,110	940	-	-	1,110	940
Engineering	234	297	-	-	234	297
Recreation	1,015	1,024	-	-	1,015	1,024
Garage	242	239	-	-	242	239
Tourism & Promotion	34	28	-	-	34	28
Interest on Long-term debt	21	85	-	-	21	85
Electric	-	-	9,033	9,239	9,033	9,239
Gas	-	-	1,738	1,778	1,738	1,778
Water/Sewer	-	-	4,266	4,326	4,266	4,326
Solid Waste	-	-	662	572	662	572
Golf	-	-	763	793	763	793
Airport	-	-	400	412	400	412
Total Expenses	<u>6,893</u>	<u>6,769</u>	<u>16,862</u>	<u>17,120</u>	<u>23,755</u>	<u>23,889</u>
Excess (Deficiency) Before Transfers	(1,213)	(1,882)	4,388	2,697	3,175	815
Transfers	2,823	2,612	(2,823)	(2,612)	-	-
Prior Period Adjustment	-	-	-	713	-	713
Increase/Decrease in Net Position	1,610	730	1,565	798	3,175	1,528
Beginning Net Position	8,712	7,982	25,081	24,283	33,793	32,265
Ending Net Position	<u>\$ 10,322</u>	<u>\$ 8,712</u>	<u>\$ 26,646</u>	<u>\$ 25,081</u>	<u>\$ 36,968</u>	<u>\$ 33,793</u>

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

GOVERNMENTAL ACTIVITIES

See pages 15-16 of the financial statements for the net cost (total cost less revenues generated by the activities) of these programs or functions. The following charts show the source of the City's governmental revenues and expenses.

**Table 3 – Governmental Activities
Fiscal Year 2018**



Revenue Impacts

- Property taxes of \$640,475 provided 11.3% of governmental revenues for general operations. The millage rate was set at 2.82 in the current year.
- Revenues from local option sales taxes were \$673,539. This represents an overall increase of 6.2% from the prior year.
- The transfers from proprietary funds were \$2,823,095, which was \$210,896, or an 8% increase from the prior year.
- Charges for services include amounts charged for providing utility billing and collection services to the enterprise funds of \$661,328. Municipal court fines were \$235,381.

Expense Impacts

- General Government expenditures increased by \$124,358 or 1.8% compared to the prior year. The increase was partly due to increase training expense on new software and other capital improvements.
- Police, fire and animal control expenditures increased by \$147,595 or 6.4% from the prior year. This increase was largely driven by the increase in salaries specifically the fire department. A SAFER grant was received to fund the addition of fire department employees. Also there was an increase in capital improvements.
- Public Works expenditures increased by \$169,837 or 18% compared to the prior year. This was largely due to an increase in road repairs and paving.
- Culture and Recreation expenditures decreased by \$9,045 or .9%.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

BUSINESS-TYPE ACTIVITIES

**Table 4
Business-type Activities
(in thousands)**

<u>Fund</u>	<u>Program Revenues</u>		<u>Program Expenses</u>		<u>Excess (Deficiency) Before Transfers & Investment Earnings</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Electric	\$ 11,311	\$ 10,665	\$ 9,033	\$ 9,238	\$ 2,278	\$ 1,427
Gas	2,505	2,590	1,738	1,778	767	812
Water/Sewer	5,986	5,187	4,266	4,326	1,720	861
Solid Waste	510	524	662	572	(152)	(48)
Golf	506	494	763	793	(257)	(299)
Airport	117	116	400	413	(283)	(297)
Total	\$ 20,935	\$ 19,576	\$ 16,862	\$ 17,120	\$ 4,073	\$ 2,456

Operating revenues for business-type activities for the fiscal year 2019 were \$20,934,749, a \$1,358,650 increase compared to the prior year. Operating expenses were \$16,861,848 in 2019. The operating income was \$4,303,919 in 2019 compared to \$2,702,341 in 2018. Activities for individual business-type funds are summarized below.

- Electric program operating revenues increased by \$646,224 from the prior year in addition to operating expenses decreasing by \$205,100. The revenue increase was driven by a warmer summer, and average winter, resulting in more electricity usage in both heating and cooling, however the cost of electricity decreased because of reduced debt service at MEAG, market pricing and reduction of cost of fuels.
- Gas program operating revenues decreased by \$84,852 and operating expenses decreased by \$40,341. The decrease in expenses was largely attributable to a decrease in cost of natural gas supply.
- Water & Sewer program operating revenues increased by \$795,898, while operating expenses increased by \$60,182 from the prior year. Revenues were up driven mostly by rate increases in both water and sewer. Expenses increased primarily due to maintenance on capital items.
- Solid Waste program operating revenues decreased \$13,889 from the prior year and operating expenses increased \$89,252. Revenues were down driven mostly by an exit from the dumpster business. Expenses were up due to an increase in labor costs, landfill fees, and maintenance items.
- Golf operating revenues increased by \$12,208 over the prior year. Operating expenses were up by \$30,421, due largely to increase in labor costs.
- Airport operating revenues remained steady. Grant revenues increased due to funds received for the runway obstruction removal and clearing projects. Operating expenses decreased by \$11,833 from the prior year, mostly driven by labor costs and decrease costs of fuel.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

GOVERNMENTAL FUNDS

**Table 5
Financial Analysis of the City's Funds**

Fund	Fund Balances 9/30/2018	Sources	Uses	Sources Over (Under) Uses	Fund Balances 9/30/2019
General Fund	\$ 1,967,354	\$ 6,942,802	\$ (6,556,444)	\$ 386,358	\$ 2,353,712
Capital Projects - 2014 SPLOST	591,872	465,903	(372,023)	93,880	685,752
Capital Projects - T SPLOST	271,472	595,684	(139,714)	455,970	727,442
Total	<u>\$ 2,830,698</u>	<u>\$ 8,004,389</u>	<u>\$ (7,068,181)</u>	<u>\$ 936,208</u>	<u>\$ 3,766,906</u>

At September 30, 2019, the City's governmental funds reported a combined fund balance of \$3,771,094 (see statement on page 18), which is \$936,279 more than the previous year-end. The unassigned portion of fund balance was \$2,327,446. The unassigned fund balance may serve as a useful indicator of the City's ability to operate without external financing. The restricted portion represents amounts reserved for capital projects construction and for debt service payments related to the issuance of revenue bonds to finance those capital projects.

General Fund

The General Fund had a \$386,358 increase in fund balance, to end the fiscal year at \$2,353,712. More detailed information for the general fund is presented on page 20.

Operating revenues and other financing sources increased \$416,921. Property taxes, permits, grants and charge for services all showed increases.

Overall expenditures and other uses decreased \$19,590.

Capital Projects Funds

The capital projects funds account for the proceeds from special purpose local option sales tax that are used to construct various improvements which benefit City residents. In June 2013, voters approved continuation of the one-percent special purpose local option sales tax. The period during which this tax is collected began October 2014 and ends September 2019. Capital outlay expenditures are to be primarily for street and road improvements, recreation, water and sewer improvements, solid waste and street equipment.

In November 2017, voters approved a one-percent transportation special purpose local option sales tax. Collections began April 1, 2018 and ends March 31, 2023.

The major sources of revenue were:

- Sales tax \$465,903
- TSPLOST \$595,684

The revenue bond issue will be repaid with special purpose local option sales tax proceeds over the approved period of the tax. The bond issue allows the City to proceed at an accelerated pace with acquisition/improvements of equipment and infrastructure to better serve its citizens.

The fund balance is restricted for completion of SPLOST projects as identified in the Schedules of Special Purpose Local Option Sales Tax Expenditures on pages 62 and 63.

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

GENERAL FUND BUDGETARY HIGHLIGHTS

A statement comparing the original and final budgets and the variance from the final budget to the actual results is included on page 20 of the financial statements.

In September 2018, the City Council appropriated \$6,367,561 for general fund expenditures in the 2019 fiscal year budget.

Primary reasons for the differences between the final budget and actual results in the General Fund include:

Revenues:

Higher than anticipated property taxes, local option sales tax, higher than expected insurance premium tax, higher fines in municipal court and higher permits.

Expenditures:

Higher than anticipated paving costs, labor costs, and increase in capital investments than originally budgeted for.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounted to \$39,610,173 (net of accumulated depreciation). Investment in capital assets includes land, buildings, infrastructure, improvements, and machinery and equipment. For more detailed information concerning capital assets see the notes to the financial statements.

**Table 6
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,370	\$ 3,370	\$ 2,782	\$ 2,605	\$ 6,152	\$ 5,975
Construction in Progress	-	-	-	40	-	40
Building and Structures	1,272	1,337	2,406	2,561	3,678	3,898
Infrastructure	1,682	1,795	-	-	1,682	1,795
Utility Systems	-	-	21,860	20,856	21,860	20,856
Improvements Other than Buildings	814	787	2,576	2,737	3,390	3,524
Machinery and Equipment	969	910	1,879	1,602	2,848	2,512
Total	\$ 8,107	\$ 8,199	\$ 31,503	\$ 30,401	\$ 39,610	\$ 38,600

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

This year's major capital asset additions included:

Governmental Activities:

- Playground \$ 16,510
- Vehicles for Public Works and Police \$ 139,486
- Park Improvements \$ 37,122

Business-type Activities:

- Water and Sewer Fleet Vehicles \$ 116,950
- Airport Easement Obstruction Removal, and FAA Expansion \$ 170,365
- Water and Sewer Expansion \$ 2,072,058
- Solid Waste Knuckle Boom Truck \$ 145,275
- Electric bucket truck \$ 152,885

LONG-TERM DEBT

At the end of the 2019 fiscal year, the City had \$10,612,102 in outstanding debt. This is a net decrease of \$128,301 compared to the prior year. More detailed information about the City's long-term liabilities is included in the notes to the financial statements.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the total tax digest. The current debt limitation for the City is \$16,392,600. As of September 30, 2019, the City has \$735,000 of outstanding general obligation debt.

**Table 7
Outstanding Debt at September 30, 2019**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 735	\$ 1,090	\$ -	\$ -	\$ 735	\$ 1,090
Revenue Bonds, Net	-	-	6,070	6,580	6,070	6,580
Capital Leases	91	139	299	360	390	499
Notes Payable	-	-	3,418	2,572	3,418	2,572
Total	<u>\$ 826</u>	<u>\$ 1,229</u>	<u>\$ 9,787</u>	<u>\$ 9,512</u>	<u>\$ 10,613</u>	<u>\$ 10,741</u>

**CITY OF LAFAYETTE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economy continues to improve locally, driven nationally and regionally. The \$10.8 million dollar housing redevelopment initiative in Linwood is well underway and is making a substantial impact on the conversation about Lafayette. Local industry continues to perform well, adding jobs and expanding, we have seen the addition of substantial retail investment with Ace Hardware and other local restaurants and shops. We have continued to make rate adjustments necessary to enable the City to make the investments in critical infrastructure to position the City for growth and continued reliable utilities and other infrastructure. Some of this has been made easy through the enactment of the Utility Cost Adjustment (UCA) by the Council, which is monitored each month by the City Manager and will ensure that the cost of utilities does not exceed the revenues.

