

**CITY OF STATHAM, GEORGIA**

**ANNUAL FINANCIAL REPORT**  
**(WITH INDEPENDENT AUDITOR'S REPORT)**

**Year Ended**  
**June 30, 2022**

**CITY OF STATHAM, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

May 22, 2023

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF STATHAM, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of CITY OF STATHAM, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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 Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of CITY OF STATHAM and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF STATHAM's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted audit standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CITY OF STATHAM'S internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF STATHAM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule - General Fund and Budgetary Comparison Schedule - ARPA 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.

Management has omitted the Management's Discussion & Analysis section 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 opinions on the basic financial statements are not affected by this missing information.

### ***Supplementary 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 combining and individual nonmajor fund financial statements, Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds 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 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 May 22, 2023, 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 the effectiveness of the CITY OF STATHAM's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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, 2022**

PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$ 2,450,227	\$ 3,430,509	\$ 5,880,736
Receivables (net of allowance for uncollectibles)	163,079	77,637	240,716
Internal balances	2,858,011	(2,858,011)	-
Prepaid items	4,142	4,006	8,148
Restricted assets:			
Cash	18,507	26,920	45,427
Non-current assets:			
Prepaid capacity	-	140,000	140,000
Capital assets:			
Capital assets not being depreciated	371,949	525,753	897,702
Capital assets being depreciated	3,203,220	10,114,650	13,317,870
Less: accumulated depreciation	(1,447,621)	(4,509,923)	(5,957,544)
Capital assets, net of depreciation	<u>2,127,548</u>	<u>6,130,480</u>	<u>8,258,028</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,621,514</u>	<u>\$ 6,951,541</u>	<u>\$ 14,573,055</u>
<b>LIABILITIES</b>			
Accounts payable	66,999	27,350	94,349
Accrued interest payable	-	8,013	8,013
Other accrued items	32,852	-	32,852
Unearned revenue	530,093	-	530,093
Amounts held in trust	336,401	-	336,401
Customer Deposits	-	132,396	132,396
Noncurrent liabilities:			
Due within one year:			
Notes from direct borrowings	-	25,688	25,688
Financed purchases payable	40,561	-	40,561
Revenue bonds payable	-	229,281	229,281
Due in more than one year:			
Notes from direct borrowings	-	127,490	127,490
Financed purchases payable	95,294	-	95,294
Revenue bonds payable	-	2,177,786	2,177,786
<b>TOTAL LIABILITIES</b>	<u>1,102,200</u>	<u>2,728,004</u>	<u>3,830,204</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,951,748	3,550,435	5,502,183
Restricted for:			
Capital outlay projects	1,358,197	-	1,358,197
Debt service	-	26,920	26,920
Public safety programs	18,507	-	18,507
Unrestricted	3,190,862	646,182	3,837,044
<b>TOTAL NET POSITION</b>	<u>\$ 6,519,314</u>	<u>\$ 4,223,537</u>	<u>\$ 10,742,851</u>

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022**

FUNCTIONS/PROGRAMS	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET POSITION.... .....PRIMARY GOVERNMENT.....		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 566,800	\$ 174,066	\$ 6,459	\$ -	\$ (386,275)	\$ -	\$ (386,275)
Judicial	45,805	-	-	-	(45,805)	-	(45,805)
Public safety	761,232	13,087	-	-	(748,145)	-	(748,145)
Public works	458,071	-	-	617,485	159,414	-	159,414
Public health and welfare	33,247	-	-	-	(33,247)	-	(33,247)
Recreation and culture	85,251	5,500	-	-	(79,751)	-	(79,751)
Housing and development	37,848	148,195	-	-	110,347	-	110,347
Interest	5,913	-	-	-	(5,913)	-	(5,913)
Total Governmental Activities	<u>1,994,167</u>	<u>340,848</u>	<u>6,459</u>	<u>617,485</u>	<u>(1,029,375)</u>	<u>-</u>	<u>(1,029,375)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	1,199,127	1,579,776	1,024	304,200	-	685,873	685,873
Total Business-Type Activities	<u>1,199,127</u>	<u>1,579,776</u>	<u>1,024</u>	<u>304,200</u>	<u>-</u>	<u>685,873</u>	<u>685,873</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,193,294</u>	<u>\$ 1,920,624</u>	<u>\$ 7,483</u>	<u>\$ 921,685</u>	<u>(1,029,375)</u>	<u>685,873</u>	<u>(343,502)</u>
GENERAL REVENUES							
Property taxes					414,665	-	414,665
Sales taxes					659,671	-	659,671
Insurance premium taxes					199,885	-	199,885
Franchise taxes					188,313	-	188,313
Alcohol beverage taxes					51,584	-	51,584
Real estate recording taxes					7,579	-	7,579
Other taxes					54,405	-	54,405
Total taxes					<u>1,576,102</u>	<u>-</u>	<u>1,576,102</u>
Unrestricted investment earnings					325	272	597
TRANSFERS					<u>449,412</u>	<u>(449,412)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>2,025,839</u>	<u>(449,140)</u>	<u>1,576,699</u>
CHANGES IN NET POSITION					<u>996,464</u>	<u>236,733</u>	<u>1,233,197</u>
NET POSITION, Beginning					<u>5,522,850</u>	<u>3,986,804</u>	<u>9,509,654</u>
NET POSITION, Ending					<u>\$ 6,519,314</u>	<u>\$ 4,223,537</u>	<u>\$ 10,742,851</u>

