

CITY OF STATHAM, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
June 30, 2021

**CITY OF STATHAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

September 21, 2022

To the Mayor and City Council
 CITY OF STATHAM
 Statham, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF STATHAM, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the CITY OF STATHAM'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, and each major fund of the CITY OF STATHAM, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule-General Fund listed in the table of contents 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF STATHAM's basic financial statements. The accompanying supplementary information such as the accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is 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 21, 2022 on our consideration of the CITY OF STATHAM'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 CITY OF STATHAM's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
June 30, 2021

PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 1,549,961	\$ 2,836,383	\$ 4,386,344
Receivables (net of allowance for uncollectibles)	695,108	79,612	774,720
Internal balances	2,258,799	(2,258,799)	-
Prepaid items	4,239	4,007	8,246
Restricted assets:			
Cash	18,506	166,871	185,377
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	365,949	584,258	950,207
Capital assets being depreciated	2,989,722	9,809,008	12,798,730
Less: accumulated depreciation	(1,346,289)	(4,300,070)	(5,646,359)
Capital assets, net of depreciation	<u>2,009,382</u>	<u>6,093,196</u>	<u>8,102,578</u>
TOTAL ASSETS	<u><u>6,535,995</u></u>	<u><u>6,921,270</u></u>	<u><u>13,457,265</u></u>
LIABILITIES			
Accounts payable	40,656	-	40,656
Accrued interest payable	-	8,563	8,563
Other accrued items	45,594	-	45,594
Unearned revenue	530,093	-	530,093
Amounts held in trust	331,600	-	331,600
Customer Deposits	-	111,078	111,078
Noncurrent liabilities:			
Due within one year:			
Notes from direct borrowings	-	25,301	25,301
Capital leases payable	14,879	-	14,879
Revenue bonds payable	-	229,281	229,281
Due in more than one year:			
Notes from direct borrowings	-	153,177	153,177
Capital leases payable	50,324	-	50,324
Revenue bonds payable	-	2,407,066	2,407,066
TOTAL LIABILITIES	<u><u>1,013,146</u></u>	<u><u>2,934,466</u></u>	<u><u>3,947,612</u></u>
NET POSITION			
Net investment in capital assets	1,944,179	3,278,370	5,222,549
Restricted for:			
Capital outlay projects	1,064,119	-	1,064,119
Debt service	-	166,871	166,871
Public safety programs	18,506	-	18,506
Unrestricted	<u>2,496,045</u>	<u>541,563</u>	<u>3,037,608</u>
TOTAL NET POSITION	<u><u>\$ 5,522,849</u></u>	<u><u>\$ 3,986,804</u></u>	<u><u>\$ 9,509,653</u></u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

.....PROGRAM REVENUES.....				NET (EXPENSE) AND CHANGES IN NET POSITION....		
				PRIMARY GOVERNMENT.....		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 598,864	\$ 229,094	\$ 107,399	\$ -	\$ (262,371)	\$ -	\$ (262,371)
Judicial	49,264	-	-	-	(49,264)	-	(49,264)
Public safety	711,495	31,535	-	-	(679,960)	-	(679,960)
Public works	606,160	-	-	548,671	(57,489)	-	(57,489)
Public health and welfare	8,923	-	-	-	(8,923)	-	(8,923)
Recreation and culture	90,682	5,500	-	-	(85,182)	-	(85,182)
Housing and development	52,055	88,390	-	-	36,335	-	36,335
Interest	4,637	-	-	-	(4,637)	-	(4,637)
Total Governmental Activities	<u>2,122,080</u>	<u>354,519</u>	<u>107,399</u>	<u>548,671</u>	<u>(1,111,491)</u>	<u>-</u>	<u>(1,111,491)</u>
BUSINESS-TYPE ACTIVITIES							
Solid waste/recycling	-	20,796	-	-	-	20,796	20,796
Water and sewer	<u>1,098,681</u>	<u>1,419,329</u>	<u>46,605</u>	<u>257,755</u>	<u>-</u>	<u>625,008</u>	<u>625,008</u>
Total Business-Type Activities	<u>1,098,681</u>	<u>1,440,125</u>	<u>46,605</u>	<u>257,755</u>	<u>-</u>	<u>645,804</u>	<u>645,804</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,220,761</u>	<u>\$ 1,794,644</u>	<u>\$ 154,004</u>	<u>\$ 806,426</u>	<u>(1,111,491)</u>	<u>645,804</u>	<u>(465,687)</u>
GENERAL REVENUES							
Property taxes					351,331	-	351,331
Sales taxes					560,173	-	560,173
Insurance premium taxes					199,895	-	199,895
Franchise taxes					173,544	-	173,544
Alcohol beverage taxes					46,605	-	46,605
Real estate recording taxes					13,904	-	13,904
Other taxes					43,714	-	43,714
Total taxes					1,389,166	-	1,389,166
Unrestricted investment earnings					660	269	929
Gain(Loss) on sale of capital assets					105,663	-	105,663
TRANSFERS					499,800	(499,800)	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>1,995,289</u>	<u>(499,531)</u>	<u>1,495,758</u>
CHANGES IN NET POSITION					<u>883,798</u>	<u>146,273</u>	<u>1,030,071</u>
NET POSITION, Beginning					<u>4,639,051</u>	<u>3,840,531</u>	<u>8,479,582</u>
NET POSITION, Ending					<u>\$ 5,522,849</u>	<u>\$ 3,986,804</u>	<u>\$ 9,509,653</u>