We continue to increase expenditures on Capital to address much needed infrastructure replacement and repairs to ensure that our assets do not become liabilities. The City's financial standing continues to improve and we are able to budget for more of these improvements and make many of them with cash purchases.

Financial Contact

This financial report is designed to provide the citizens, taxpayers, customers and creditors of the City with a general overview of the City of LaFayette finances and demonstrate the City's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the City of LaFayette at P.O. Box 89, LaFayette, Georgia 30728.

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BASIC FINANCIAL STATEMENTS

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CITY OF LAFAYETTE, GEORGIA

Statement of Net Position

September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Lafayette Development Authority
Assets				
Cash	\$ 2,029,138	\$ 5,335,316	\$ 7,364,454	\$ 224,571
Receivables - Net	23,166	3,366,532	3,389,698	-
Internal Balances	1,817,923	(1,817,923)	-	-
Inventory	26,266	872,191	898,457	-
Due from other governments	252,122	-	252,122	-
Capital Assets:				
Land and Construction in Progress	3,370,357	2,782,010	6,152,367	-
Other Capital Assets - Net	4,736,241	28,721,565	33,457,806	415,842
Total Capital Assets	8,106,598	31,503,575	39,610,173	415,842
Total Assets	12,255,213	39,259,691	51,514,904	640,413
Deferred Outflows of Resources				
Pension Contributions	304,317	247,395	551,712	-
Total Deferred Outflows of Resources	304,317	247,395	551,712	-
Liabilities				
Accounts Payable	124,952	1,339,061	1,464,013	-
Accrued Wages Payable and Withholdings	63,026	37,355	100,381	-
Unreleased Funds	28,211	-	28,211	-
Customer Deposits	-	618,650	618,650	-
Accrued Interest Payable	3,583	958	4,541	-
Due to Other Governments	70,147	-	70,147	-
Net Pension Liability	398,676	324,103	722,779	-
Noncurrent Liabilities:				
Due Within One Year	525,787	1,079,825	1,605,612	-
Due In More Than One Year - Net	499,803	9,035,912	9,535,715	340,911
Total Liabilities	1,714,185	12,435,864	14,150,049	340,911
Deferred Inflows of Resources				
Pension Contributions	522,867	425,062	947,929	-
Total Deferred Inflows of Resources	522,867	425,062	947,929	-
Net Position				
Net Investment in Capital Assets	7,280,843	21,671,642	28,952,485	74,931
Restricted for:				
Capital Projects	1,413,194	503,521	1,916,715	-
Debt Service Reserve	-	311,929	311,929	-
Law Enforcement Activities	4,188	-	4,188	-
Unrestricted	1,624,253	4,159,068	5,783,321	224,571
Total Net Position	\$ 10,322,478	\$ 26,646,160	\$ 36,968,638	\$ 299,502

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,789,603	\$ 1,071,932	\$ 11,883	\$ 465,903
Police	1,888,564	327,883	171,136	-
Fire	560,065	-	75,335	-
Public Works	1,109,750	9,048	212,273	487,346
Engineering	233,767	-	-	-
Recreation	1,015,314	193,218	9,947	-
Garage	241,671	-	-	-
Tourism and Promotion	34,228	-	-	-
Interest on Long-term Debt	21,051	-	-	-
Total Governmental Activities	<u>6,894,013</u>	<u>1,602,081</u>	<u>480,574</u>	<u>953,249</u>
Business-type Activities:				
Airport	400,624	116,461	-	273,729
Electric	9,033,285	11,310,599	-	-
Gas	1,737,919	2,504,833	-	-
Golf	762,842	506,398	-	-
Water/Sewer	4,265,569	5,986,247	-	-
Solid Waste	661,609	510,211	-	-
Total Business-type Activities	<u>16,861,848</u>	<u>20,934,749</u>	<u>-</u>	<u>273,729</u>
Total Primary Government	<u>\$ 23,755,861</u>	<u>\$ 22,536,830</u>	<u>\$ 480,574</u>	<u>\$ 1,226,978</u>
Component Unit:				
Lafayette Development Authority	<u>\$ 22,019</u>	<u>\$ 129,320</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Statement of Activities
For the Year Ended September 30, 2019

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Functions/Programs	Governmental Activities	Business-type Activities	Totals	LaFayette Development Authority
Primary Government:				
Governmental Activities:				
General Government	\$ (239,885)		\$ (239,885)	
Police	(1,389,545)		(1,389,545)	
Fire	(484,730)		(484,730)	
Public Works	(401,083)		(401,083)	
Engineering	(233,767)		(233,767)	
Recreation	(812,149)		(812,149)	
Garage	(241,671)		(241,671)	
Tourism and Promotion	(34,228)		(34,228)	
Interest on Long-term Debt	(21,051)		(21,051)	
Total Governmental Activities	<u>(3,858,109)</u>		<u>(3,858,109)</u>	
Business-type Activities:				
Airport	-	\$ (10,434)	(10,434)	
Electric	-	2,277,314	2,277,314	
Gas	-	766,914	766,914	
Golf	-	(256,444)	(256,444)	
Water/Sewer	-	1,720,678	1,720,678	
Solid Waste	-	(151,398)	(151,398)	
Total Business-type Activities	-	<u>4,346,630</u>	<u>4,346,630</u>	
Total Primary Government	<u>(3,858,109)</u>	<u>4,346,630</u>	<u>488,521</u>	
Component Unit				
Lafayette Development Authority			\$	107,301
General Revenues:				
Taxes:				
Property	640,475	-	640,475	-
Sales	673,539	-	673,539	-
Hotel/Motel	54,978	-	54,978	-
Insurance Premium	510,397	-	510,397	-
Malt Beverage	117,246	-	117,246	-
Franchise	233,675	-	233,675	-
Occupation	111,972	-	111,972	-
Intangible	12,930	-	12,930	-
Investment Earnings	59,873	41,377	101,250	974
Gain on Sale of Capital Assets	-	-	-	-
Miscellaneous	230,482	-	230,482	-
Transfers	2,823,095	(2,823,095)	-	-
Total General Revenues and Transfers	<u>5,468,662</u>	<u>(2,781,718)</u>	<u>2,686,944</u>	<u>974</u>
Change in Net Position	1,610,553	1,564,912	3,175,465	108,275
Net Position - Beginning	8,711,925	25,081,248	33,793,173	191,227
Net Position - Ending	\$ 10,322,478	\$ 26,646,160	\$ 36,968,638	\$ 299,502

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA

Balance Sheet Governmental Funds September 30, 2019

	General	Capital Projects - 2014 SPLOST	Capital Projects - T- SPLOST	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 521,245	\$ 648,650	\$ 672,529	\$ 108,558	\$ 1,950,982
Receivables (Net of Allowance for Uncollectibles):					
Accounts	10,811	-	-	-	10,811
Taxes	12,355	-	-	-	12,355
Inventory	26,266	-	-	-	26,266
Due from Other Funds	6,782,001	-	-	966	6,782,967
Due from Other Governments	152,725	40,685	54,913	3,799	252,122
Total Assets	\$ 7,505,403	\$ 689,335	\$ 727,442	\$ 113,323	\$ 9,035,503
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts Payable	\$ 124,952	\$ -	\$ -	\$ 28,211	\$ 153,163
Accrued Payables & Withholdings	63,026	-	-	-	63,026
Due to Other Funds	4,954,266	-	-	10,777	4,965,043
Due to Governments	-	-	-	70,147	70,147
Accrued Interest Payable	-	3,583	-	-	3,583
Total Liabilities	5,142,244	3,583	-	109,135	5,254,962
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	9,447	-	-	-	9,447
Total Deferred Inflows of Resources	9,447	-	-	-	9,447
Fund Balances					
Nonspendable					
Inventory	26,266	-	-	-	26,266
Restricted					
Acquisition and Construction of Capital Assets	-	685,752	727,442	-	1,413,194
Law Enforcement Activities	-	-	-	4,188	4,188
Unassigned	2,327,446	-	-	-	2,327,446
Total Fund Balances	2,353,712	685,752	727,442	4,188	3,771,094
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,505,403	\$ 689,335	\$ 727,442	\$ 113,323	\$ 9,035,503
Reconciliation of the Balance Sheet to the Statement of Net Position					
Fund Balances - Total Governmental Funds				\$	3,771,094
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds.					8,106,598
An internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.					78,155
A portion of deferred revenue in the general fund represents property tax billed but uncollected and is eliminated in the Statement of Net Position.					9,447
A portion of pension plan contributions are for future use and are considered deferred outflows of resources.					304,317
Differences between expected and actual returns on pension plan investments are not recognized at the fund level, yet are presented as a deferred inflow of resources in the Statement of Net Position.					(522,867)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Other related amounts include deferred issue costs.					
Bonds Payable		(735,000)			
Leases Payable		(90,755)			
Compensated Absences		(199,835)			
Net Pension Liability		(398,676)			
					(1,424,266)
Net Position of Governmental Activities				\$	10,322,478

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General	Capital Projects - 2014 SPLOST	Capital Projects SPLOST	T-	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,300,332	\$ -	\$ -		\$ 54,978	\$ 2,355,310
Licenses and Permits	138,064	-	-		-	138,064
Intergovernmental	192,528	465,903	595,684		157,881	1,411,996
Fines and Forfeitures	235,381	-	-		-	235,381
Charges for Services	1,158,949	-	-		-	1,158,949
Contributions and Donations	91,504	-	-		-	91,504
Miscellaneous Income	230,492	-	-		-	230,492
Interest Income	59,802	-	-		71	59,873
Total Revenues	<u>4,407,052</u>	<u>465,903</u>	<u>595,684</u>		<u>212,930</u>	<u>5,681,569</u>
Expenditures						
Current:						
General Government	1,639,110	960	-		-	1,640,070
Police	1,828,361	-	-		157,881	1,986,242
Fire	556,387	-	-		-	556,387
Public Works	983,693	-	-		-	983,693
Engineering	243,338	-	-		-	243,338
Culture and Recreation	1,020,524	-	-		-	1,020,524
Garage	232,221	-	-		-	232,221
Tourism and Promotion	-	-	-		34,228	34,228
Capital Outlay:						
Police	-	-	-		-	-
Public Works	-	-	-		-	-
Water/Sewer Improvements	-	-	139,714		-	139,714
Recreation	-	-	-		-	-
Debt Service:						
Principal	47,822	355,000	-		-	402,822
Interest	4,988	16,063	-		-	21,051
Total Expenditures	<u>6,556,444</u>	<u>372,023</u>	<u>139,714</u>		<u>192,109</u>	<u>7,260,290</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,149,392)</u>	<u>93,880</u>	<u>455,970</u>		<u>20,821</u>	<u>(1,578,721)</u>
Other Financing Sources (Uses)						
Transfers - Out	-	-	-		(20,750)	(20,750)
Transfers - In	2,535,750	-	-		-	2,535,750
Sale of Capital Assets	-	-	-		-	-
Total Other Financing Sources (Uses)	<u>2,535,750</u>	<u>-</u>	<u>-</u>		<u>(20,750)</u>	<u>2,515,000</u>
Net Change in Fund Balances	386,358	93,880	455,970		71	936,279
Fund Balance (Deficit) - Beginning of Year	<u>1,967,354</u>	<u>591,872</u>	<u>271,472</u>		<u>4,117</u>	<u>2,834,815</u>
Fund Balance- End of Year	<u>\$ 2,353,712</u>	<u>\$ 685,752</u>	<u>\$ 727,442</u>		<u>\$ 4,188</u>	<u>\$ 3,771,094</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances To the Statement of Activities
For the Year Ended September 30, 2019