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2022**

	GENERAL	SPLOST	ARPA FUND	NONMAJOR DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash	\$ 601,432	\$ 1,318,559	\$ 530,236	\$ -	\$ 2,450,227
Receivables (net of allowance for uncollectibles)	123,583	39,495	-	-	163,078
Interfund receivables	2,881,501	-	-	-	2,881,501
Prepaid items	4,142	-	-	-	4,142
Restricted assets:					
Cash	18,507	-	-	-	18,507
<b>TOTAL ASSETS</b>	<u>\$ 3,629,165</u>	<u>\$ 1,358,054</u>	<u>\$ 530,236</u>	<u>\$ -</u>	<u>\$ 5,517,455</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 67,000	\$ -	\$ -	\$ -	\$ 67,000
Other accrued items	32,851	-	-	-	32,851
Interfund payables	23,490	-	-	-	23,490
Unearned revenue	-	-	530,093	-	530,093
Amounts held in trust	336,401	-	-	-	336,401
<b>TOTAL LIABILITIES</b>	<u>459,742</u>	<u>-</u>	<u>530,093</u>	<u>-</u>	<u>989,835</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	53,181	-	-	-	53,181
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>53,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,181</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>512,923</u>	<u>-</u>	<u>530,093</u>	<u>-</u>	<u>1,043,016</u>
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
Prepaid expenditure	4,142	-	-	-	4,142
<b>Restricted:</b>					
Capital outlay projects	-	1,358,054	143	-	1,358,197
Public safety programs	18,507	-	-	-	18,507
<b>Assigned:</b>					
Next year's budget	204,205	-	-	-	204,205
Unassigned	2,889,388	-	-	-	2,889,388
<b>TOTAL FUND BALANCES</b>	<u>3,116,242</u>	<u>1,358,054</u>	<u>143</u>	<u>-</u>	<u>4,474,439</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 3,629,165</u>	<u>\$ 1,358,054</u>	<u>\$ 530,236</u>	<u>\$ -</u>	<u>\$ 5,517,455</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, 2022**

<b>Total Fund Balances for Governmental Funds (page 3)</b>	<b>\$</b>	<b>4,474,439</b>
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.		2,127,548
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	53,181	53,181
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.		
Financed purchases	(135,855)	(135,855)
Rounding		1
<b>Total net position of governmental activities (page 1)</b>	<b>\$</b>	<b><u>6,519,314</u></b>

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, 2022**

	GENERAL	SPLOST	ARPA FUND	NONMAJOR DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 1,544,642	\$ -	\$ -	\$ -	\$ 1,544,642
Licenses and permits	148,195	-	-	-	148,195
Intergovernmental	9,611	616,787	-	-	626,398
Fines and forfeitures	130,632	-	-	-	130,632
Charges for services	54,188	-	-	-	54,188
Contributions and donations	36,589	-	-	-	36,589
Investment income	182	699	143	-	1,024
Miscellaneous	7,833	-	-	-	7,833
<b>TOTAL REVENUES</b>	<u>1,931,872</u>	<u>617,486</u>	<u>143</u>	<u>-</u>	<u>2,549,501</u>
<b>EXPENDITURES</b>					
Current Expenditures					
General government	471,003	-	-	-	471,003
Judicial	45,804	-	-	-	45,804
Public safety	732,763	-	-	-	732,763
Public works	429,970	-	-	-	429,970
Public health and welfare	33,247	-	-	-	33,247
Culture and Recreation	85,251	-	-	-	85,251
Housing and development	37,848	-	-	-	37,848
Intergovernmental	5,686	-	-	-	5,686
Capital outlay	265,256	-	-	-	265,256
Debt service					
Principal	3,716	-	-	30,285	34,001
Interest	-	-	-	5,913	5,913
<b>TOTAL EXPENDITURES</b>	<u>2,110,544</u>	<u>-</u>	<u>-</u>	<u>36,198</u>	<u>2,146,742</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES</b>	<u>(178,672)</u>	<u>617,486</u>	<u>143</u>	<u>(36,198)</u>	<u>402,759</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of county property	409	-	-	-	409
Proceeds from Capital leases	104,653	-	-	-	104,653
Transfers in	800,000	-	-	63,235	863,235
Transfers out	(63,235)	(323,551)	-	(27,037)	(413,823)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>841,827</u>	<u>(323,551)</u>	<u>-</u>	<u>36,198</u>	<u>554,474</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>663,155</u>	<u>293,935</u>	<u>143</u>	<u>-</u>	<u>957,233</u>
<b>FUND BALANCES, Beginning of year</b>	<u>2,453,087</u>	<u>1,064,119</u>	<u>-</u>	<u>-</u>	<u>3,517,206</u>
<b>FUND BALANCES, End of year</b>	<u>\$ 3,116,242</u>	<u>\$ 1,358,054</u>	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 4,474,439</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, 2022**

<b>Net change in fund balances (page 5)</b>		\$ 957,233
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital outlays	265,256	
Depreciation expense	<u>(145,565)</u>	119,691
<p>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.</p>		
Net book value of capital assets disposed of	<u>(1,525)</u>	(1,525)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	<u>53,181</u>	53,181
<p>Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.</p>		
Property taxes	<u>(61,463)</u>	(61,463)
<p>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.</p>		
Proceeds from borrowing including premiums and discounts	(104,653)	
Principal payments on long-term debt	<u>34,001</u>	(70,652)
Rounding		<u>(1)</u>
<b>Changes in net position of governmental activities (page 2)</b>		<b>\$ <u>996,464</u></b>