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 488,714	\$ 1,061,246	\$ 1,549,960
Receivables (net of allowance for uncollectibles)	646,510	48,598	695,108
Interfund receivables	2,328,014	-	2,328,014
Prepaid items	4,240	-	4,240
Restricted assets:			
Cash	18,506	-	18,506
TOTAL ASSETS	<u>3,485,984</u>	<u>1,109,844</u>	<u>4,595,828</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 40,657	\$ -	\$ 40,657
Other accrued items	45,594	-	45,594
Interfund payables	23,490	45,725	69,215
Unearned revenue	530,093	-	530,093
Amounts held in trust	331,600	-	331,600
TOTAL LIABILITIES	<u>971,434</u>	<u>45,725</u>	<u>1,017,159</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	61,463	-	61,463
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>61,463</u>	<u>-</u>	<u>61,463</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,032,897</u>	<u>45,725</u>	<u>1,078,622</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	4,240	-	4,240
Restricted:			
Capital outlay projects	-	1,064,119	1,064,119
Public safety programs	18,506	-	18,506
Assigned:			
Next year's budget	647,609	-	647,609
Unassigned	1,782,732	-	1,782,732
TOTAL FUND BALANCES	<u>2,453,087</u>	<u>1,064,119</u>	<u>3,517,206</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,485,984</u>	<u>\$ 1,109,844</u>	<u>\$ 4,595,828</u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
For the Year Ended June 30, 2021

Total Fund Balances for Governmental Funds (page 3) **\$ 3,517,206**

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. 2,009,382

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

Property Taxes	<u>61,463</u>	61,463
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Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Capital leases	<u>(65,203)</u>	(65,203)
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Rounding		<u>1</u>
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Total net position of governmental activities (page 1) **\$ 5,522,849**