Net Change in Fund Balances - Total Governmental Funds		\$ 936,279
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for Capital Assets	276,273	
Less Current Year Depreciation	<u>(368,614)</u>	(92,341)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) has an effect on net position.		
NBV of assets disposed	<u>-</u>	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Unavailable Deferred Property Tax Revenues		(98)
Issuance of long-term debt (bonds, leases) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal Payments on Bonds	355,000	
Principal Payments on Leases	<u>47,821</u>	402,821
Governmental funds report monthly pension plan premiums as current period expenditures, while governmental activities record a portion of those payments as a deferred outflow of resources.		
		(61,170)
Changes in the value of the pension plan are not reflected in the governmental funds. However, they are accounted for in the statement of activities.		
		27,738
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in Net Pension Liability	162,779	
Change in Compensated Absences	<u>(27,898)</u>	134,881
The net change in net position of internal service funds is reported with governmental activities.		
		<u>262,443</u>
Change in Net Position of Governmental Activities		<u>\$ 1,610,553</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund - Budget and Actual
For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,949,100	\$ 2,299,100	\$ 2,300,332	\$ 1,232
Licenses and Permits	21,500	21,500	138,064	116,564
Intergovernmental	229,102	229,102	192,528	(36,574)
Fines and Forfeitures	210,000	210,000	235,381	25,381
Charges for Services	1,225,657	1,225,657	1,158,949	(66,708)
Contributions and Donations	97,000	97,000	91,504	(5,496)
Miscellaneous Income	47,000	47,000	230,492	183,492
Interest Income	15,000	15,000	59,802	44,802
Total Revenues	<u>3,794,359</u>	<u>4,144,359</u>	<u>4,407,052</u>	<u>262,693</u>
Expenditures				
Current:				
General Government	1,545,312	1,640,312	1,639,110	1,202
Police	1,834,091	1,863,309	1,828,361	34,948
Fire	524,834	574,834	556,387	18,447
Public Works	913,149	1,004,149	983,693	20,456
Engineering	320,572	320,572	243,338	77,234
Culture and Recreation	955,254	1,023,254	1,020,524	2,730
Garage	216,546	233,046	232,221	825
Debt Service:				
Principal	52,803	52,803	47,822	4,981
Interest	5,000	5,000	4,988	12
Total Expenditures	<u>6,367,561</u>	<u>6,717,279</u>	<u>6,556,444</u>	<u>160,835</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,573,202)</u>	<u>(2,572,920)</u>	<u>(2,149,392)</u>	<u>423,528</u>
Other Financing Sources (Uses)				
Transfers - In	2,575,486	2,575,486	2,535,750	(39,736)
Transfers - out	-	-	-	-
Sale of Capital Assets	10,000	10,000	-	(10,000)
Total Other Financing Sources (Uses)	<u>2,585,486</u>	<u>2,585,486</u>	<u>2,535,750</u>	<u>(49,736)</u>
Net Change in Fund Balance	12,284	12,566	386,358	373,792
Fund Balance - Beginning of Year	<u>1,967,354</u>	<u>1,967,354</u>	<u>1,967,354</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,979,638</u>	<u>\$ 1,979,920</u>	<u>\$ 2,353,712</u>	<u>\$ 373,792</u>

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA

Statement of Net Position

Proprietary Funds

September 30, 2019

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities Internal Service Fund
Assets								
Current Assets:								
Cash and Cash Equivalents	\$ 32,940	\$ 1,783,543	\$ 139,358	\$ -	\$ 3,379,475	\$ -	\$ 5,335,316	\$ 78,155
Accounts Receivable - Net	-	2,026,600	181,195	-	1,069,131	89,606	3,366,532	-
Due From Other Funds	-	3,613,046	1,352,002	-	2,975	144,074	5,112,097	-
Inventory	21,510	586,561	86,184	8,630	169,306	-	872,191	-
Total Current Assets	54,450	8,009,750	1,758,739	8,630	4,620,887	233,680	14,686,136	78,155
Non-Current Assets:								
Capital Assets:								
Land	508,822	9,000	7,000	1,340,395	843,741	73,052	2,782,010	-
Equipment	158,913	1,120,234	312,747	517,923	1,944,936	949,398	5,004,151	-
Buildings	1,424,790	565,039	19,701	2,352,068	452,420	5,206	4,819,224	-
Improvements Other Than Buildings	3,762,165	-	-	-	-	-	3,762,165	-
Utility Systems	-	4,106,110	1,133,223	-	40,656,117	-	45,895,450	-
Less Accumulated Depreciation	(2,862,037)	(4,485,928)	(695,231)	(1,325,633)	(20,705,138)	(685,458)	(30,759,425)	-
Total Non-Current Assets	2,992,653	1,314,455	777,440	2,884,753	23,192,076	342,198	31,503,575	-
Total Assets	3,047,103	9,324,205	2,536,179	2,893,383	27,812,963	575,878	46,189,711	78,155
Deferred Outflows of Resources								
Deferred Resources Related to Pension	6,409	47,644	28,720	37,320	110,216	17,086	247,395	-
Total Deferred Outflows	\$ 6,409	\$ 47,644	\$ 28,720	\$ 37,320	\$ 110,216	\$ 17,086	\$ 247,395	\$ -
Liabilities								
Current Liabilities:								
Accounts Payable	\$ 3,955	\$ 802,772	\$ 43,300	\$ 7,168	\$ 471,942	\$ 9,924	\$ 1,339,061	\$ -
Accrued Wages and Withholdings Payable	1,067	5,940	4,859	5,412	16,811	3,266	37,355	-
Compensated Absences Payable	8,744	12,798	14,807	33,773	49,258	12,939	132,319	-
Due to Other Funds	1,282,730	143,002	6,053	2,850,231	1,283,270	1,364,733	6,930,019	-
Customer Deposits	-	361,033	94,246	-	163,371	-	618,650	-
Accrued Interest Payable	-	-	-	-	958	-	958	-
Notes Payable - Current	-	-	-	-	139,231	-	139,231	-
Capital Leases Payable - Current	-	127,577	42,901	17,943	4,676	-	193,097	-
Revenue Bonds Payable	-	-	-	-	525,000	-	525,000	-
Total Current Liabilities	1,296,496	1,453,122	206,166	2,914,527	2,654,517	1,390,862	9,915,690	-
Noncurrent Liabilities:								
Net Pension Liability	8,396	62,417	37,625	48,891	144,390	22,384	324,103	-
Accrued Landfill Closure/Postclosure Costs	-	-	-	-	-	151,485	151,485	-
Notes Payable	-	-	-	-	3,278,555	-	3,278,555	-
Capital Leases Payable	-	22,567	82,885	-	-	-	105,452	-
Revenue Bonds Payable (Net)	-	-	-	-	5,590,598	-	5,590,598	-
Total Noncurrent Liabilities	8,396	84,984	120,510	48,891	9,013,543	173,869	9,450,193	-
Total Liabilities	1,304,892	1,538,106	326,676	2,963,418	11,668,060	1,564,731	19,365,883	-
Deferred Inflows of Resources								
Deferred Resources Related to Pension	11,011	81,860	49,345	64,121	189,369	29,356	425,062	-
Total Deferred Inflows	11,011	81,860	49,345	64,121	189,369	29,356	425,062	-
Net Position								
Net Investment in Capital Assets	2,992,653	1,164,311	651,654	2,866,810	13,654,016	342,198	21,671,642	-
Restricted								
Renewal and Replacement	-	503,521	-	-	-	-	503,521	-
Debt Service	-	-	-	-	311,929	-	311,929	-
Unrestricted	(1,255,044)	6,084,051	1,537,224	(2,963,646)	2,099,804	(1,343,321)	4,159,068	78,155
Total Net Position	\$ 1,737,609	\$ 7,751,883	\$ 2,188,878	\$ (96,836)	\$ 16,065,749	\$ (1,001,123)	\$ 26,646,160	\$ 78,155

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities Internal Service Fund
Operating Revenues								
Charges for Services	\$ 116,461	\$ 10,974,400	\$ 2,367,890	\$ 506,398	\$ 5,359,908	\$ 499,659	\$ 19,824,716	\$ 1,618,183
Fees	-	172,227	23,975	-	585,050	10,552	791,804	-
Other Revenues	-	163,972	112,968	-	41,289	-	318,229	-
Total Operating Revenues	116,461	11,310,599	2,504,833	506,398	5,986,247	510,211	20,934,749	1,618,183
Operating Expenses								
Costs of Sales and Services	165,385	991,620	435,017	650,689	2,278,947	553,080	5,074,738	1,664,062
Administrative Expense	-	128,895	81,662	-	359,310	91,461	661,328	-
Cost of Water	-	-	-	-	338,594	-	338,594	-
Cost of Gas	-	-	1,154,206	-	-	-	1,154,206	-
Cost of Electricity	-	7,812,344	-	-	-	-	7,812,344	-
Depreciation Expense	235,239	96,105	62,734	112,077	1,066,397	17,068	1,589,620	-
Total Operating Expenses	400,624	9,028,964	1,733,619	762,766	4,043,248	661,609	16,630,830	1,664,062
Operating Income (Loss)	(284,163)	2,281,635	771,214	(256,368)	1,942,999	(151,398)	4,303,919	(45,879)
Nonoperating Revenues (Expenses)								
Interest Revenue	-	33,061	109	-	8,207	-	41,377	227
Interest Expense	-	(4,321)	(4,300)	(76)	(222,321)	-	(231,018)	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	28,740	(4,191)	(76)	(214,114)	-	(189,641)	227
Income Before Contributions and Transfers	(284,163)	2,310,375	767,023	(256,444)	1,728,885	(151,398)	4,114,278	(45,652)
Capital Contributions	273,729	-	-	-	-	-	273,729	-
Transfers	-	(1,150,000)	(700,000)	-	(973,095)	-	(2,823,095)	308,095
Total Contributions and Transfers	273,729	(1,150,000)	(700,000)	-	(973,095)	-	(2,549,366)	308,095
Change in Net Position	(10,434)	1,160,375	67,023	(256,444)	755,790	(151,398)	1,564,912	262,443
Net Position - Beginning	1,748,043	6,591,508	2,121,855	159,608	15,309,959	(849,725)	25,081,248	(184,288)
Net Position - Ending	\$ 1,737,609	\$ 7,751,883	\$ 2,188,878	\$ (96,836)	\$ 16,065,749	\$ (1,001,123)	\$ 26,646,160	\$ 78,155