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2022**

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS**

	WATER & SEWER FUND	NONMAJOR SOLID WASTE FUND	TOTAL
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 3,430,509	\$ -	\$ 3,430,509
Receivables (net of allowance for uncollectibles)	77,637	-	77,637
Interfund receivables	-	561,350	561,350
Prepaid items	4,006	-	4,006
Restricted assets:			
Cash	26,920	-	26,920
<b>TOTAL CURRENT ASSETS</b>	<u>3,539,072</u>	<u>561,350</u>	<u>4,100,422</u>
<b>Noncurrent Assets</b>			
Prepaid capacity	140,000	-	140,000
Capital assets			
Capital assets not being depreciated	525,753	-	525,753
Capital assets being depreciated	10,114,650	-	10,114,650
Less: accumulated depreciation	(4,509,923)	-	(4,509,923)
<b>TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b>	<u>6,130,480</u>	<u>-</u>	<u>6,130,480</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>6,270,480</u>	<u>-</u>	<u>6,270,480</u>
<b>TOTAL ASSETS</b>	<u>9,809,552</u>	<u>561,350</u>	<u>10,370,902</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<u>9,809,552</u>	<u>561,350</u>	<u>10,370,902</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	27,350	-	27,350
Accrued interest	8,013	-	8,013
Interfund payables	2,979,935	439,426	3,419,361
Notes from direct borrowings	25,688	-	25,688
Revenue bonds payable	229,281	-	229,281
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,270,267</u>	<u>439,426</u>	<u>3,709,693</u>
<b>Noncurrent Liabilities</b>			
Customer deposits	132,396	-	132,396
Notes from direct borrowings	127,490	-	127,490
Revenue bonds payable	2,177,786	-	2,177,786
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,437,672</u>	<u>-</u>	<u>2,437,672</u>
<b>TOTAL LIABILITIES</b>	<u>5,707,939</u>	<u>439,426</u>	<u>6,147,365</u>
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<u>5,707,939</u>	<u>439,426</u>	<u>6,147,365</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,550,435	-	3,550,435
Restricted for debt service	26,920	-	26,920
Unrestricted	524,258	121,924	646,182
<b>TOTAL NET POSITION</b>	<u>\$ 4,101,613</u>	<u>\$ 121,924</u>	<u>\$ 4,223,537</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, 2022**

**BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS**

	WATER & SEWER FUND	NONMAJOR SOLID WASTE FUND	TOTAL
<b>OPERATING REVENUES</b>			
Charges for sales and services:			
Pledged as security for revenue bonds:			
Charges for services	\$ 1,511,585	\$ -	\$ 1,511,585
Other operating revenue			
Connection fees	9,785	-	9,785
Other	56,670	-	56,670
Miscellaneous Income	1,735	-	1,735
<b>Total Operating Revenues</b>	<b>1,579,775</b>	<b>-</b>	<b>1,579,775</b>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	64,449	-	64,449
Supplies	15,548	-	15,548
Other services and charges	287,642	-	287,642
Depreciation	209,852	-	209,852
Repairs and maintenance	43,608	-	43,608
Utilities	34,448	-	34,448
Water purchases	448,123	-	448,123
<b>Total Operating Expenses</b>	<b>1,103,670</b>	<b>-</b>	<b>1,103,670</b>
<b>OPERATING INCOME</b>	<b>476,105</b>	<b>-</b>	<b>476,105</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	273	-	273
Interest expense	(95,457)	-	(95,457)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(95,184)</b>	<b>-</b>	<b>(95,184)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>380,921</b>	<b>-</b>	<b>380,921</b>
Water connection fees	195,000	-	195,000
Sewer connection fees	109,200	-	109,200
Developers - Cash	1,024	-	1,024
Transfer in	350,588	-	350,588
Transfer out	(800,000)	-	(800,000)
<b>CHANGE IN NET POSITION</b>	<b>236,733</b>	<b>-</b>	<b>236,733</b>
<b>TOTAL NET POSITION, Beginning of year</b>	<b>3,864,880</b>	<b>121,924</b>	<b>3,986,804</b>
<b>TOTAL NET POSITION, End of year</b>	<b>\$ 4,101,613</b>	<b>\$ 121,924</b>	<b>\$ 4,223,537</b>