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 1,398,973	\$ -	\$ 1,398,973
Licenses and permits	176,330	-	176,330
Intergovernmental	109,589	548,670	658,259
Fines and forfeitures	111,548	-	111,548
Charges for services	66,641	-	66,641
Contributions and donations	28,254	-	28,254
Investment income	138	521	659
TOTAL REVENUES	<u>1,891,473</u>	<u>549,191</u>	<u>2,440,664</u>
EXPENDITURES			
Current Expenditures			
General government	506,352	58	506,410
Judicial	49,266	-	49,266
Public safety	687,883	-	687,883
Public works	524,051	45,725	569,776
Public health and welfare	8,923	-	8,923
Culture and Recreation	90,682	-	90,682
Housing and development	52,055	-	52,055
Capital outlay	173,354	-	173,354
Debt service			
Principal	56,413	-	56,413
Interest	4,637	-	4,637
TOTAL EXPENDITURES	<u>2,153,616</u>	<u>45,783</u>	<u>2,199,399</u>
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	<u>(262,143)</u>	<u>503,408</u>	<u>241,265</u>
OTHER FINANCING SOURCES (USES)			
Sale of county property	145,243	-	145,243
Proceeds from Capital leases	79,618	-	79,618
Transfers in	830,000	-	830,000
Transfers out	(6,000)	(324,200)	(330,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,048,861</u>	<u>(324,200)</u>	<u>724,661</u>
NET CHANGE IN FUND BALANCES	<u>786,718</u>	<u>179,208</u>	<u>965,926</u>
FUND BALANCES, Beginning of year	<u>1,666,369</u>	<u>884,911</u>	<u>2,551,280</u>
FUND BALANCES, End of year	<u>\$ 2,453,087</u>	<u>\$ 1,064,119</u>	<u>\$ 3,517,206</u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net change in fund balances (page 5)		\$ 965,926
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	173,354	
Depreciation expense	<u>(152,449)</u>	
		20,905
In the statement of activities, only the gain/loss on the sale of various capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.		
Net book value of capital assets disposed of	<u>(39,580)</u>	
		(39,580)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	<u>61,463</u>	
		61,463
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	<u>(101,713)</u>	
		(101,713)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Proceeds from borrowing including premiums and discounts	(79,618)	
Principal payments on long-term debt	<u>56,414</u>	
		(23,204)
Rounding		<u>1</u>
Changes in net position of governmental activities (page 2)		<u><u>\$ 883,798</u></u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
ASSETS			
Current Assets			
Cash	\$ 2,836,383	\$ -	\$ 2,836,383
Receivables (net of allowance for uncollectibles)	79,612	-	79,612
Interfund receivables	-	561,350	561,350
Prepaid items	4,008	-	4,008
Restricted assets:			
Cash	166,871	-	166,871
TOTAL CURRENT ASSETS	<u>3,086,874</u>	<u>561,350</u>	<u>3,648,224</u>
Noncurrent Assets			
Capital assets			
Capital assets not being depreciated	584,258	-	584,258
Capital assets being depreciated	9,809,008	-	9,809,008
Less: accumulated depreciation	(4,300,070)	-	(4,300,070)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>6,093,196</u>	<u>-</u>	<u>6,093,196</u>
TOTAL NONCURRENT ASSETS	<u>6,093,196</u>	<u>-</u>	<u>6,093,196</u>
TOTAL ASSETS	<u>9,180,070</u>	<u>561,350</u>	<u>9,741,420</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>9,180,070</u>	<u>561,350</u>	<u>9,741,420</u>
LIABILITIES			
Current Liabilities			
Accrued interest	8,563	-	8,563
Interfund payables	2,380,723	439,426	2,820,149
Notes from direct borrowings	25,301	-	25,301
Revenue bonds payable	229,281	-	229,281
TOTAL CURRENT LIABILITIES	<u>2,643,868</u>	<u>439,426</u>	<u>3,083,294</u>
Noncurrent Liabilities			
Customer deposits	111,078	-	111,078
Notes from direct borrowings	153,177	-	153,177
Revenue bonds payable	2,407,067	-	2,407,067
TOTAL NONCURRENT LIABILITIES	<u>2,671,322</u>	<u>-</u>	<u>2,671,322</u>
TOTAL LIABILITIES	<u>5,315,190</u>	<u>439,426</u>	<u>5,754,616</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>5,315,190</u>	<u>439,426</u>	<u>5,754,616</u>
NET POSITION			
Net investment in capital assets	3,278,370	-	3,278,370
Restricted for debt service	166,871	-	166,871
Unrestricted	419,639	121,924	541,563
TOTAL NET POSITION	<u>\$ 3,864,880</u>	<u>\$ 121,924</u>	<u>\$ 3,986,804</u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Pledged as security for revenue bonds:			
Charges for services	\$ 1,334,755	\$ -	\$ 1,334,755
Charges for services	-	20,796	20,796
Other operating revenue			
Connection fees	11,050	-	11,050
Other	72,106	-	72,106
Miscellaneous Income	1,418	-	1,418
Total Operating Revenues	<u>1,419,329</u>	<u>20,796</u>	<u>1,440,125</u>
OPERATING EXPENSES			
Salaries and benefits	91,229	-	91,229
Supplies	24,770	-	24,770
Other services and charges	100,069	-	100,069
Depreciation	223,169	-	223,169
Repairs and maintenance	61,234	-	61,234
Utilities	33,249	-	33,249
Water purchases	462,628	-	462,628
Other operating expenses	884	-	884
Total Operating Expenses	<u>997,232</u>	<u>-</u>	<u>997,232</u>
OPERATING INCOME	<u>422,097</u>	<u>20,796</u>	<u>442,893</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	269	-	269
Interest expense	(101,449)	-	(101,449)
Total Nonoperating Revenues (Expenses)	<u>(101,180)</u>	<u>-</u>	<u>(101,180)</u>
INCOME (LOSS) BEFORE TRANSFERS	320,917	20,796	341,713
Water connection fees	139,255	-	139,255
Sewer connection fees	118,500	-	118,500
Developers - Cash	46,605	-	46,605
Transfer in	330,200	-	330,200
Transfer out	(830,000)	-	(830,000)
CHANGE IN NET POSITION	<u>125,477</u>	<u>20,796</u>	<u>146,273</u>
TOTAL NET POSITION, Beginning of year	<u>3,739,403</u>	<u>101,128</u>	<u>3,840,531</u>
TOTAL NET POSITION, End of year	<u>\$ 3,864,880</u>	<u>\$ 121,924</u>	<u>\$ 3,986,804</u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	\$ 1,421,097	\$ 20,796	\$ 1,441,893
Payments to suppliers	(35,438)	(20,796)	(56,234)
Payments to employees	(71,548)	-	(71,548)
Net cash provided by (used in) operating activities	1,314,111	-	1,314,111
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in (out)	(830,000)	-	(830,000)
Net Cash provided (used) by non-capital financing activities	(830,000)	-	(830,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(27,970)	-	(27,970)
Payments from other governments/developers	46,605	-	46,605
Water/Sewer tap fees in excess of cost	257,755	-	257,755
Transfers in/out	330,200	-	330,200
Principal payments on debt	(227,507)	-	(227,507)
Interest paid	(111,267)	-	(111,267)
Net cash provided by (used in) capital and related financing activities	267,816	-	267,816
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	269	-	269
Net cash provided by (used in) investing activities	269	-	269
Net increase (decrease) in cash and cash equivalents	752,196	-	752,196
CASH, Beginning of year	2,251,058	-	2,251,058
CASH, End of year	\$ 3,003,254	\$ -	\$ 3,003,254
RECONCILIATION OF CASH			
Cash	\$ 2,836,383	\$ -	\$ 2,836,383
Restricted Cash	166,871	-	166,871
Total Cash	\$ 3,003,254	\$ -	\$ 3,003,254
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 422,097	\$ 20,796	\$ 442,893
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	223,169	-	223,169
(Increase) decrease in:			
Accounts receivable	1,768	-	1,768
Increase (decrease) in:			
Customer deposits	19,681	-	19,681
Interfund balances	647,396	(20,796)	626,600
Net cash provided by (used in) operating activities	\$ 1,314,111	\$ -	\$ 1,314,111
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES			
Amortization of premium on bonds payable	\$ 9,281	\$ -	\$ 9,281

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Statham (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The City has no component units that meet the criteria for component units requiring discrete presentation in the primary governmental financial reporting entity.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and any component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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

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

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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 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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed with the exception of federal and state grant revenue, which has a 12 month availability 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.