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	Airport	Electric	Gas	Golf	Water and Sewer	Solid Waste	Total	Governmental Activities Internal Service Fund
Cash Flows From Operations								
Receipts from Customers and Users	\$ 116,461	\$ 10,901,896	\$ 2,468,059	\$ 506,398	\$ 5,647,412	\$ 499,142	\$ 20,139,368	\$ -
Receipts from Interfund Charges for Healthcare	-	-	-	-	-	-	-	1,618,183
Payments to Suppliers	(136,465)	(8,510,916)	(1,354,451)	(206,498)	(1,326,262)	(403,917)	(11,938,509)	(1,664,062)
Payments to/for Employees	(49,993)	(472,060)	(336,989)	(447,438)	(1,277,119)	(217,543)	(2,801,142)	-
Net Cash Provided by (Used in) Operating Activities	(69,997)	1,918,920	776,619	(147,538)	3,044,031	(122,318)	5,399,717	(45,879)
Cash Flows from Noncapital Financing Activities								
Transfers to Other Funds	-	(1,150,000)	(700,599)	-	(665,000)	-	(2,515,599)	-
Transfers from Other Funds	-	-	-	209,405	599	267,593	477,597	-
Net Cash from Noncapital Financing Activities	-	(1,150,000)	(700,599)	209,405	(664,401)	267,593	(2,038,002)	-
Cash Flows from Capital and Related Financing Activities								
Principal Payments - Bonds	-	-	-	-	(510,000)	-	(510,000)	-
Principal Payments - Notes	-	-	-	-	(135,868)	-	(135,868)	-
Principal Payments - Leases	-	(50,412)	(44,063)	(35,050)	(6,814)	-	(136,339)	-
Proceeds from loan	-	-	-	-	981,716	-	981,716	-
Capital Contributions	273,729	-	-	-	-	-	273,729	-
Proceeds from capital lease	-	75,000	-	-	-	-	75,000	-
Acquisition and Construction of Capital Assets	(170,792)	(152,885)	(29,112)	(26,741)	(2,167,063)	(145,275)	(2,691,868)	-
Interest Paid	-	(4,321)	(4,300)	(76)	(222,321)	-	(231,018)	-
Net Cash from Capital and Related Financing Activities	102,937	(132,618)	(77,475)	(61,867)	(2,060,350)	(145,275)	(2,374,648)	-
Interest Received	-	33,061	109	-	8,207	-	41,377	227
Net Increase (Decrease) in Cash	32,940	669,363	(1,346)	-	327,487	-	1,028,444	(45,652)
Cash - October 1, 2018	-	1,114,180	140,706	-	3,055,052	-	4,309,938	123,807
Cash - September 30, 2019	\$ 32,940	\$ 1,783,543	\$ 139,360	\$ -	\$ 3,382,539	\$ -	\$ 5,338,382	\$ 78,155
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Operating Income (Loss)	\$ (284,163)	\$ 2,281,635	\$ 771,214	\$ (256,368)	\$ 1,942,999	\$ (151,398)	\$ 4,303,919	\$ (45,879)
Adjustments to Reconcile to Operating Income to Net Cash Provided (Used) by Operating Activities								
Depreciation	235,239	96,105	62,734	112,077	1,066,397	17,068	1,589,620	-
(Increase) Decrease in Assets:								
Accounts Receivable	-	(400,211)	(36,362)	-	(339,338)	(11,069)	(786,980)	-
Inventory	(7,013)	(55,280)	(9,583)	(5,166)	(663)	-	(77,705)	-
Deferred Outflows	4,087	34,272	20,699	24,171	68,288	9,732	161,249	-
Increase (Decrease) in Liabilities:								
Accounts Payable	(14,993)	17,871	(6,677)	4,178	400,911	9,924	411,214	-
Accrued Landfill Closure/Postclosure Costs	-	-	-	-	-	12,216	12,216	-
Compensated Absences Payable	2,989	(1,330)	1,400	8,953	10,855	5,267	28,134	-
Salaries and Wages Payable	(214)	616	1,589	61	(1,850)	(1,097)	(895)	-
Customer Deposits	-	(8,492)	(412)	-	503	-	(8,401)	-
Deferred Inflows	(1,533)	(12,482)	(7,570)	(9,383)	(27,410)	(2,679)	(61,057)	-
Net Pension Liability	(4,396)	(33,784)	(20,413)	(26,061)	(76,661)	(10,282)	(171,597)	-
Net Cash Provided by (Used in) Operating Activities	\$ (69,997)	\$ 1,918,920	\$ 776,619	\$ (147,538)	\$ 3,044,031	\$ (122,318)	\$ 5,399,717	\$ (45,879)

The accompanying notes are an integral part of this financial statement.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of LaFayette was incorporated September 30, 1835. The City operates under an elected mayor and council who appoint a city manager. The City provides the following services as authorized by its charter or statutes: culture and recreation, streets and roads, public utilities (electric, gas, water/sewer, sanitation), public safety (police and fire), community development, cemetery, garage, airport, golf and general and administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legally separate entities, are in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely Presented Component Unit: The Downtown Development Authority (DDA), an entity legally separate from the City, is governed by a board appointed by the City Council and the Mayor. The Development Authority was created for the purpose of administering activities with regard to revitalization of downtown LaFayette. The Authority is financially dependent on the City for funding. For financial reporting purposes, the DDA is reported as a discretely presented component unit in the Statement of Net Position and the Statement of Activities as determined by the State of Georgia Department of Audits and Accounts.

Related Organization: The LaFayette Housing Authority is a related organization that has not been included in the reporting entity. The Authority provides low-income housing to eligible families in the City. The Authority's Board consists of five members that are appointed by the Mayor of LaFayette. The City is not financially accountable (does not impose will or have a financial benefit or burden relationship) for the Authority.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates 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 or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Fund financial statements emphasize major funds in either the governmental or proprietary funds. Non-major funds (if any) are reported as a separate column in the fund financial statements.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant FASB pronouncements and APB opinions issued on or prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 fund 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, non-exchange transactions are recognized in accordance with GASB Statement 33.

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 fund balance, it is the City's policy to use fund balance in the following order: committed, assigned and unassigned. Only the City Council may modify or rescind a committed fund balance. Intent to assign fund balance would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.

D. Fund Types and Major Funds

Governmental Funds

The General Fund and Capital Project Funds are the major governmental funds that the City reports. The General Fund is the primary fund of the City and accounts for all financial resources not reported in other funds. The Hotel/Motel Tax special revenue fund accounts for the proceeds of the hotel/motel tax. The Capital Projects fund accounts for the acquisition and construction of major capital assets other than those accounted for by proprietary funds.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Fund Types and Major Funds - continued

Proprietary Funds

Proprietary funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is intended to be self-supporting. The City reports the airport, electric, gas, golf, water and sewer, and solid waste funds as major funds. 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 are charges to customers for sales and services. These funds recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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.

Internal Service Funds

The Self Insurance internal service fund accounts for risk management activities of the City on a cost reimbursement basis. The internal service fund is presented with the proprietary funds within the fund level financial statements and with governmental activities in the government-wide financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. General revenues include all taxes.

E. Assets, Liabilities, Net Position or Equity

1. **Cash.** Cash includes amounts in demand and time deposits that by law must be insured or collateralized. Investments, if any, are limited by law and bond ordinances to federal and state securities.
2. **Receivables.** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.
3. **Due To and Due From Other Funds/Internal Balances.** During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. Interfund transactions are recorded by all funds affected in the period in which transactions are executed. In the government-wide financial statements, these balances are reported as internal balances.
4. **Interest Receivable.** Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.
5. **Inventories.** On the basic financial statements, inventories of supplies and materials are reported at cost using the first-in, first-out method. The City uses the consumption method to account for the inventories whereby items are recorded as an asset when purchased and expenses are recorded when the item is put into use.
6. **Prepays.** Prepays represent the amount paid in advance for Georgia sales tax on sales of electricity and gas.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities, Net Position or Equity - continued

- 7. Other Assets.** Other assets held are recorded and accounted for at cost.
- 8. Restricted Assets.** The Water and Sewer Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt or for construction. The "bond debt service and reserve cash" accounts are used to segregate resources accumulated for debt service payments and to report resources set aside to cover the highest debt service requirement in any subsequent year. The "renewal and replacement cash" account is used to report resources set aside to meet unexpected contingencies or for asset replacement. The "construction cash" account is used to report resources set aside to fund construction projects.
- 9. Capital Assets.** The City's property, buildings, equipment and infrastructure (streets, bridges, curbs, sidewalks, drainage systems, lighting system, etc.) with useful lives of more than one year and a cost greater than two thousand dollars are capitalized and depreciated. These assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets and capital assets received in a service concession arrangement are valued at acquisition costs. Interest expense (net of related income) incurred during the construction phase of business-type capital assets is capitalized as part of the assets' cost.

Capital assets are depreciated using the straight-line method. When these assets are disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain/loss is recorded.

- 10. Long-term Debt, Bond Discounts/Premiums, and Issuance Costs.** Outstanding debt and other obligations are reported as a liability in the government-wide and proprietary financial statements. Bond discounts/premiums for proprietary funds are deferred and amortized over the term of the respective bonds using a method that approximates the effective interest method. Bond discounts are presented as a reduction in the face amount of bonds payable, while premiums are presented as an increase of the face amount of bonds payable. Issuance costs are reported as debt service expenditures in the year of debt issuance.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses.

- 11. Pensions.** The provision for pension cost is recorded on the accrual basis, and the City's policy is to fund pension costs as they accrue.
- 12. Compensated Absences.** Full-time, permanent employees are granted vacation and sick leave benefits. Vested or accumulated vacation leave is accrued in the government-wide and proprietary financial statements and governmental funds report only the portion expected to be liquidated within the current year. Governmental funds report compensated absences only when employees are no longer employed with the City. For governmental activities, compensated absences are liquidated by the General Fund. No liability is reported for non-vesting accumulating rights to receive sick leave.
- 13. Fund Equity/Net Position.** Fund equity at the governmental fund reporting level financial statements is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Assets, Liabilities, Net Position or Equity - continued

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

- Nonspendable – fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (for example, items that are not expected to be converted to cash) or (b) 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 City 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 City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.
- Assigned – fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.
- Unassigned – fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in general fund. Negative unassigned fund balance may be reported in all funds.

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 fund balance, it is the City's policy to use fund balance in the following order: committed, assigned and unassigned.

Net Position – represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any unspent borrowings for the acquisition and/or construction of capital assets. Net position may be reported as restricted or unrestricted.

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.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data. Formal budgetary accounting is employed as management control for all governmental funds of the City. Department heads submit their annual budget requests to the City Manager, who in turn compiles and submits the budget to the City Council. Public hearings are conducted to obtain taxpayer comments. By September 1, an annual operating budget is adopted for the General Fund through passage of an annual budget ordinance and amended as required. The budget uses the same basis of accounting to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting basis. The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgeting control is the department level. The governing council made several supplemental budgetary appropriations throughout the year but they were not considered material. All appropriations lapse at the end of each fiscal year.

The capital projects fund has a project length budget which was adopted when voters approved the SPLOST referendum. This budget is prepared for the projected total SPLOST revenues and capital outlays.

Compliance with Bond Covenants. The City complied with its bond covenants in all material respects.

Deposits with Financial Institutions. State statutes require that the City's deposits be collateralized by securities held in the name of the City by the trust department of a bank that does not hold the collateralized deposits.