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, 2022**

	<b>BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS</b>		
	<b>WATER &amp; SEWER FUND</b>	<b>NONMAJOR SOLID WASTE FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customer	\$ 1,581,750	\$ -	\$ 1,581,750
Payments to suppliers	(342,806)	-	(342,806)
Payments to employees	(43,131)	-	(43,131)
	<u>1,195,813</u>	<u>-</u>	<u>1,195,813</u>
Net cash provided by (used in) operating activities			
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in (out)	(800,000)	-	(800,000)
	<u>(800,000)</u>	<u>-</u>	<u>(800,000)</u>
Net Cash provided (used) by non-capital financing activities			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(247,137)	-	(247,137)
Payments from other governments/developers	1,024	-	1,024
Water/Sewer tap fees in excess of cost	304,200	-	304,200
Transfers in/out	350,588	-	350,588
Principal payments on debt	(245,301)	-	(245,301)
Interest paid	(105,285)	-	(105,285)
	<u>58,089</u>	<u>-</u>	<u>58,089</u>
Net cash provided by (used in) capital and related financing activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	273	-	273
	<u>273</u>	<u>-</u>	<u>273</u>
Net cash provided by (used in) investing activities			
Net increase (decrease) in cash and cash equivalents	454,175	-	454,175
CASH, Beginning of year	3,003,254	-	3,003,254
CASH, End of year	<u>\$ 3,457,429</u>	<u>\$ -</u>	<u>\$ 3,457,429</u>
<b>RECONCILIATION OF CASH</b>			
Cash	\$ 3,430,509	\$ -	\$ 3,430,509
Restricted Cash	26,920	-	26,920
Total Cash	<u>\$ 3,457,429</u>	<u>\$ -</u>	<u>\$ 3,457,429</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 476,105	\$ -	\$ 476,105
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	209,852	-	209,852
(Increase) decrease in:			
Accounts receivable	1,975	-	1,975
Prepaid expenses	(139,999)	-	(139,999)
Increase (decrease) in:			
Accounts payable	27,350	-	27,350
Customer deposits	21,318	-	21,318
Interfund balances	599,212	-	599,212
	<u>1,195,813</u>	<u>-</u>	<u>1,195,813</u>
Net cash provided by (used in) operating activities			
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>			
Amortization of premium on bonds payable	\$ 9,280	\$ -	\$ 9,280

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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, 2022**

**(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, 2022**

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 *ARPA Fund* accounts for funds received from the federal American Rescue Plan Act for economic relief.

The City reports the following major proprietary fund:

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, 2022**

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, 2022**

***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 2022 property taxes were levied October 10, 2021, and were due December 31, 2021. The taxes are subject to lien after March 31, 2022. 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, 2022**

***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 2022.

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, 2022**

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, 2022**

**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, 2022**

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, 2022 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Cost of capital assets	\$ 3,575,169	\$ 10,640,403
Accumulated depreciation	(1,447,621)	(4,509,923)
Net book value	2,127,548	6,130,480
Finance Purchases related debt	(135,855)	-
Accounts payable related to capital assets	(39,945)	(19,800)
Revenue bonds related to capital assets	-	(2,407,067)
Notes from direct borrowings related to capital assets	-	(153,178)
Net investment in capital assets	\$ 1,951,748	\$ 3,550,435

***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, 2022**

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports \$1,376,704 of restricted net position, of which \$1,376,561 is restricted by enabling legislation.

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

Restricted:

General Fund

<i>Police Confiscation</i> - For monies restricted for public safety purposes	\$	18,507
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ARPA Fund

<i>ARPA service</i> - For unspent funds from the federal government for coronavirus relief		143
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SPLOST Fund

<i>SPLOST</i> - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum		<u>1,358,054</u>
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Total Restricted Fund Balance	\$	<u><u>1,376,704</u></u>
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Assigned:

General Fund

Appropriated as a resource in next year's budget	\$	<u>204,205</u>
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Total Assigned Fund Balance	\$	<u><u>204,205</u></u>
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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, 2022**

***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, Debt Service, 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, Debt Service, or Proprietary Funds. The City of Statham has no recorded encumbrances at June 30, 2022.

**(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS**

The following cost centers had expenditures in excess of appropriations for the fiscal year ended June 30, 2022:

Public Works - The \$133,945 excess of expenditures over appropriations is attributable to transfers to other funds being under budgeted.

Health and Welfare - The \$147 excess of expenditures over appropriations is attributable to repairs and maintenance expenditures being under budgeted.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

(C) DEFICIT FUND EQUITY

At June 30, 2022, no funds had deficit fund equity.

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, 2022, 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, 2022, 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, 2022, the City's bank balance of \$5,782,159 was adequately collateralized with securities held by the pledging financial institution's name.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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.

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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Receivables:			
Property Taxes	\$ 53,181	\$ -	\$ -
Accounts	-	-	85,229
Intergovernmental	70,402	39,495	-
Total Gross Receivables	<u>123,583</u>	<u>39,495</u>	<u>85,229</u>
Less: Allowance for Uncollectibles	-	-	(7,592)
Total Net Receivables	<u>\$ 123,583</u>	<u>\$ 39,495</u>	<u>\$ 77,637</u>

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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)	\$ 53,181	\$ -
Grant drawdowns prior to meeting all eligibility requirements (ARPA Fund)	<u>-</u>	<u>530,093</u>
Total unavailable/ unearned revenue for governmental funds	<u>\$ 53,181</u>	<u>\$ 530,093</u>

Property taxes receivable at June 30, 2022, consist of the following:

<u>Digest Year</u>	<u>General Fund</u>
2021	\$ 11,572
2020	3,793
2019	3,335
2018	2,736
2017	2,491
2016	2,584
2015	3,990
2014	2,937
2013	3,409
2012	1,290
2011	2,243
Penalties	1,475
Interest	11,326
Total	<u>\$ 53,181</u>