Property taxes, sales tax, franchise taxes, licenses, charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *SPLOST Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

The *Solid Waste Fund* is used to account for fees collected and the management of solid waste facilities and services. Activities of the fund include administration, operations and maintenance of the solid waste utility system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for solid waste utility system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary 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 nonoperating revenues and expenses.

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance of uncollectibles.

Property taxes attach as an enforceable lien on property as of July 31. Taxes are normally levied by October 10th of each year. The 2021 property taxes were levied October 10, 2019, and were due December 31, 2019. The taxes are subject to lien after March 31, 2021. Interest and penalties are assessed on taxes not paid by this date.

The City's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City.

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as unavailable revenue in the general fund.

Inventories and Prepaid Items

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Restricted Assets

Certain restricted deposits and investments may be held by the General Fund. These funds are held in cash and/or investments as allowed by State law and the requirements of the related debt agreements. The investments are stated at fair value and the City records all investment revenue earned on these investments in the appropriate fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, or the appraised value at the time of the donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2021.

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

Buildings & Improvements	20-50 years
Infrastructure - Distribution Systems	20-50 years
Machinery and equipment	5-9 years
Vehicles	3-5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any type of item that qualifies for reporting in this category.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category which only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Debt issuance costs are included in their entirety in expenditures/expenses in the year they are incurred.

Bond Premiums and Discounts

Premiums and discounts are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity/Net Position

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Fund balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily 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 the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) 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 prior to the end of the fiscal year. In order to modify or rescind the commitment, the the City Council must adopt another resolution.

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. Through resolution, the City Council has authorized the City Administrator to assign fund balances.

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

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2021 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Cost of capital assets	\$ 3,355,671	\$ 10,393,266
Accumulated depreciation	(1,346,289)	(4,300,070)
Net book value	2,009,382	6,093,196
Capital leases related debt	(65,203)	-
Revenue bonds related to capital assets	-	(2,636,348)
Notes from direct borrowings related to capital assets	-	(178,478)
Net investment in capital assets	<u>\$ 1,944,179</u>	<u>\$ 3,278,370</u>

Management Estimates

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

Allocation of Indirect Cost

The City allocates indirect costs for general government services, such as finance, personnel, purchasing, legal, technology, management, etc., to its business-type activities. Allocations are charged to programs based on use of general government services determined by various allocation methodologies. These charges are separately reported in the statement of activities.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports \$1,082,625 of restricted net position, of which none is restricted by enabling legislation.

Additional details related to fund balances at the governmental fund level are presented below:

Restricted:

General Fund

Police Confiscation - For monies restricted for public safety purposes. \$ 18,506

SPLOST Fund

SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum

1,064,119

Total Restricted Fund Balance

\$ 1,082,625

Assigned:

General Fund

Appropriated as a resource in next year's budget

\$ 647,609

Total Assigned Fund Balance

\$ 647,609

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, and any Debt Service Fund and Special Revenue Funds. Project-length budgets are adopted for capital projects funds. Budgets for planning and management purposes only are adopted for the Proprietary (Enterprise) Funds on a GAAP basis, except that long-term debt borrowings are budgeted as revenues and depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the Mayor and City Council. Some individual revisions were material in relation to the original appropriations.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Budgeting Policy

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to June 30 of each year, the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Project, Special Revenue, and Proprietary Funds are adopted in a basis consistent with generally accepted accounting principles (GAAP).

Basis for Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, other, and capital outlay. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. All unexpended annual appropriations lapse at year end.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Statham has no recorded encumbrances at June 30, 2021.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

(C) DEFICIT FUND EQUITY

At June 30, 2021, no funds had deficit fund equity.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2021, the ratings of its investments are shown above.

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2021, all of the City's deposits were insured or were adequately collateralized with securities held by the pledging financial institution's name.

As of June 30, 2021, the City's bank balance of \$4,546,088 was adequately collateralized with securities held by the pledging financial institution's name.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Under the *pooled method*, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

The City utilized both methods to secure deposits of public funds.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below:

	General Fund	SPLOST Fund	Water & Sewer Fund
Receivables:			
Property Taxes	\$ 64,703	\$ -	\$ -
Accounts	-	-	82,959
Intergovernmental	581,807	48,598	-
Total Gross Receivables	646,510	48,598	82,959
Less: Allowance for Uncollectibles	-	-	(3,347)
Total Net Receivables	<u>\$ 646,510</u>	<u>\$ 48,598</u>	<u>\$ 79,612</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes (General Fund)	\$ 61,463	\$ -
Grant drawdowns prior to meeting all eligibility requirements (General Fund)	-	530,093
Total unavailable/ unearned revenue for governmental funds	<u>\$ 61,463</u>	<u>\$ 530,093</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Property taxes receivable at June 30, 2021, consist of the following:

<u>Digest Year</u>	<u>General Fund</u>
2020	\$ 14,462
2019	6,280
2018	4,642
2017	3,705
2016	3,117
2015	4,365
2014	3,470
2013	3,625
2012	1,863
2011	1,553
2010	1,626
Penalties	1,846
Interest	14,149
Total	<u>\$ 64,703</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Transfer</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 385,949	\$ -	\$ (20,000)	\$ -	\$ 365,949
Total non-depreciable capital assets	<u>385,949</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>365,949</u>
Depreciable Assets:					
Buildings and improvements	570,657	-	-	-	570,657
Machinery and Vehicles	615,911	173,354	(26,700)	-	762,565
Infrastructure	<u>1,656,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,656,500</u>
Total depreciable capital assets	<u>2,843,068</u>	<u>173,354</u>	<u>(26,700)</u>	<u>-</u>	<u>2,989,722</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(319,717)	(22,274)	-	-	(341,991)
Machinery and Vehicles	(456,177)	(97,045)	7,120	-	(546,102)
Infrastructure	<u>(425,066)</u>	<u>(33,130)</u>	<u>-</u>	<u>-</u>	<u>(458,196)</u>
Total accumulated depreciation	<u>(1,200,960)</u>	<u>(152,449)</u>	<u>7,120</u>	<u>-</u>	<u>(1,346,289)</u>
Total depreciable capital assets, net	<u>1,642,108</u>	<u>20,905</u>	<u>(19,580)</u>	<u>-</u>	<u>1,643,433</u>
Governmental activities capital assets, net	<u>\$ 2,028,057</u>	<u>\$ 20,905</u>	<u>\$ (39,580)</u>	<u>\$ -</u>	<u>\$ 2,009,382</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Additions to governmental activities capital assets for fiscal year ending June 30, 2021 consist of the following:

Capital Outlay	\$ 173,354
Total Additions	<u>\$ 173,354</u>
Depreciable capital assets additions	<u>\$ 173,354</u>
Total Additions	<u>\$ 173,354</u>

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

Governmental Activities:	
General Government	\$ 92,453
Public Safety	23,611
Public Works	36,385
Culture and Recreation	-
Total depreciation expense: Governmental Activities	<u>\$ 152,449</u>

Capital asset activity for business-type funds for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 525,753	\$ -	\$ -	\$ -	\$ 525,753
Construction in progress	58,505	-	-	-	58,505
Total non-depreciable capital assets	<u>584,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>584,258</u>
Depreciable Assets:					
Buildings and improvements	41,898	-	-	-	41,898
Distribution systems	9,255,390	27,970	-	-	9,283,360
Machinery and Vehicles	483,750	-	-	-	483,750
Total depreciable capital assets	<u>9,781,038</u>	<u>27,970</u>	<u>-</u>	<u>-</u>	<u>9,809,008</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(24,042)	(1,047)	-	-	(25,089)
Distribution Systems	(3,594,249)	(204,147)	-	-	(3,798,396)
Machinery and Vehicles	(458,610)	(17,975)	-	-	(476,585)
Total accumulated depreciation	<u>(4,076,901)</u>	<u>(223,169)</u>	<u>-</u>	<u>-</u>	<u>(4,300,070)</u>
Total depreciable capital assets, net	<u>5,704,137</u>	<u>(195,199)</u>	<u>-</u>	<u>-</u>	<u>5,508,938</u>
Business-type activities capital assets, net	<u>\$ 6,288,395</u>	<u>\$ (195,199)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,093,196</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:

Water	\$ 95,852
Solid Waste	127,317
Total depreciation expense: Business-type Activities	<u>\$ 223,169</u>

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2021, and the remainder of the authorized project expenditures for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Business-type Activities					
Barber Creek Sewer Improvements	\$ 58,505	\$ 58,505	\$ -	\$ -	Water & Sewer Fund
Total Business-type Activities	<u>\$ 58,505</u>	<u>\$ 58,505</u>	<u>\$ -</u>	<u>\$ -</u>	

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:						
Capital leases	\$ 41,999	\$ 79,618	\$ (56,414)	\$ 65,203	\$ 14,879	\$ 50,324
Governmental activities long-term liabilities	<u>\$ 41,999</u>	<u>\$ 79,618</u>	<u>\$ (56,414)</u>	<u>\$ 65,203</u>	<u>\$ 14,879</u>	<u>\$ 50,324</u>
Business-type Activities:						
Revenue bonds	\$ 2,740,000	\$ -	\$ (215,000)	\$ 2,525,000	\$ 220,000	\$ 2,305,000
Add: Original issue						
Premiums	120,628	-	(9,281)	111,347	9,281	102,066
Total Revenue Bonds	2,860,628	-	(224,281)	2,636,347	229,281	2,407,066
Notes from direct borrowings	190,985	-	(12,507)	178,478	25,301	153,177
Business-type activities long-term liabilities	<u>\$ 3,051,613</u>	<u>\$ -</u>	<u>\$ (236,788)</u>	<u>\$ 2,814,825</u>	<u>\$ 254,582</u>	<u>\$ 2,560,243</u>

Capital leases are generally liquidated by the General Fund and notes from direct borrowings are generally liquidated by the SPLOST fund. The capital leases and notes from direct borrowings for business type activities are liquidated by the Water & Sewer enterprise fund.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

CAPITAL LEASES

Vehicles were acquired under capital lease agreements which bear interest rates from 3.25% to 5.03%. The vehicles have an estimated useful life of five years.