NOTE 3. CASH AND INVESTMENTS

Cash balances as of September 30, 2019 are classified in the financial statements as follows:

Statement of Net Position:

Cash	\$ 5,100,035
Restricted Cash	<u>2,264,419</u>
Total Cash	<u><u>7,364,454</u></u>

Cash balances consist of the following:

Cash on Hand	19,147
Cash Deposits in Financial Institutions	6,841,786
MEAG	<u>503,521</u>
Total Cash	<u><u>\$ 7,364,454</u></u>

All deposits with financial institutions are fully insured or collateralized by securities held in the City's name.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit. Investments are stated at fair value (the City has no investments other than cash.)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This can be measured by the assignment of a rating by a rating organization. The City does not have a formal policy that addresses credit risk.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3. CASH AND INVESTMENTS - continued

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The City has no investments that meet the criteria for concentration of credit risk disclosure. The City does not have a formal policy that addresses concentration of credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian, the City may not be able to recover the value of its investments. There is no custodial credit risk exposure for the City's investments because they are either insured or held in the City's name by the custodian. The City does not have a formal policy that addresses custodial credit risk.

NOTE 4. RECEIVABLES

Accounts receivable consists of amounts due from customers for charges related to providing electric, gas, water/sewer and sanitation services. Taxes due consist of property tax and local option sales tax. Amounts due as of September 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water Sewer Fund</u>	<u>Electric Fund</u>	<u>Gas Fund</u>	<u>Solid Waste Fund</u>
Receivables:					
Accounts	\$ 10,811	\$ 1,069,131	\$ 2,026,600	\$ 181,195	\$ 89,606
Taxes	<u>36,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	47,300	1,069,131	2,026,600	181,195	89,606
Less: Allowance for Uncollectibles	<u>(24,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u><u>\$ 23,166</u></u>	<u><u>\$ 1,069,131</u></u>	<u><u>\$ 2,026,600</u></u>	<u><u>\$ 181,195</u></u>	<u><u>\$ 89,606</u></u>

Property Tax

Property tax is levied upon receipt of the digest from Walker County and based upon the assessed value at January 1. Taxes were levied October 20, 2018 and due by December 20, 2018. The billings are considered past due 60 days after the tax billing date, at which time the applicable property is subject to lien and penalties and interest begins to accrue. Assessed values are established by the Walker County Board of Tax Assessors and are currently calculated at 40% of market value.

All property taxes are recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of September 30, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water/Sewer	\$ 1,277,540
General Fund	Golf	2,849,945
General Fund	Airport	1,281,658
General Fund	Police	9,565
General Fund	Hotel/Motel	1,212
General Fund	Solid Waste	1,362,080
		<u>6,782,000</u>
Forfeiture	General Fund	966
Electric	General Fund	3,601,585
Electric	Water/Sewer	5,730
Electric	Gas	5,730
		<u>3,613,045</u>
Gas	General Fund	1,351,716
Gas	Golf	286
		<u>1,352,002</u>
Water/Sewer	Solid Waste	2,652
Water/Sewer	Gas	323
		<u>2,975</u>
Solid Waste	Electric	143,002
Solid Waste	Airport	1,072
		<u>\$ 144,074</u>

The interfund balances related to working capital loans between funds. No significant portion of the outstanding balances is expected to be repaid in the subsequent year.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – continued

As of September 30, 2019, interfund transfers were as follows:

<u>Transfer in:</u>	<u>Transfer Out:</u>				
	<u>Water/ Sewer</u>	<u>Electric</u>	<u>Gas</u>	<u>Hotel/Motel</u>	<u>Total</u>
General Fund	\$ 665,000	\$ 1,150,000	\$ 700,000	\$ 20,750	\$ 2,535,750
Internal Service Fund	308,095	-	-	-	308,095
Total	\$ 973,095	\$ 1,150,000	\$ 700,000	\$ 20,750	\$ 2,843,845

Routine transfers and payments between funds are to subsidize operations, fund capital projects and asset acquisition.

NOTE 6. CAPITAL ASSETS

The following tables provides a summary of the City's capital asset activity:

<u>Governmental Activities</u>	<u>*Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers In/(Out)</u>	<u>Ending Balance</u>
<i>Nondepreciable Capital Assets</i>					
Land	\$ 3,370,357	\$ -	\$ -	\$ -	\$ 3,370,357
Total Nondepreciable Capital Assets	3,370,357	-	-	-	3,370,357
<i>Depreciable Capital Assets</i>					
Buildings and Improvements	2,556,965	10,185	49,522	-	2,517,628
Park Improvements	2,618,143	68,245	-	-	2,686,388
Machinery and Equipment	3,327,598	197,843	264,420	-	3,261,021
Infrastructure	2,634,880	-	-	-	2,634,880
Total Depreciable Capital Assets	11,137,586	276,273	313,942	-	11,099,917
Less Accumulated Depreciation For:					
Buildings and Improvements	(1,220,584)	74,273	49,522	-	(1,245,335)
Park Improvements	(1,831,585)	41,149	-	-	(1,872,734)
Machinery and Equipment	(2,417,370)	139,385	264,420	-	(2,292,335)
Infrastructure	(839,465)	113,807	-	-	(953,272)
Total Accumulated Depreciation	(6,309,004)	368,614	313,942	-	(6,363,676)
Total Depreciable Capital Assets, Net	4,828,582	(92,341)	-	-	4,736,241
Total Capital Assets, Net	\$ 8,198,939	\$ (92,341)	\$ -	\$ -	\$ 8,106,598

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6. CAPITAL ASSETS – continued

Business-Type Activities	Beginning Balance	Additions	Deletions	Transfers In/(Out)	Ending Balance
<i>Nondepreciable Capital Assets</i>					
Land	\$ 2,605,217	\$ 176,793	\$ -	\$ -	\$ 2,782,010
Construction in Progress	40,350	-	40,350	-	-
Total Nondepreciable Capital Assets	<u>2,645,567</u>	<u>176,793</u>	<u>40,350</u>	<u>-</u>	<u>2,782,010</u>
<i>Depreciable Capital Assets</i>					
Buildings and Improvements	4,800,482	18,742	-	-	4,819,224
Improvements other than Buildings	3,768,165	-	6,000	-	3,762,165
Machinery and Equipment	4,533,834	476,921	6,604	-	5,004,151
Distribution and Collection Systems	<u>44,030,688</u>	<u>2,065,319</u>	<u>200,557</u>	<u>-</u>	<u>45,895,450</u>
Total Depreciable Capital Assets	<u>57,133,169</u>	<u>2,560,982</u>	<u>213,161</u>	<u>-</u>	<u>59,480,990</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(2,239,149)	(173,843)	-	-	(2,412,992)
Improvements other than Buildings	(1,031,590)	(154,614)	-	-	(1,186,204)
Machinery and Equipment	(2,931,866)	(199,870)	6,604	-	(3,125,132)
Distribution and Collection Systems	<u>(23,174,361)</u>	<u>(1,061,293)</u>	<u>200,557</u>	<u>-</u>	<u>(24,035,097)</u>
Total Accumulated Depreciation	<u>(29,376,966)</u>	<u>(1,589,620)</u>	<u>207,161</u>	<u>-</u>	<u>(30,759,425)</u>
Total Depreciable Capital Assets, Net	<u>27,756,203</u>	<u>971,362</u>	<u>6,000</u>	<u>-</u>	<u>28,721,565</u>
Total Capital Assets, Net	<u>\$ 30,401,770</u>	<u>\$ 1,148,155</u>	<u>\$ (46,350)</u>	<u>\$ -</u>	<u>\$ 31,503,575</u>
Governmental Activities:					
General Government	\$ 45,421				
Police	23,332				
Fire	10,779				
Public Works	185,793				
Engineering	428				
Garage	9,450				
Recreation	<u>93,411</u>				
Total		<u>\$ 368,614</u>			
Business-Type Activities					
Airport	\$ 235,239				
Electric	96,105				
Gas	62,734				
Golf	112,077				
Water/Sewer	1,066,397				
Solid Waste	<u>17,068</u>				
Total		<u>\$ 1,589,620</u>			

* Beginning numbers were restated to correct allocation between asset groups.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7. LEASES

Police Vehicles - Governmental Capital Lease: During fiscal year 2016, the City entered into two capital lease agreements with the USDA as lessee for financing the acquisition of two vehicles for the police department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$4,191. The interest rates on these leases are 3.63% and 2.38%.

The historical cost of the leased asset and the related accumulated depreciation are as follows:

	Governmental Activities
Police Vehicles	\$ 47,000
Less: Accumulated Depreciation	(42,809)
Total Net Book Value	<u>\$ 4,191</u>

Software System - Governmental Capital Lease: During fiscal year 2017, the City entered into a lease agreement with Tyler Technologies as lessee for financing the acquisition of a new software system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$9,081. The interest rate on this lease is 4.23%.

The historical cost of the leased asset and the related accumulated depreciation are as follows:

	Governmental Activities
Tyler Software	\$ 181,619
Less: Accumulated Depreciation	(18,162)
Total Net Book Value	<u>\$ 163,457</u>

Komatsu Excavator –Business-type Capital Lease: During fiscal year 2016, the City entered into a capital lease agreement with BB&T Governmental Finance as lessee for financing the acquisition of a Komatsu Excavator for \$53,010 for the water, sewer, and gas departments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$5,301. The interest rate on this lease is 3.46%.

The historical cost of the leased assets and the related accumulated depreciation are as follows:

	Business-type Activities
Komatsu Excavator	\$ 53,010
Less: Accumulated Depreciation	(21,204)
Total Net Book Value	<u>\$ 31,806</u>

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7. LEASES - continued

Gas Line Extensions - Business-type Capital Lease: During fiscal year 2012, the City entered into a lease agreement with BB&T Governmental Finance as lessee for financing the acquisition of gas line extensions throughout the City for the gas department. The extensions were completed and began depreciating in fiscal 2013. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$10,412. The interest rate on the lease is 2.59%.

The historical cost of the leased asset and the related accumulated depreciation are as follows:

	Business-Type Activities
Gas Line Extensions	\$ 312,370
Less: Accumulated Depreciation	(62,579)
Total Net Book Value	<u>\$ 249,791</u>

Golf Carts - Business-type Capital Lease: During fiscal year 2016, the City entered into a lease agreement with PNC Equipment Finance as lessee for financing a portion of the acquisition of 60 golf carts for \$131,999 for the golf course. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$32,663. The interest rate on this lease is 3.13%.

The historical cost of the leased asset and the related accumulated depreciation are as follows:

	Business-Type Activities
Golf Carts	\$ 163,317
Less: Accumulated Depreciation	(109,721)
Total Net Book Value	<u>\$ 53,596</u>

Freightliner Truck - Business-type Capital Lease: During fiscal year 2018, the City entered into a lease agreement with BB&T Governmental Finance as lessee for financing the acquisition of a 2018 Freightliner utility truck for the electric department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$16,600. The interest rate on this lease is 4.21%.

The historical cost of the leased asset and the related accumulated depreciation are as follows:

	Business-Type Activities
GMC Truck	\$ 166,000
Less: Accumulated Depreciation	(16,600)
Total Net Book Value	<u>\$ 149,400</u>

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7. LEASES - continued

Bucket Truck - Business-type Capital Lease: During fiscal year 2019, the City entered into a lease agreement with GMA Finance as lessee for financing the acquisition of a 2019 F-550 Bucket truck for the electric department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Depreciation expense on the leased equipment for the fiscal period was \$0. The interest rate on this lease is 4.15%.