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2022 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	\$ 365,949	\$ -	\$ -	\$ -	\$ 365,949
Construction in progress	-	6,000	-	-	6,000
Total non-depreciable capital assets	<u>365,949</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>371,949</u>
Depreciable Assets:					
Buildings and improvements	570,657	-	-	(45,758)	524,899
Machinery and Vehicles	762,565	259,256	-	-	1,021,821
Infrastructure	1,656,500	-	-	-	1,656,500
Total depreciable capital assets	<u>2,989,722</u>	<u>259,256</u>	<u>-</u>	<u>(45,758)</u>	<u>3,203,220</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(341,991)	(13,885)	-	44,233	(311,643)
Machinery and Vehicles	(546,102)	(98,550)	-	-	(644,652)
Infrastructure	(458,196)	(33,130)	-	-	(491,326)
Total accumulated depreciation	<u>(1,346,289)</u>	<u>(145,565)</u>	<u>-</u>	<u>44,233</u>	<u>(1,447,621)</u>
Total depreciable capital assets, net	<u>1,643,433</u>	<u>113,691</u>	<u>-</u>	<u>(1,525)</u>	<u>1,755,599</u>
Governmental activities capital assets, net	<u>\$ 2,009,382</u>	<u>\$ 119,691</u>	<u>\$ -</u>	<u>\$ (1,525)</u>	<u>\$ 2,127,548</u>

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

Additions to governmental activities capital assets for fiscal year ending June 30, 2022 consist of the following:

Capital Outlay	\$	<u>265,256</u>
Total Additions	\$	<u><u>265,256</u></u>
Non-depreciable capital assets additions	\$	6,000
Depreciable capital assets additions		<u>259,256</u>
Total Additions	\$	<u><u>265,256</u></u>

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

Governmental Activities:		
General Government	\$	92,643
Public Safety		24,820
Public Works		<u>28,102</u>
Total depreciation expense: Governmental Activities	\$	<u><u>145,565</u></u>

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

Capital asset activity for business-type funds for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Transfer</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Land and land improvements	\$ 525,753	\$ -	\$ -	\$ -	\$ 525,753
Construction in progress	<u>58,505</u>	<u>-</u>	<u>-</u>	<u>(58,505)</u>	<u>-</u>
Total non-depreciable capital assets	<u>584,258</u>	<u>-</u>	<u>-</u>	<u>(58,505)</u>	<u>525,753</u>
<b>Depreciable Assets:</b>					
Buildings and improvements	41,898	-	-	-	41,898
Distribution systems	9,283,360	247,137	-	58,505	9,589,002
Machinery and Vehicles	<u>483,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,750</u>
Total depreciable capital assets	<u>9,809,008</u>	<u>247,137</u>	<u>-</u>	<u>58,505</u>	<u>10,114,650</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and improvements	(25,091)	(1,048)	-	-	(26,139)
Distribution Systems	(3,798,394)	(205,621)	-	-	(4,004,015)
Machinery and Vehicles	<u>(476,585)</u>	<u>(3,184)</u>	<u>-</u>	<u>-</u>	<u>(479,769)</u>
Total accumulated depreciation	<u>(4,300,070)</u>	<u>(209,853)</u>	<u>-</u>	<u>-</u>	<u>(4,509,923)</u>
Total depreciable capital assets, net	<u>5,508,938</u>	<u>37,284</u>	<u>-</u>	<u>58,505</u>	<u>5,604,727</u>
Business-type activities capital assets, net	<u>\$ 6,093,196</u>	<u>\$ 37,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,130,480</u>

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

<b>Business-type Activities:</b>	
Water & Sewer	\$ 209,853
Total depreciation expense: Business-type Activities	<u>\$ 209,853</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, 2022, 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>
<b>Governmental Activities:</b>					
Library Project	\$ 395,877	\$ 6,000	\$ -	\$ 389,877	NA
<b>Total Governmental Activities</b>	<u>\$ 395,877</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 389,877</u>	

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2022, 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>
<b>Governmental Activities:</b>						
Financed Purchases	\$ 65,203	\$ 86,072	\$ (15,420)	\$ 135,855	\$ 40,561	\$ 95,294
Governmental activities long-term liabilities	<u>\$ 65,203</u>	<u>\$ 86,072</u>	<u>\$ (15,420)</u>	<u>\$ 135,855</u>	<u>\$ 40,561</u>	<u>\$ 95,294</u>
<b>Business-type Activities:</b>						
Revenue bonds	\$ 2,525,000	\$ -	\$ (220,000)	\$ 2,305,000	\$ 220,000	\$ 2,085,000
Add: Original issue						
Premiums	<u>111,347</u>	<u>-</u>	<u>(9,280)</u>	<u>102,067</u>	<u>9,281</u>	<u>92,786</u>
Total Revenue Bonds	2,636,347	-	(229,280)	2,407,067	229,281	2,177,786
Notes from direct borrowings	<u>178,478</u>	<u>-</u>	<u>(25,300)</u>	<u>153,178</u>	<u>25,688</u>	<u>127,490</u>
Business-type activities long-term liabilities	<u>\$ 2,814,825</u>	<u>\$ -</u>	<u>\$ (254,580)</u>	<u>\$ 2,560,245</u>	<u>\$ 254,969</u>	<u>\$ 2,305,276</u>

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

**FINANCED PURCHASES**

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

Minimum future annual debt service required for these financed purchases, as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 40,561	\$ 4,296	\$ 44,857
2024	42,130	2,727	44,857
2025	43,778	1,080	44,858
2026	9,386	27	9,413
Total	<u>\$ 135,855</u>	<u>\$ 8,130</u>	<u>\$ 143,985</u>

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**BUSINESS TYPE ACTIVITIES**

As of June 30, 2022, 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%.

Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 220,000	\$ 96,150	\$ 316,150
2024	230,000	89,550	319,550
2025	240,000	80,350	320,350
2026	250,000	70,750	320,750
2027	250,000	63,250	313,250
2028-2032	1,015,000	151,500	1,166,500
2033	100,000	5,000	105,000
Total	<u>\$ 2,305,000</u>	<u>\$ 556,550</u>	<u>\$ 2,861,550</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, 2022, the outstanding balance was \$153,178.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

The annual debt service requirements to amortize this debt as of June 30, 2022, are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	27,297	541	27,838
2028	20,747	672	21,419
Total	<u>\$ 153,178</u>	<u>\$ 7,429</u>	<u>\$ 160,607</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.

NOTE 8- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2022, is as follows:

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>General</u>	<u>Water &amp; Sewer Fund</u>	<u>Non-major Solid Waste Fund</u>	
General	\$ -	\$ 2,442,075	\$ 439,426	\$ 2,881,501
SPLOST	-	-	-	-
Water and Sewer Fund	-	-	-	-
Solid Waste Fund	23,490	537,860	-	561,350
Total	<u>\$ 23,490</u>	<u>\$ 2,979,935</u>	<u>\$ 439,426</u>	<u>\$ 3,442,851</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.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

Interfund transfers as of the year ended June 30, 2022 are as follows:

	Transfers Out				Total
	General Fund	SPLOST Fund	Nonmajor Debt Service Fund	Water & Sewer Fund	
<u>Transfers In</u>					
General Fund	\$ -	\$ -	\$ -	\$ 800,000	\$ 800,000
Debt Service Fund	63,235	-	-	-	63,235
Water & Sewer Fund	-	323,551	27,037	-	350,588
Total	<u>\$ 63,235</u>	<u>\$ 323,551</u>	<u>\$ 27,037</u>	<u>\$ 800,000</u>	<u>\$ 1,213,823</u>

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

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 2022 was \$16,815.

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.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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.

The city retains the fist \$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.

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.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

The estimate for unbilled revenue related to enterprise funds is a significant estimate. The estimate is calculated based on the subsequent month billing schedule after year end.

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.

**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, 2022; 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.

**CITY OF STATHAM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

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 - SEWER CONTRACTS

In 2021, the City purchased 20,528 gallons per day of waste water treatment capacity from the Barrow County Water and Sewer Authority for \$229,500, which has been recorded as capacity held for resale. This asset will be expensed as it is sold to developers and other users. At June 30, 2022, the County has sold 12,750 gallons of the capacity, and the remaining capacity is valued at \$140,000.

**CITY OF STATHAM, GEORGIA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2022**  
**(Required Supplementary Information)**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
FUND BALANCE, Beginning of year	\$ 2,453,087	\$ 2,453,087	\$ 2,453,087	\$ -
<b>RESOURCES (INFLOWS)</b>				
Taxes	1,335,736	1,416,415	1,544,642	128,227
Licenses and permits	175,370	135,765	148,195	12,430
Intergovernmental	-	6,459	9,611	3,152
Fines and forfeitures	115,800	87,600	130,632	43,032
Charges for services	41,350	49,239	54,188	4,949
Contributions and donations	-	25,065	36,589	11,524
Investment income	50	165	182	17
Miscellaneous	-	9,200	7,833	(1,367)
Sale of county property	122,000	409	409	-
Capital lease issued	-	-	104,653	104,653
Transfers in	-	490,000	800,000	310,000
Total Resources (Inflows)	<u>1,790,306</u>	<u>2,220,317</u>	<u>2,836,934</u>	<u>616,617</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>4,243,393</u>	<u>4,673,404</u>	<u>5,290,021</u>	<u>616,617</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
<b>Current Expenditures</b>				
<b>General Government</b>				
Mayor and council	97,755	87,685	86,657	1,028
Elections	1,810	1,792	1,792	-
City Hall	390,853	397,324	360,748	36,576
Accounting	51,100	46,700	28,943	17,757
Total General Government	<u>541,518</u>	<u>533,501</u>	<u>478,140</u>	<u>55,361</u>
<b>Judicial</b>				
Superior court	56,110	55,195	45,805	9,390
Total Judicial	<u>56,110</u>	<u>55,195</u>	<u>45,805</u>	<u>9,390</u>
<b>Public Safety</b>				
Police	1,040,072	923,240	858,155	65,085
Total Public Safety	<u>1,040,072</u>	<u>923,240</u>	<u>858,155</u>	<u>65,085</u>
<b>Public Works</b>				
Public works administration	476,575	419,238	502,198	(82,960)
Public works	85,240	76,152	127,137	(50,985)
Total Public Works	<u>561,815</u>	<u>495,390</u>	<u>629,335</u>	<u>(133,945)</u>
<b>Public Health and Welfare</b>				
Community center	32,900	33,100	33,247	(147)
Total Public Health and Welfare	<u>32,900</u>	<u>33,100</u>	<u>33,247</u>	<u>(147)</u>
<b>Culture and Recreation</b>				
Library	76,500	76,431	76,270	161
Other recreation and culture	24,100	30,960	14,980	15,980
Total Culture and Recreation	<u>100,600</u>	<u>107,391</u>	<u>91,250</u>	<u>16,141</u>
<b>Housing and development</b>				
Building inspection	54,000	39,100	14,997	24,103
Planning and zoning	50,900	33,400	22,850	10,550
Total Housing and Development	<u>104,900</u>	<u>72,500</u>	<u>37,847</u>	<u>34,653</u>
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<u>2,437,915</u>	<u>2,220,317</u>	<u>2,173,779</u>	<u>81,338</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(647,609)</u>	<u>-</u>	<u>663,155</u>	<u>663,155</u>
FUND BALANCE, End of year	<u>\$ 1,805,478</u>	<u>\$ 2,453,087</u>	<u>\$ 3,116,242</u>	<u>\$ 663,155</u>