This year, \$60,160 was included in depreciation expense. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2021, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 14,879	\$ 3,478	\$ 18,357
2023	15,789	2,568	18,357
2024	16,755	1,603	18,358
2025	17,780	577	18,357
Total	<u>\$ 65,203</u>	<u>\$ 8,226</u>	<u>\$ 73,429</u>

As of June 30, 2021, the capital assets purchased under these capital lease agreements are as follows:

	<u>Governmental Activities</u>
Vehicles & equipment	\$ 300,801
Less accumulated depreciation	<u>(237,107)</u>
Net	<u>\$ 63,694</u>

BUSINESS TYPE ACTIVITIES

As of June 30, 2021, the the long-term debt payable from proprietary fund resources consisted of the items described below.

REVENUE BONDS

The City issued revenue bonds to provide funds for the construction and expansion of the Water & Sewer System. The revenue bonds were issued in fiscal year 2012 in the original amount of \$4,265,000 with a variable interest rate range of 2.00% - 5.00%.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2021, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 220,000	\$ 102,750	\$ 322,750
2023	220,000	96,150	316,150
2024	230,000	89,550	319,550
2025	240,000	80,350	320,350
2026	250,000	80,350	330,350
2027-2031	1,170,000	205,000	1,375,000
2032-2033	195,000	14,750	209,750
Total	<u>\$ 2,525,000</u>	<u>\$ 668,900</u>	<u>\$ 3,193,900</u>

NOTES FROM DIRECT BORROWINGS

In 2015, the City obtained a GEFA construction note payable in the original amount of \$258,100. Upon completion of construction, the total draws on this construction note were \$240,073. Debt payments are due in monthly installments of \$2,320, with an interest rate of 1.52% and final maturity dated June 1, 2027. The note payable was used to finance the improvement and expansion of the City's water system. As of June 30, 2021, the outstanding balance was \$178,478.

The annual debt service requirements to amortize this debt as of June 30, 2021, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 25,301	\$ 2,537	\$ 27,838
2023	25,688	2,150	27,838
2024	26,081	1,757	27,838
2025	26,480	1,357	27,837
2026	26,885	952	27,837
2027-2028	48,043	1,213	49,256
Total	<u>\$ 178,478</u>	<u>\$ 9,966</u>	<u>\$ 188,444</u>

The City's outstanding notes from direct borrowings related to business-type activities are secured by the City's full faith and credit and revenue-raising power (including its taxing power). The outstanding notes from direct borrowings related to business-type activities contain a provision that if the City is unable to make its payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings do not contain a subjective acceleration clause.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2021, is as follows:

Due To	Due From				
	General	SPLOST	Water & Sewer Fund	Solid Waste Fund	Total
General	\$ -	\$ 45,725	\$ 1,842,863	\$ 439,426	\$ 2,328,014
SPLOST	-	-	-	-	-
Water and Sewer Fund	-	-	-	-	-
Solid Waste Fund	23,490	-	537,860	-	561,350
Total	<u>\$ 23,490</u>	<u>\$ 45,725</u>	<u>\$ 2,380,723</u>	<u>\$ 439,426</u>	<u>\$ 2,889,364</u>

These balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) the time lag between the dates that transactions are recorded in the accounting system, (3) the time lag between the dates that payments between funds are made, (4) short-term loans, and (5) to fund capital projects.

Interfund transfers as of the year ended June 30, 2021 are as follows:

	Transfers Out			
	General Fund	SPLOST Fund	Water & Sewer Fund	Total
Transfers In				
General Fund	\$ -	\$ -	\$ 830,000	\$ 830,000
Water & Sewer Fund	6,000	324,200	-	330,200
Total	<u>\$ 6,000</u>	<u>\$ 324,200</u>	<u>\$ 830,000</u>	<u>\$ 1,160,200</u>

Transfers are used to supplement operating budgets and fund capital projects.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 - RETIREMENT PLANS

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Employees are eligible to participate in the plan after one year and having at least 1,000 hours of continuous service. The City will match employee contributions up to five percent (5%) of the employee's annual compensation not to exceed \$7,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the City and are not reported in these financial statements. The City contribution for fiscal year 2021 was \$18,678.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program 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, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to any 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 Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the members 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 of defense.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

The city retains the first \$2,500 of each risk of loss in the form of a deductible. The City files all claims with GIRMA and GIRMA bills the City for any risk of loss up to the \$2,500 deductible.

There were no significant reductions in insurance coverage from the prior year, and there have been no settled claims and in the past three years have not exceeded coverage.

NOTE 11 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Statham was not involved in any significant related party transactions during the current operating year.

NOTE 12 - LITIGATION

The City is a party to legal proceedings that normally occur in governmental operations. The results of any litigation, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the City to meet its financial obligations. Accordingly, no provision for loss has been recorded.

In May 2020 and November 2020, the Georgia Superior Court entered judgments in favor of two Plaintiffs, one a private citizen and one a former employee of the City, in the amounts of \$75,000 and \$36,680, respectively. After payments by the City's insurance carrier, the City paid the remainder owed to Plaintiffs of \$25,000 in fiscal year 2020 and \$18,000 in fiscal year 2021.