The historical cost of the leased asset and the related accumulated depreciation are as follows:

	Business-Type Activities
Bucket Truck	\$ 152,885
Less: Accumulated Depreciation	-
Total Net Book Value	<u>\$ 152,885</u>

These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date the equipment is acquired.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, are as follows:

Year Ending September 30	Governmental Activities	Business-Type Activities
2020	\$ 52,809	\$ 201,381
2021	36,926	63,714
2022	5,142	40,910
2023	-	3,409
	<u>94,877</u>	<u>309,414</u>
Total Minimum Lease Payments	94,877	309,414
Less Amount Representing Interest	<u>(4,122)</u>	<u>(10,853)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 90,755</u>	<u>\$ 298,561</u>

**CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8. LONG-TERM DEBT

Debt outstanding as of September 30, 2019 is composed of the following:

General Obligation Bonds

The City issued general obligation bonds to provide advance funding of various capital improvement projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds will be repaid with a one cent Special Purpose Local Option Sales Tax over the remaining maturity.

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Governmental Activities:					
SPLOST Bonds	1.95%	3/4/2014	1/1/2021	<u>\$ 2,085,000</u>	<u>\$ 735,000</u>

The following schedule presents debt service requirements to maturity for general obligation bonds:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 365,000	\$ 10,773
2021	<u>370,000</u>	<u>3,608</u>
Total	<u>\$ 735,000</u>	<u>\$ 14,381</u>

Revenue Bonds

The City has also issued revenue bonds for the purpose of capital infrastructure improvements to the Water-Sewer system. These bonds will be repaid with Water-Sewer Fund revenues from users of the system. The bonds mature in fiscal 2032.

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Business-Type Activities:					
Water/Sewer Bonds	2.00%	2/19/2013	9/30/2032	<u>\$ 9,200,000</u>	<u>\$ 6,070,000</u>

The following schedule presents debt service requirements to maturity for revenue bonds:

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 525,000	\$ 148,786
2021	530,000	139,861
2022	545,000	129,261
2023	480,000	117,680
2024	415,000	106,880
2025-2030	2,235,000	374,213
2031-2032	<u>1,340,000</u>	<u>74,506</u>
Total	<u>\$ 6,070,000</u>	<u>\$ 1,091,187</u>

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8. LONG-TERM DEBT - continued

Notes Payable

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Last Payment</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Business-Type Activities:					
Water/Sewer System	3.00%	11/1/2010	7/1/2032	\$ 473,000	\$ 334,959
Water/Sewer System	2.40%	9/17/2014	9/17/2036	1,600,000	1,394,882
Water/Sewer System	2.27%	9/4/2015	3/1/3032	825,000	706,229
Water/Sewer System*	1.25%	12/10/2018	1/1/2040	1,250,000	981,716
				<u>\$ 4,148,000</u>	<u>\$ 3,417,786</u>

* Water system loan was issued in December of 2018, with draws beginning March of 2019. The balance of the draws at September 30, 2019 was \$981,716. The loan will close in 2020 with payments beginning at that time.

Notes payable debt service requirements to maturity are presented below:

<u>Year Ending September 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 139,231	\$ 58,003
2021	142,677	54,556
2022	146,210	51,025
2023	149,831	47,403
2024	153,543	43,689
2025-2029	826,726	159,440
2030-2034	697,221	58,376
2035-2035	<u>180,631</u>	<u>4,185</u>
Total	<u>\$ 2,436,070</u>	<u>\$ 476,677</u>

**CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8. LONG-TERM DEBT - continued

The following is a summary of the City's long-term debt transactions for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 1,090,000	\$ -	\$ (355,000)	\$ 735,000	\$ 365,000
Capitalization Leases	138,576	-	(47,821)	90,755	49,787
Compensated Absences	<u>171,937</u>	<u>138,543</u>	<u>(110,645)</u>	<u>199,835</u>	<u>111,000</u>
Total Governmental Activities	<u>\$ 1,400,513</u>	<u>\$ 138,543</u>	<u>\$ (513,466)</u>	<u>\$ 1,025,590</u>	<u>\$ 525,787</u>
Business- Type Activities:					
Note Payable	\$ 2,571,938	\$ 981,716	\$ (135,868)	\$ 3,417,786	\$ 139,231
Revenue Bonds	6,580,000	-	(510,000)	6,070,000	525,000
Unamortized Bond Premium	49,107	-	(3,508)	45,599	-
Landfill Closure/Post Closure	139,269	151,485	(139,269)	151,485	151,485
Capitalized Leases	359,889	75,000	(136,328)	298,561	193,109
Compensated Absences	<u>104,185</u>	<u>99,064</u>	<u>(70,930)</u>	<u>132,319</u>	<u>71,000</u>
Total Business-Type Activities	<u>\$ 9,804,388</u>	<u>\$ 1,307,265</u>	<u>\$ (995,903)</u>	<u>\$ 10,115,750</u>	<u>\$ 1,079,825</u>

NOTE 9. OTHER COMMITMENTS

Under the terms of a power sales contract dated October 1, 1975 and for a period not to exceed 50 years, the City agrees to purchase its electric power and energy through the Municipal Electric Authority of Georgia (MEAG). This energy is priced to cover MEAG's cost of operating the system and to retire any debt incurred by MEAG. In return, MEAG agrees to purchase or provide the generating capacity necessary for reliable and economical power output for the City to operate its electric system. In the event that the operating revenues of the City's electric system are insufficient to cover its obligation to MEAG, or the City does not purchase the required amount of electric power and energy as specified in the contract (calculated annually), the City has agreed to assess and collect property tax sufficient to make all remaining payments due under this contract. At September 30, 2019, the outstanding debt of MEAG was \$7,562,779,181. The City's guarantee varies by individual project and totals \$75,860,688.

NOTE 10. PENSION PLAN

Plan Description. The City has a non-contributory defined benefit plan covering all full-time employees. The plan, the City of LaFayette Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15-member board comprised of elected and appointed officials from the fund's membership. GMEBS handles all administrative and investment functions relative to the plan. The City established the plan effective April 1, 1985, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 65 years of age with 5 years of service. Early retirement is possible at age 55 with 10 years of service. Benefits are calculated at up to 1.75% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, C/O Georgia Municipal Association – Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. PENSION PLAN - continued

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for changes to plan provisions and 30 years for actuarial assumptions and cost methods. These amortization periods, if applicable, are closed for this plan year.

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section §47-20-10). According to the latest actuarial valuation, dated January 1, 2019, the estimated minimum annual contribution under these funding standards is \$364,882.

According to the plan's actuarial valuation dated January 1, 2019, the recommended contribution to the plan for the coming year is \$386,093 (\$0 employee and \$386,093 employer; 0% employee and 8.01% employer of covered payroll respectively), and for the prior year was \$359,931 (\$0 employee and \$359,931 employer; 0% employee and 9.07% employer of covered payroll respectively). Covered payroll for 2019 and 2018 is \$4,720,392 and \$3,889,463 respectively.

Net Pension Liability

The City's net pension liability (NPL) was measured as of January 1, 2019, along with the total pension liability (TPL) and fiduciary net position (FNP) used to calculate the NPL. These actuarial assumptions are based on the results of an actuarial measurement date of September 30, 2019.

	<u>Changes in Net Pension Liability</u>		
	(a)	(b)	(a) - (b)
	(TPL)	(FNP)	(NPL)
	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2017	\$ 13,624,844	\$ 12,567,689	\$ 1,057,155
Changes for the Year			
Service Cost	160,290	-	160,290
Interest	1,005,986	-	1,005,986
Differences Between Expected and Actual Experience	97,017	-	97,017
Contributions - Employer	-	391,282	(391,282)
Contributions - Employees	-	-	-
Net Investment Income	-	1,233,952	(1,233,952)
Benefit Payments, Including Refunds of Employee Contributions	(743,977)	(743,977)	-
Administrative Expense	-	(27,564)	27,564
Other	-	-	-
Net Changes	<u>519,316</u>	<u>853,693</u>	<u>(334,377)</u>
Balances at September 30, 2018	<u>\$ 14,144,160</u>	<u>\$ 13,421,382</u>	<u>\$ 722,778</u>

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. PENSION PLAN - continued

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total Net Pension Liability	\$ 2,405,091	\$ 722,778	\$ (696,549)

As of January 1, 2019, employee membership data related to the current plan membership was as follows:

Number of retirees and beneficiaries currently receiving benefits	93
Number of terminated employees entitled to benefits, but not yet receiving them	68
Number of Active Plan Participants	
Vested	77
Nonvested	48
Total	286

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. PENSION PLAN - continued

Significant Actuarial Assumptions

Actuarial Assumptions:

Net Investment Rate of Return	7.50% per year
Projected Salary Increase	2.75% plus service based merit increases
Cost of Living Adjustment	0.00%
Post Retirement Benefit Increase	N/A

Actuarial Methods:

Actuarial Cost Method	Project Unit Credit
Amortization Method	Closed Level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 20 years
Actuarial Value of Assets	Sum of the actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Mortality & Economic Assumptions	The mortality and economic assumptions are based on the RP-2000 mortality tables, which are founded on a four year review of mortality experience for the period January 1, 2010 to June 30, 2014
Discount Rate	The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. PENSION PLAN - continued

For the year ended September 30, 2019, the City recognized pension expense of \$129,090. At September 30, 2019, the City reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions for future periods	\$ 280,947	\$ -
Differences between expected and actual experience	171,910	(211,460)
Changes of assumptions	98,854	-
Net differences between projected and actual earnings on pension plan investments and changes in assumptions	<u>-</u>	<u>(736,470)</u>
	<u><u>\$ 551,711</u></u>	<u><u>\$ (947,930)</u></u>

Pension contributions subsequent to the measurement date of \$ 280,947 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2020	\$ (132,320)
2021	(285,009)
2022	(198,710)
2023	(61,127)

Net Investment Return

On-going basis: 7.50% - On-going basis, based on long-term expected rate of return on pension plan investments.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset collection as of March 31, 2018 are as summarized in the following table:

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10. PENSION PLAN – continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	45.00%	6.40%
International Equity	20.00%	7.40%
Real Estate	10.00%	5.10%
Global Fixed Income	5.00%	3.03%
Domestic Fixed Income	20.00%	1.75%
Cash	0.00%	
 Total	 <u>100.00%</u>	

Payable to the Pension Plan

There were no outstanding amounts of contributions to the pension plan required for the year ended September 30, 2019.

NOTE 11. SPECIAL LOCAL OPTION SALES TAX

In November 2013, voters approved a referendum to continue collection of a 1% Special Local Option Sales Tax. Collections began on October 1, 2014 and are scheduled to end September 2020. The City's distributive share of this tax is projected to be \$2,880,000, or 8.73%. The proceeds from this sales tax are to be used for road, street, and bridge purposes, City Hall renovations, software, police radio system and technology/equipment for the library, various recreation purposes, and the construction/equipping of a train depot and trolley service.