**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**  
**ARPA FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended June 30, 2022**  
**(Required Supplementary Information)**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS)				
Intergovernmental	-	530,093	-	(530,093)
Investment income	-	80	143	63
Total Resources (Inflows)	-	530,173	143	(530,030)
AMOUNTS AVAILABLE FOR APPROPRIATION	-	530,173	143	(530,030)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
CHANGE IN FUND BALANCE	-	530,173	143	(530,030)
FUND BALANCE, End of year	\$ -	\$ 530,173	\$ 143	\$ (530,030)

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  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2022**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ -	\$ -	\$ -	\$ -
RESOURCES (INFLOWS)				
Transfer in	-	401.011	63.235	(337.776)
Total Resources (Inflows)	-	401.011	63.235	(337.776)
AMOUNTS AVAILABLE FOR APPROPRIATION	-	401.011	63.235	(337.776)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public works	-	401.011	36.198	364.813
Transfers out	-	-	27.037	(27.037)
TOTAL CHARGES TO APPROPRIATIONS	-	401.011	63.235	337.776
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

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, 2022**

<u>PROJECT</u>	<u>EXPENDITURES</u>			
	<u>ORIGINAL ESTIMATED COSTS</u>	<u>CURRENT ESTIMATED COSTS</u>	<u>PRIOR YEARS</u>	<u>CURRENT YEAR</u>
<b>Barrow County - 2006 SPLOST</b>				
Road Improvements	\$ 600,000	\$ 461,984	\$ 461,984	\$ -
Subtotal - 2008 SPLOST	<u>600,000</u>	<u>461,984</u>	<u>461,984</u>	<u>-</u>
<b>Barrow County - 2012 SPLOST</b>				
Water & Sewer System Improvements, Facilities and Equipment	1,405,980	1,405,980	979,035	323,551
Subtotal - 2012 SPLOST	<u>1,405,980</u>	<u>1,405,980</u>	<u>979,035</u>	<u>323,551</u>
<b>Barrow County - 2018 SPLOST</b>				
Water & Sewer System Improvements, Facilities and Equipment	854,691	854,691	-	-
Road, Street, Curb, and Sidewalk Projects	854,691	854,691	-	-
Subtotal - 2018 SPLOST	<u>1,709,382</u>	<u>1,709,382</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u>\$ 3,715,362</u>	<u>\$ 3,577,346</u>	<u>\$ 1,441,019</u>	<u>323,551</u>
<b>Total of all SPLOSTs above</b>				<b>\$ <u>323,551</u></b>

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

Expenditures	\$ -
Transfers out	323,551
<b>Total</b>	<b>\$ <u>323,551</u></b>



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*

May 22, 2023

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, each major fund, and the aggregate remaining fund information of City of Statham, as of and for the year ended June 30, 2022, 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 May 22, 2023.

**Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider items 2022-001 to 2022-005 below to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiencies described below from 2022-006 to 2022-012 to be significant deficiencies.

**2022-001 Statement of Condition:**

During fieldwork, we noted significant adjustments were necessary to adjust cash balances. In total, aggregate corrections of \$365,222 and \$515,204 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 \$161,561, \$328,309, and \$91,409 in the General Fund, SPLOST Fund, and Water & Sewer Fund, respectively. Cash operating account balances in the general ledger do not agree to reconciliations dated June 30, 2022 by (\$39,857) and (\$63,102) in the General 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 clear all reconciling items that are not related to identified outstanding checks or deposits in transit from the bank reconciliations.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures. The Finance Department will implement policies and procedures that will ensure the account balances are reconciled monthly to the subsidiary ledgers.

**2022-002 Statement of Condition:**

The City made numerous and repeated accounting errors, resulting in excessive adjusting journal entries necessary to correct account balances.

**Criteria:**

To ensure reliable accounting records, properly trained staff should be designated to perform the accounting functions.

**Effect of Condition:**

Transactions are not recorded timely in proper accounts. Interim financial reports provided to Council members may not accurately reflect the City's financial position.

**Cause of Condition:**

The City does not have the appropriate staff or training to properly perform accounting functions.

**Recommendation:**

We recommend that the City employ or contract an individual or company with an appropriate level of training and experience to perform the accounting functions.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures.

**2022-003 Statement of Condition:**

From review of documented processes, appropriate segregation of duties does not exist among key operational functions in the City. Payroll master files are modified by the same individual who process payroll; vendor master files are modified by the same individual(s) responsible for processing check disbursements, and customer master files are modified by the same individual(s) responsible for processing receipts and write offs from customer accounts. In addition, a separate review process is not in place to have an additional level of oversight and monitoring by any key employees or elected officials.

**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 may not be 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 key operations.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls including segregation of duties.