NOTE 13 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 14 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the twelve (12) county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City did not pay annual dues to the NEGRC for the year ended June 30, 2021; the City's membership dues were assessed and paid by Barrow County, Georgia. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines regional commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the NEGRC may be obtained from: Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia 30605.

NOTE 15 - COVID-19

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacted many industries. The outbreak could have a continues material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any predication as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the City, its performance, and its financial results.

NOTE 16 - SUBSEQUENT EVENTS

On June 15, 2021, the Council approved the use of restricted assets in the Water & Sewer Fund to be used in FY2022 to purchase \$140,000 of increased sewer capacity from Barrow County.

CITY OF STATHAM, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2021
(Required Supplementary Information)

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
FUND BALANCE, Beginning of year	\$ 1,666,369	\$ 1,666,369	\$ 1,666,369	\$ -
RESOURCES (INFLOWS)				
Taxes	1,222,300	1,305,695	1,398,973	93,278
Licenses and permits	139,100	96,400	176,330	79,930
Intergovernmental	2,500	107,900	109,589	1,689
Fines and forfeitures	135,000	70,000	111,548	41,548
Charges for services	33,720	35,650	66,641	30,991
Contributions and donations	-	20,750	28,254	7,504
Investment income	50	50	138	88
Sale of county property	6,000	150,000	145,243	(4,757)
Capital lease issued	-	79,618	79,618	-
Transfers in	-	-	830,000	830,000
Total Resources (Inflows)	1,538,670	1,866,063	2,946,334	1,080,271
AMOUNTS AVAILABLE FOR APPROPRIATION	3,205,039	3,532,432	4,612,703	1,080,271
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Elections	-	1,800	1,782	18
City Hall	529,450	443,173	440,765	2,408
Accounting	29,000	64,050	63,805	245
Total General Government	558,450	509,023	506,352	2,671
Judicial				
Superior court	59,370	49,295	49,265	30
Total Judicial	59,370	49,295	49,265	30
Public Safety				
Police	646,270	903,777	874,025	29,752
Total Public Safety	646,270	903,777	874,025	29,752
Public Works				
Public works administration	471,850	338,881	338,348	533
Public works	126,350	240,960	239,966	994
Total Public Works	598,200	579,841	578,314	1,527
Public Health and Welfare				
Community center	17,500	13,500	8,923	4,577
Total Public Health and Welfare	17,500	13,500	8,923	4,577
Culture and Recreation				
Library	79,960	82,700	80,478	2,222
Other recreation and culture	21,200	14,200	10,204	3,996
Total Culture and Recreation	101,160	96,900	90,682	6,218
Housing and development				
Building inspection	83,600	72,000	52,055	19,945
Total Housing and Development	83,600	72,000	52,055	19,945
TOTAL CHARGES TO APPROPRIATIONS	2,064,550	2,224,336	2,159,616	80,088
CHANGE IN FUND BALANCE	(525,880)	(358,273)	786,718	1,144,991
FUND BALANCE, End of year	\$ 1,140,489	\$ 1,308,096	\$ 2,453,087	\$ 1,144,991

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF STATHAM, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2021

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES	
			PRIOR YEARS	CURRENT YEAR
Barrow County - 2006 SPLOST				
Road Improvements	\$ 600,000	\$ 600,000	\$ 416,201	\$ 45,783
Subtotal - 2008 SPLOST	600,000	600,000	416,201	45,783
Barrow County - 2012 SPLOST				
Water & Sewer System Improvements, Facilities and Equipment	1,405,980	1,405,980	654,835	324,200
Subtotal - 2012 SPLOST	1,405,980	1,405,980	654,835	324,200
Barrow County - 2018 SPLOST				
Water & Sewer System Improvements, Facilities and Equipment	854,691	854,691	-	-
Road, Street, Curb, and Sidewalk Projects	854,691	854,691	-	-
Subtotal - 2018 SPLOST	1,709,382	1,709,382	-	-
Totals	\$ 3,715,362	\$ 3,715,362	\$ 1,071,036	369,983
Total of all SPLOSTs above				\$ 369,983

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	\$ 45,783
Transfers out	324,200
Total	\$ 369,983

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

September 21, 2022

To the Mayor and City Council
City of Statham
Statham, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Statham, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Statham's basic financial statements and have issued our report thereon dated September 21, 2022.

Internal Control Over Financial Reporting

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

We did identify certain deficiencies in internal control that we consider to be material weaknesses, described below:

2021-001 (Reissued) Statement of Condition:

Internal financial reports and support for fiscal year activity were not generated in a timely manner, resulting in the delayed release of the audit report and inaccurate interim reports relied upon by the City leadership.

Criteria:

Internal controls should be in place to ensure timeliness on reporting in order for financial statement users to make informed decisions regarding the use and allocation of resources.

Effect of Condition:

Financial statements are not available to users until more than twelve (12) months following fiscal year end.

Cause of Condition:

Significant turnover in City staff responsible for financial records.

Recommendation:

We recommend the City prioritize financial reporting in order to have interim and annual reports become available to users in a timely manner.

Response:

We understand this was an issue. For FY22, we have had additional training and a supervisor over financial records making sure internal control policies are being followed.