NOTE 12. RISK MANAGEMENT

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for its property and liability insurance, and the Worker's Compensation Self-Insurance Fund (WCSIF) for injuries to employees. Both are 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.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, cooperate with the pools' agents and attorneys, follow loss reduction procedures established by the funds and to promptly report all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

**CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12. RISK MANAGEMENT - continued

The funds are to defend and protect its members 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 cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

During the past three fiscal years the cost of any settlements have not exceeded insurance coverage.

NOTE 13. RESTRICTED ASSETS

At September 30, 2019, the restricted assets account balances are comprised of the following:

Governmental Activities:	General	Capital Projects	Other Governmental Funds
Cash - Shop with a Cop	\$ 10,658	\$ -	\$ -
Cash - Capital Projects	-	1,321,179	-
Cash - Police Funds	51,228	-	108,558
Cash - Bond Debt Service	11,001	-	-
Total Restricted Assets	<u>\$ 72,887</u>	<u>\$ 1,321,179</u>	<u>\$ 108,558</u>
Business-Type Activities:	Water/Sewer	Electric	
Cash - MEAG	\$ -	\$ 503,521	
Cash - Construction Cash	59,524	-	
Cash - GEFA loan account	198,750	-	
Total Restricted Assets	<u>\$ 258,274</u>	<u>\$ 503,521</u>	

NOTE 14. FUND BALANCE/NET POSITION

Restricted amounts are used to indicate that a portion of the fund balance/net position is not available for appropriation or is legally segregated for specific future use. The following restricted amounts are used by the City:

Capital Projects Fund and Police Special Revenue Funds:

Restricted for Capital Projects - restricted for completion of construction projects financed by SPLOST proceeds and debt retirement

Restricted for Law Enforcement Activities – confiscated funds which must, by law, be utilized for specific activities/programs.

Water & Sewer Fund:

Restricted for Debt Service and Renewals and Replacement - These accounts were created in conjunction with the issuance of revenue bonds and are funded by initial deposits from the proceeds of such bonds and by transfers from the revenue accounts to accounts that are restricted to debt service and payments for system renewals and extensions.

**CITY OF LAFAYETTE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 15. LANDFILL CLOSURE/POSTCLOSURE COSTS

The City of LaFayette operates a municipal solid waste landfill for City use only and does not accept waste from any outside parties. State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions for a period of 30 years after closure. While the City has immaterial operating costs related to the current activity at the landfill, an expense provision and related liability are being recognized based on projected future closure and post closure care costs that will be incurred.

The recognition of these costs is based on the amount of landfill space used to date. The liability for landfill closure and post closure costs at September 30, 2019 is \$560,699. Estimated total current cost of closure and post closure care remaining to be recognized is \$151,485. However, the actual cost of closure and post closure care may be higher due to the effects of inflation, changes in technology, or changes in landfill laws and regulations. The City currently meets applicable financial assurance requirements. According to the most recent study, the landfill capacity used to date is approximately 25% and at the current usage rate, the estimated remaining life of the landfill is 45 years.

NOTE 16. HOTEL/MOTEL TAX REVENUES AND TOURISM EXPENDITURES

The City of LaFayette levies an 8% hotel/motel tax in accordance with provisions of the Official Code of Georgia section §48-13-51. This code section requires that the City expend an amount equal to the amount by which the total taxes collected under this section exceed the taxes that would be collected at a rate of 3%. For the year ended September 30, 2019, the amount the City collected was \$54,978. In accordance with a contractual agreement, 100% of the 2% difference in collections have been paid to the Walker County Chamber of Commerce and was to be used for the promotion of tourism.

NOTE 17. JOINT VENTURE

The City of LaFayette is a member of the Northwest Georgia Regional Commission (RC). The RC was created under the laws of the State of Georgia and cities and counties in the area served by the RC are required to be members. The membership of the RC includes 15 counties and 49 municipalities. The City has no equity interest in the RC nor does the City materially contribute to the continued existence of the RC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RC ceases operation, the membership can be assessed for any debt or obligation of the RC. Separate financial statements may be obtained from: Northwest Georgia Regional Commission, P. O. Box 1798, Rome, Georgia 30162.

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REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Capital Projects Fund

This Fund accounts for projects constructed using SPLOST funds. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Fund is provided to meet requirements of the State of Georgia

Nonmajor Enterprise Funds

The Solid Waste Fund accounts for residential and commercial garbage service.

The Golf Fund accounts for the City's golf course.

The Airport Fund accounts for the City's Municipal Airport.

CITY OF LAFAYETTE, GEORGIA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Previous Ten Fiscal Periods

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$ 160,290	\$ 187,639	\$ 183,261	\$ 199,245	\$ 165,910	*	*	*	*	*
Interest	1,005,986	995,682	981,250	907,702	850,512	*	*	*	*	*
Benefit Changes	-	-	-	-	-	*	*	*	*	*
Differences Between Expected and Actual Experience	97,017	(262,375)	(321,087)	495,739	425,825	*	*	*	*	*
Changes of Assumptions	-	-	-	-	(92,127)	*	*	*	*	*
Benefit Payments, Including Refunds	(743,977)	(682,652)	(631,747)	(675,620)	(548,747)	*	*	*	*	*
Other	-	197,708	-	-	-	*	*	*	*	*
Net Change in Total Pension Liability	519,316	436,002	211,677	927,066	801,373	*	*	*	*	*
Total Pension Liability - Beginning	13,624,844	13,188,842	12,977,165	12,050,099	11,248,726	*	*	*	*	*
Total Pension Liability - Ending	\$ 14,144,160	\$ 13,624,844	\$ 13,188,842	\$ 12,977,165	\$ 12,050,099	*	*	*	*	*
Plan Net Position										
Contributions - Employer	\$ 391,282	\$ 430,901	\$ 373,892	\$ 327,777	\$ 418,853	*	*	*	*	*
Contributions - Member	-	-	-	-	-	*	*	*	*	*
Net Investment Income	1,233,952	1,665,002	1,139,625	134,281	1,092,710	*	*	*	*	*
Benefit Payments, Including Refunds	(743,977)	(682,652)	(631,747)	(675,620)	(548,747)	*	*	*	*	*
Administrative Expense	(27,564)	(28,484)	(15,878)	(18,213)	(14,476)	*	*	*	*	*
Other	-	-	-	-	-	*	*	*	*	*
Net Change in Plan Net Position	853,693	1,384,767	865,892	(231,775)	948,340	*	*	*	*	*
Plan Net Position - Beginning	12,567,689	11,182,922	10,317,030	10,548,805	9,600,465	*	*	*	*	*
Plan Net Position - Ending	\$ 13,421,382	\$ 12,567,689	\$ 11,182,922	\$ 10,317,030	\$ 10,548,805	*	*	*	*	*
Net Pension Liability - Ending	\$ 722,778	\$ 1,057,155	\$ 2,005,920	\$ 2,660,135	\$ 2,428,360	*	*	*	*	*
Total Pension Liability	\$ 14,144,160	\$ 13,624,844	\$ 13,188,842	\$ 12,977,165	\$ 12,977,165	*	*	*	*	*
Plan Net Position	13,421,382	12,567,689	11,182,922	10,317,030	10,548,805	*	*	*	*	*
Net Pension Liability	\$ 722,778	\$ 1,057,155	\$ 2,005,920	\$ 2,660,135	\$ 2,428,360	*	*	*	*	*
Ratio of Plan Net Position to Total Pension Liability	94.89%	92.24%	84.79%	79.50%	81.29%	*	*	*	*	*
Covered Employee Payroll	\$ 4,720,392	\$ 3,889,463	\$ 4,301,277	\$ 4,470,429	\$ 4,408,649	*	*	*	*	*
Net Pension Liability as a Percentage of Covered Employee Payroll	15.31%	27.18%	46.64%	59.51%	55.08%	*	*	*	*	*

This schedule is to be built prospectively. Historical information prior to 2015 is not required.

CITY OF LAFAYETTE, GEORGIA
Required Supplementary Information
Schedule of Contributions - Pension Plan
For the Previous Ten Fiscal Periods

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	**	\$ 390,157	\$ 430,901	373,892	327,777	*	*	*	*	*
Contributions in Relation to the Actuarially Determined Contribution	**	391,282	430,901	373,892	327,777	*	*	*	*	*
Contribution Deficiency (Excess)	**	\$ 1,125	\$ -	-	-	*	*	*	*	*
Covered Employee Payroll	**	\$ 3,889,463	\$ 4,301,277	4,408,649	3,521,904	*	*	*	*	*
Contributions As a Percentage of Covered Employee Payroll	**	10.06%	10.02%	8.48%	9.31%	*	*	*	*	*

* Historical information prior to implementation of GASB 67/68 not required.
** 2019 information will be determined after fiscal year end and will be included in 2020 valuation report

Notes to Schedule of Contributions:

Valuation Date: The actuarially determined contribution rate was determined as of January 1, 2019, with an interest adjustment to the fiscal year.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Projected Unit Credit
Amortization Method: Closed level dollar for remaining unfunded liability
Remaining Amortization Period: Remaining amortization period varies for the bases, with a net effective amortization period of 20 years.
Asset Valuation Method: Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return: 7.50% net pension plan investment expense, including inflation
Projected Salary Increases: 2.75% plus age and service based merit increases
Cost of Living Adjustments: 0.00%
Retirement Age: Normal - 65; Early - 55
Mortality: The mortality and economic actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014.

Other Information: This schedule is presented to illustrate the requirement to show information for 10 years. However, a full 10 year trend is not available.

FINANCIAL SECTION

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CITY OF LAFAYETTE, GEORGIA
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2019

	Special Revenue			Total Nonmajor Governmental Funds
	Police	Police Forfeiture	Hotel/Motel	
Assets				
Cash	\$ 82,823	\$ 25,735	\$ -	\$ 108,558
Due from Other Governments	-	-	3,799	\$ 3,799
Due from Other Funds	-	966	-	966
Total Assets	<u>\$ 82,823</u>	<u>\$ 26,701</u>	<u>\$ 3,799</u>	<u>\$ 113,323</u>
Liabilities and Fund Balances				
Liabilities:				
Unreleased Confiscations	\$ -	\$ 25,624	\$ -	\$ 25,624
Accounts Payable	-	-	2,587	2,587
Due to Other Funds	9,565	-	1,212	10,777
Due to Other Governments	70,147	-	-	70,147
Total Liabilities	<u>79,712</u>	<u>25,624</u>	<u>3,799</u>	<u>109,135</u>
Fund Balance:				
Restricted for:				
Law Enforcement Activities	3,111	1,077	-	4,188
Unassigned	-	-	-	-
Total Fund Balances	<u>3,111</u>	<u>1,077</u>	<u>-</u>	<u>4,188</u>
Total Liabilities and Fund Balances	<u>\$ 82,823</u>	<u>\$ 26,701</u>	<u>\$ 3,799</u>	<u>\$ 113,323</u>

CITY OF LAFAYETTE, GEORGIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2019