**2022-004 Statement of Condition:**

The City could not provide sufficient supporting documentation for the Customer Deposits balance held in the Water & Sewer utility fund. The Utility Billing Security Deposits Held report does not agree to the general ledger by \$73,823.

**Criteria:**

To ensure accuracy, a schedule detailing the deposits held by customer account should be maintained and reconciled to the general ledger.

**Effect of Condition:**

The risk of understating or overstating liabilities. Inaccurate accounting records and financial reports limit access to financial information used by the public, state and federal agencies, and other interested parties.

**Cause of Condition:**

Customer deposits are recorded by journal entry as they are received by the City. The Utility Billing Security Deposits Held report in the accounting software does not accurately reflect all transactions related to customer deposit activity.

**Recommendation:**

We recommend that the City implement a control to regularly review the Security Deposits Held report and reconcile the ending balance to the general ledger.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures. The Finance Department will implement policies and procedures that will ensure the account balances are reconciled monthly to the subsidiary ledgers.

**2022-005 Statement of Condition:**

We noted that expenditures recorded as salaries in the general ledger are \$55,268 more than the wages reported in the quarterly filings of the Federal 941 Form.

**Criteria:**

To ensure an accurate balances in the accounting records, approved payroll transactions should be reconciled to the 941 required filings on a quarterly basis.

**Effect of Condition:**

Expenditures related to personnel benefits and wages are not stated correctly.

**Cause of Condition:**

Payroll reporting is not reviewed or reconciled to the general ledger on a regular basis.

**Recommendation:**

We recommend that the City review payroll reporting and reconcile the general ledger to the Federal 941 reporting at least on a quarterly basis.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures. The Finance Department will implement policies and procedures that will ensure that account balances are reconciled to quarterly filing of the Federal 941 Form.

**2022-006 (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 of 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 eight (8) 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:**

Management concurs with this finding. The Finance Department has implemented procedures that will ensure timely internal financial reporting.

**2022-007 Statement of Condition:**

During fieldwork, we noted that prior-year accrued payables were not reversed and current-year accrued payable balances were not properly reflected at year end. Aggregate adjustments of \$37,106 to the General Fund were necessary to correctly record payable 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 liabilities and expenditures.

**Cause of Condition:**

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

**Recommendation:**

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

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures.

**2022-008 Statement of Condition:**

During testing, we noted 19 of the 29 paychecks (or 13 of 19 employees) selected for review did not have supporting information reflecting the approved payrate for the employee. Additionally, there was 1 employee for which there was no timesheet provided.

**Criteria:**

In order to ensure proper internal controls, employee pay rates changes should be properly documented and entered into the payroll system when approved. The City should also maintain the signed pay rate approval forms in the employee file and approved timesheets for each pay period in the City's records.

**Effect of Condition:**

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

**Cause of Condition:**

The City 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:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls.

**2022-009 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 \$427,613 and \$222,004 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:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures.

**2022-010 (Reissued) Statement of Condition:**

During fieldwork, we noted that the City did not record proceeds related to the financed purchases 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 and related proceeds from debt issuance are 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:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures.

**2022-011 Statement of Condition:**

We noted that the General Ledger did not balance when submitted for audit procedures. We had to adjust the following funds in order to balance in the current year: General Fund, Building Department Fund, SPLOST Fund, LMIG Fund, and Debt Service Fund.

**Criteria:**

Double entry and proper fund accounting require each journal entry to be balanced by fund.

**Effect of Condition:**

Interfund activity is not correctly stated.

**Cause of Condition:**

Interfund transfers to the Debt Service fund were not properly recorded in the accounting system.

**Recommendation:**

We recommend the City regularly review all entries posted to the general ledger and ensure that it remains balanced by fund.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures.

**2022-012 Statement of Condition:**

We noted that payments written on June 30, 2022 were accrued to accounts payable rather than being recognized as a cash outlay, causing cash to be overstated by \$17,622 and \$48,456 in the General Fund and Water & Sewer Fund, respectively.

**Criteria:**

To ensure an accurate balances in the accounting records, cash should be reduced in the general ledger when payments are issued.

**Effect of Condition:**

Balances in both cash and accounts payable accounts are not stated correctly.

**Cause of Condition:**

The checks written on June 30, 2022 were marked in the accounting software to be accrued to the previous fiscal period.

**Recommendation:**

We recommend that the City review bank reconciliations during month close procedures and review outstanding items for completeness.

**Response:**

Management concurs with this finding. City management has hired finance personnel proficient in the application and implementation of proper internal controls over the year-end close procedures.

**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*.

**2021-013 Statement of Condition:**

The approved budget for the fiscal year ending June 30, 2022 was not maintained and expenditures were in excess of appropriations in the departments specified in Note 3 to the financial statements.

**Criteria:**

State law requires annual budgets to be balanced by fund and expenditures should be within the approved budget amount the legal level of budgetary control.

**Effect of Condition:**

The City's annual budget is not in compliance.

**Cause of Condition:**

Expenditures are approved and paid without consideration of the budget limits by department and necessary budget adjustments are not approved throughout the year as needed.

**Recommendation:**

We recommend the City implement controls to follow City budget policy to prepare balanced operating annual budgets and ensure each department does not exceed appropriations described in the budget.

**Response:**

Management concurs with this finding. The City will amend the budget throughout the year.

## **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*