2021-002 Statement of Condition:

During fieldwork, we noted significant adjustments were necessary to correct cash balances. In total, aggregate corrections of \$18,022 and \$219,480 were recorded to the General Fund and SPLOST fund cash accounts, respectively. We also noted that generated bank reconciliations are inaccurate due to uncleared reconciling transactions in the accounting system; the net aggregate amount of these reconciling items are (\$5,333,674), (\$108,756), and \$1,849,479 in the General Fund, SPLOST Fund, and Water & Sewer Fund, respectively.

Criteria:

To ensure an accurate cash balance in the accounting books, a bank reconciliation should be performed and reviewed monthly to determine all valid outstanding items are included and cleared.

Effect of Condition:

The risk of misappropriation of cash increases when cash is not correctly reconciled to bank statements.

Cause of Condition:

Adjustments made in previous periods have been included as outstanding transactions on bank reconciliations in the system in addition to being recognized in the general ledger.

Recommendation:

We recommend that the City work clear all reconciling items that are not related to identified outstanding checks or deposits in transit from the bank reconciliations.

Response:

The City is working with the software company to correct these reconciliation differences that are carried forward.

2021-003 Statement of Condition:

From review of documented processes, appropriate segregation of duties does not exist among key operational functions in the City. Responsibilities for entering/editing records in the system and processing payments for both payroll and accounts payable functions should not be held by the same individual.

Criteria:

Internal controls should be in place which provide reasonable assurance that an individual can not misappropriate funds without such actions being detected during the normal course of business.

Effect of Condition:

Failure to properly segregate duties among the custody, approval, and reporting functions of operations can lead to misappropriation of funds that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause of Condition:

This is caused by the limited number of employees working for the City.

Recommendation:

We recommend the City segregate duties related to the custody, approval, and reporting functions of operations, specifically in the Accounts Payable and Payroll processes.

Response:

Due to two members of staff leaving the City simultaneously, the City was left in a precarious situation, and the City Accountant was the only member of staff to be able to handle processing payments for Payroll and Accounts Payable. The City has since hired and trained two employees, and the responsibilities are now separated.

We did identify certain deficiencies in internal control that we consider to be significant deficiencies, described below:

2021-004 Statement of Condition:

During fieldwork, we noted that prior-year accrued receivables were not reversed and current-year accrued receivable balances were not properly reflected at year end. Aggregate adjustments of \$486,579 and (\$33,625) to the General Fund and Water & Sewer Fund, respectively, were necessary to correctly record receivable balances at year-end.

Criteria:

To ensure proper controls related to period cut-off are in place to avoid material misstatements at year-end.

Effect of Condition:

The risk of materially misstating assets and revenue.

Cause of Condition:

Procedures performed for year-end do not include adjustments to accrued accounts receivable.

Recommendation:

We recommend the City implement review processes to ensure that year-end adjustments are recorded in agreement with Generally Accepted Accounting Principles.

Response:

The City Accountant is unaware of how to accrue and/or reverse receivables in the finance software.

2021-005 Statement of Condition:

During fieldwork, we noted that the City did not record proceeds related to the financed purchase of Police capital vehicles and equipment.

Criteria:

To ensure an accurate balances in the accounting records, all amounts should be recorded in the general ledger.

Effect of Condition:

Capital outlay is understated due to failure to record new debt agreements.

Cause of Condition:

The City did not properly account for all new debt agreements.

Recommendation:

We recommend that the City implement a review process where all approved contracts are recognized and recorded timely.

Response:

It was recorded incorrectly, and will be corrected moving forward.

2021-006 (Re-issued) Statement of Condition:

During testing, we noted that 3 of 25 checks selected for review did not have check copies or supporting invoices.

Criteria:

To ensure proper internal controls and expenditures are paid correctly, goods or services should be documented as received before invoices are paid and then the appropriate support should be attached to the invoice and kept as proof of payment.

Effect of Condition:

The risk of loss from misplacement or misappropriation increases if proper support is not documented.

Cause of Condition:

Proper documentation was not maintained by the City.

Recommendation:

To ensure proper internal controls, once invoices are paid, the invoice, purchase order (if applicable), and copy of check should be kept as proper support that the invoice has been paid and paid properly. For instances of reimbursement, a copy of the original receipt and any reimbursement form submitted should also be kept as additional supporting documentation.

Response:

The City will work on better record keeping.

2021-007 (Reissued) Statement of Condition:

During testing, we noted 6 of the 25 paychecks selected for review did not have supporting information reflecting the approved payrate for the employee.

Criteria:

In order to ensure proper internal controls, employee pay rates changes should be properly documented and entered into the payroll system when approved.

Effect of Condition:

The risk of personnel costs exceeding the City's approved amounts.

Cause of Condition:

Client does not maintain current employee files for all City employees.

Recommendation:

We recommend that all employee records are kept up to date and properly reflect the accurate wages earned by the employees.

Response:

Moving forward, the City will ensure that employees have an approved pay rate and/or pay increase forms.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Statham'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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Statham's Response to Findings

The City of Statham's responses to the findings identified in our audit are described above. The City of Statham's responses were 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.

Bates, Carter & Co., LLP