	Special Revenue			Total Nonmajor Governmental Funds
	Police	Police Forfeiture	Hotel/Motel	
Revenues				
Taxes	\$ -	\$ -	\$ 54,978	\$ 54,978
Intergovernmental Revenue	157,881	-	-	157,881
Interest Income	31	40	-	71
Total Revenues	<u>157,912</u>	<u>40</u>	<u>54,978</u>	<u>212,930</u>
Expenditures				
Current:				
Police	157,881	-	-	157,881
Tourism and Promotion	-	-	34,228	34,228
Total Expenditures	<u>157,881</u>	<u>-</u>	<u>34,228</u>	<u>192,109</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>31</u>	<u>40</u>	<u>20,750</u>	<u>20,821</u>
Other Financing Sources (Uses)				
Transfers - In(Out)	<u>-</u>	<u>-</u>	<u>(20,750)</u>	<u>(20,750)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(20,750)</u>	<u>(20,750)</u>
Net Change in Fund Balances	31	40	-	71
Fund Balance - Beginning of Year	<u>3,080</u>	<u>1,037</u>	<u>-</u>	<u>4,117</u>
Fund Balance - End of Year	<u>\$ 3,111</u>	<u>\$ 1,077</u>	<u>\$ -</u>	<u>\$ 4,188</u>

CITY OF LAFAYETTE, GEORGIA
Schedule of Revenues, Expenditures, and Change in Fund Balance
2014 SPLOST Capital Projects Fund - Budget and Actual
For the Year Ended September 30, 2019

	Project Length Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 465,903	\$ 465,903
Interest Income	-	-	-	-
Total Revenues	-	-	465,903	465,903
Expenditures				
Current:				
General Government	30,000	30,000	960	(29,040)
Public Works	193,949	-	-	-
Capital Outlays:				
Public Works	1,386,051	-	-	-
Recreation	75,818	-	-	-
Other Capital Outlays	840,191	-	-	-
Debt Service:				
Principal	340,000	340,000	355,000	15,000
Interest	13,991	13,991	16,063	2,072
Total Expenditures	2,880,000	383,991	372,023	(11,968)
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(2,880,000)	(383,991)	93,880	477,871
Other Financing Sources				
Transfers - Out	-	-	-	-
Net Change in Fund Balance	(2,880,000)	(383,991)	93,880	477,871
Fund Balance - Beginning of Year			591,872	591,872
Fund Balance - End of Year			\$ 685,752	\$ 1,069,743

CITY OF LAFAYETTE, GEORGIA
Schedule of Revenues, Expenditures, and Change in Fund Balance
TSPLOST Capital Projects Fund - Budget and Actual
For the Year Ended September 30, 2019

	Project Length Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 595,684	\$ 595,684
Interest Income	-	-	-	-
Total Revenues	-	-	595,684	595,684
Expenditures				
Current:				
Public Works	2,500,000	2,500,000	139,714	2,360,286
Total Expenditures	2,500,000	2,500,000	139,714	2,360,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500,000)	(2,500,000)	455,970	2,955,970
Net Change in Fund Balance	(2,500,000)	(2,500,000)	455,970	2,955,970
Fund Balance - Beginning of Year			271,472	271,472
Fund Balance - End of Year			\$ 727,442	\$ 3,227,442

COMPLIANCE SECTION

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CHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
American Institute of
Certified Public Accountants
Trion, Georgia

**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 City Council
City of LaFayette, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of LaFayette, Georgia, as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the City of LaFayette, Georgia's basic financial statements and have issued our report thereon dated September 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of LaFayette, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of LaFayette, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of LaFayette, 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 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies described as 19-01 and 19-02.

P.O. Box 1066 Trion, Georgia 30753 (706)734-4377 chrysan@chrysanthomascpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lafayette, 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of LaFayette, Georgia's Response to Findings

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

Purpose of this Report

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

CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
September 2, 2020

WCHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
American Institute of
Certified Public Accountants
Trion, Georgia

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mayor and Council
City of Lafayette, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Lafayette, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Lafayette, Georgia's major federal programs for the year ended September 30, 2019. City of Lafayette, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lafayette, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lafayette, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lafayette, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lafayette, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

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Report on Internal Control Over Compliance

Management of the City of Lafayette, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lafayette, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lafayette, Georgia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CHRYSAN THOMAS
Certified Public Accountant

Dalton, Georgia
September 2, 2020

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2019

<u>GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURE</u>
Passed through Georgia Criminal Justice Coordinating Council			
Passed through Prosecuting Attorney's Council of Georgia			
Patrick Leahy Bulletproof Vest Partnership	16.607	2017BUBX17089057	\$ 1,663
Patrick Leahy Bulletproof Vest Partnership	16.607	2018BUBX18092891	212
Patrick Leahy Bulletproof Vest Partnership	16.607		1,935
Subtotal			<u>3,810</u>
Passed through Georgia Criminal Justice Coordinating Council			
Edward Byrne Memorial Justice Assistance	16.738	B17-8-019	81,463
Edward Byrne Memorial Justice Assistance	16.738	B17-8-007	76,418
Subtotal			<u>157,881</u>
Total U.S. Department of Justice			<u>161,691</u>
U.S. Department of Transportation			
Passed through Georgia Department of Transportation			
Airport Improvement Program	20.106	T006505	8,096
Airport Improvement Program	20.106	T006630	251,316
Total U.S. Department of Transportation			<u>259,412</u>
U.S. Environmental Protection Agency			
Passed Through Georgia Environmental			
Finance Authority -			
Clean Water State Revolving Fund	66.458	CW2018012	1,250,000
Total U.S. Environmental Protection Agency			<u>1,250,000</u>
U.S. Department of Homeland Security			
Passed Through Federal Emergency Management Agency			
Staffing for Adequate Fire & Emergency Response	97.083	EMW-2017-FH-00416	74,835
Total U.S. Department of Homeland Security			<u>74,835</u>
Total Federal Awards			<u>\$ 1,745,938</u>

CITY OF LAFAYETTE, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1. BASIS OF PRESENTATION AND ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related fund liability is incurred.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the financial statements.

The City elected not to utilize the 10% de minimis indirect cost rate.

The City had no subrecipients.

**CITY OF LAFAYETTE , GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? **No**

Significant deficiencies identified that
are not considered to be material
weakness(es)? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weakness(es) identified: **No**

Significant deficiencies identified that
are not considered to be material
weakness(es)? **None reported**

Type of Auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR section 200.516(a) : **No**

Major program:

**U.S. Environmental Protection Agency
Clean Water State Revolving Fund
CFDA #66.458**

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Auditee qualified as a low-risk auditee? **No**

**CITY OF LAFAYETTE , GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

Financial Statement Findings

FS19-01 **Criteria:** Segregation of employee's duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of certain duties, timely reconciliations, reviews, and monitoring. Regarding segregation of duties, critical duties can be categorized in four types of functions: 1) authorization; 2) custody; 3) record keeping; and 4) reconciliation. In a perfect system, no one person should handle more than one type of function.

When duties cannot be separated, compensating controls should be in place. Compensating controls is an internal control that is intended to reduce the risk of an existing or potential control weakness.

Condition: There is lack of appropriate segregation of duties, lack of reconciliation of the receipts to the money collected, no reporting requirements, and a lack of appropriate reviews and monitoring in the police department. In the police department, one person had control over all accounting functions. She had control over the receipts, and prepared amounts to be turned over to city hall. There was no oversight, reviews or monitoring in place.

Cause: The limited number of employees involved in the police department and the resulting overlapping of duties causes segregation of duties to be difficult.

Effect: Without the implementation of the above internal control functions, there is an increased risk of the misappropriation of funds. There were not procedures in place for routine reviews or monitoring of the accounting records on a daily, monthly, or annual basis. Therefore, funds were misappropriated and went undetected.

Recommendation: We recommend procedures be implemented which would provide for improved internal controls in the above areas. We also recommend procedures be implemented to require reports be prepared and reconciled on a weekly, monthly, and annual basis. Reviews and monitoring of these procedures on a timely basis should also be implemented

Response: We agree with the finding. We have implemented procedures to improve our accounting system as well as separating duties of our employees when possible. We have implemented a system to properly reconcile, report, review, and monitor our procedures. We will ensure that procedures are clearly conveyed to all employees.

**CITY OF LAFAYETTE , GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

FS19-02 **Criteria:** Monitoring and reviews are common practices in an effective internal control structure. Policies should be in place requiring the monitoring and reviews of certain duties and timely reconciliations. Regarding monitoring and reviews, there should be a person over these functions who has the level of knowledge to perform these functions.

Condition: There is lack of personnel to perform reviews and monitoring of the accounting of the city. Various accounts in the general ledgers are not being reconciled and balanced to support documents to ensure account is properly reflected in the correct department or fund. Because of this an invoice was paid twice and went undetected.

Cause: An employee needed in the accounting function is not in place nor is there policies and procedures in place to review and monitor accounting data. A step in the accounting function was not performed which allowed duplicate payment.

Effect: Without the implementation of the above internal control functions, there is an increased risk of material misstatement to the financial statements. There were no procedures in place for routine reviews or monitoring of the accounting records on a daily, monthly, or annual basis. Therefore, in combination, the financial records were not correct and went undetected.

Recommendation: We recommend procedures be implemented which would provide for improved internal controls in the above areas. We recommend training to be provided for current employees or hiring of someone with the level of knowledge needed. We also recommend procedures be implemented to require reviews and monitoring be done at least on a monthly basis. Also, timely reconciliations need to be made for all accounts on at least a monthly basis. All accounts of the city need to be properly recorded in the books of the funds. All operations of the city should be reflected in the city's books of record. All books and records of the city should be kept current.

Response: We agree with the finding. We have implemented procedures to improve our accounting system as well as separating duties of our employees when possible. We have implemented a system to properly reconcile, report, review, and monitor our procedures. We will ensure that procedures are clearly conveyed to all employees.

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - 2014
SEPTEMBER 30, 2019

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Roads and Streets	\$ 1,580,000	\$ 1,580,000	\$ 397,960	\$ -	\$ 397,960
Other Projects					
Admin					
Buildings	-	-	16,262	-	16,262
Equipment	-	-	168,370	-	168,370
Public Safety					-
Equipment	-	-	12,574	-	12,574
Solid Waste					-
Equipment	-	-	-	-	-
Public Works					-
Equipment	-	-	105,000	-	105,000
Improvements	-	-	551,140	-	551,140
Recreation					-
Equipment	-	-	6,990	-	6,990
Site Improvements	-	-	104,368	-	104,368
Airport					
Buildings	-	-	-	-	-
Site Improvements	-	-	-	-	-
Water and Sewer					
Equipment	-	-	-	-	-
Improvements	-	-	769,103	-	769,103
Gas					
Equipment	-	-	-	-	-
Improvements	-	-	-	-	-
Electric					
Equipment	-	-	-	-	-
Improvements	-	-	-	-	-
Golf					
Equipment	-	-	-	-	-
Improvements	-	-	-	-	-
Total Other Projects	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,733,807</u>	<u>-</u>	<u>1,733,807</u>
Total for all Projects	<u>\$ 2,880,000</u>	<u>\$ 2,880,000</u>	<u>\$ 2,131,767</u>	<u>\$ -</u>	<u>\$ 2,131,767</u>

CITY OF LAFAYETTE, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX - TSPLOST
SEPTEMBER 30, 2019

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Roads and Streets	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -
Total	\$ 2,880,000	\$ 2,880,000	\$ -	\$ -	\$ -

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