

City of Pelham, Georgia

Financial Statements

For the Fiscal Year Ended

June 30, 2020

CITY OF PELHAM, GEORGIA
For The Fiscal Year Ended June 30, 2020
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Perry L. Henry, LLC
Certified Public Accountant and Consultant

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Members

American Institute of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Pelham, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelham, Georgia as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule – General Fund on page 37-38 and the Pension Plan on page 39-41 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelham, Georgia, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of special purpose local option 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021 on our consideration of the City of Pelham, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* in considering the City of Pelham, Georgia's internal control over financial reporting and compliance.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
March 8, 2021

City of Pelham, Georgia
Statement of Net Position
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	\$ 257,012	\$ 79,555	\$ 336,567	\$ 62,175
Restricted assets	166,690	44,284	210,974	-
Receivables	71,950	144,227	216,177	-
Internal Balances	(1,038)	1,038	-	-
Due from Other Governmental Agencies	214,932	26,375	241,307	-
Prepaid Expenses	48,338	10,478	58,816	-
Capital Assets				
Land	541,113	673,651	1,214,764	13,386
Improvements other than buildings	4,981,879	12,278,261	17,260,140	-
Buildings & Building Improvements	2,824,178	62,343	2,886,521	714,122
Machinery and equipment	2,222,216	1,144,970	3,367,186	-
Construction in progress	-	78,000	78,000	-
Less: Accumulated Depreciation	(4,435,647)	(6,786,351)	(11,221,998)	(1,488)
Total Capital Assets	6,133,739	7,450,874	13,584,613	726,020
Total Assets	6,891,623	7,756,831	14,648,454	788,195
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	240,152	-	240,152	-
Total Deferred Outflows of Resources	240,152	-	240,152	-
LIABILITIES				
Accounts payable and accrued expenses	82,798	196,668	279,466	-
Long-term liabilities				
Due in more than one year				
Bonds, capital leases and contracts	2,068,805	1,705,623	3,774,428	-
Compensated absences	82,261	8,528	90,789	-
Net Pension Obligation	868,754	-	868,754	-
Total Liabilities	3,102,618	1,910,819	5,013,437	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	255,613	-	255,613	-
Total Deferred Inflows of Resources	255,613	-	255,613	-
NET POSITION				
Net investment in capital assets	4,064,934	5,895,959	9,960,893	726,020
Restricted for:				
Capital projects	139,646	-	139,646	-
Community Development Projects	-	-	-	62,175
Unrestricted	(431,036)	(49,947)	(480,983)	-
Total Net Position	\$ 3,773,544	\$ 5,846,012	\$ 9,619,556	\$ 788,195

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General Government	\$ 1,604,369	\$ 580,051	\$ -	\$ 409,152	\$ (615,166)	\$ -	\$ (615,166)	
Public Safety	1,542,569	16,435	181,437	-	(1,344,697)	-	(1,344,697)	
Public Works	754,108	3,675	-	333,133	(417,300)	-	(417,300)	
Health, Welfare and Sanitation	56,365	57,528	-	-	1,163	-	1,163	
Culture and Recreation	39,033	-	-	-	(39,033)	-	(39,033)	
Housing and development	512,780	29,295	-	362,145	(121,340)	-	(121,340)	
Interest on Long-term debt	128,523	-	-	-	(128,523)	-	(128,523)	
Total governmental activities	<u>4,637,747</u>	<u>686,984</u>	<u>181,437</u>	<u>1,104,430</u>	<u>(2,664,896)</u>	<u>-</u>	<u>(2,664,896)</u>	
Business-type activities:								
Water	578,497	728,439	-	62,625	-	212,567	212,567	
Sanitation	455,090	593,522	-	-	-	138,432	138,432	
Sewer	390,952	622,884	-	-	-	231,932	231,932	
Gas	250,672	370,221	-	-	-	119,549	119,549	
Total business-type activities	<u>1,675,211</u>	<u>2,315,066</u>	<u>-</u>	<u>62,625</u>	<u>-</u>	<u>702,480</u>	<u>702,480</u>	
Total primary government	<u>\$ 6,312,958</u>	<u>\$ 3,002,050</u>	<u>\$ 181,437</u>	<u>\$ 1,167,055</u>	<u>(2,664,896)</u>	<u>702,480</u>	<u>(1,962,416)</u>	
Component Units								
Joint Development Authority of Mitchell Co & Pelham	\$ 853	\$ -	\$ -	\$ -				\$ (853)
Downtown Development Authority	1,546	2,475	727,822	-				728,751
Total component units	<u>\$ 2,399</u>	<u>\$ 2,475</u>	<u>\$ 727,822</u>	<u>\$ -</u>				<u>727,898</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					880,656	-	880,656	-
Franchise taxes					190,530	-	190,530	-
Insurance premium tax					296,240	-	296,240	-
Alcoholic beverage tax					107,348	-	107,348	-
Other taxes					105,169	-	105,169	-
Unrestricted investment earnings					-	288	288	162
Miscellaneous					118,024	48,917	166,941	-
Special item - gain on sale of asset					9,126	-	9,126	3,475
Transfers					852,092	(852,092)	-	-
Total general revenues, special items, and transfers					<u>2,559,185</u>	<u>(802,887)</u>	<u>1,756,298</u>	<u>3,637</u>
Change in net position					<u>(105,711)</u>	<u>(100,407)</u>	<u>(206,118)</u>	<u>731,535</u>
Net position - beginning					3,879,255	5,946,419	9,825,674	56,660
Net position - ending					<u>\$ 3,773,544</u>	<u>\$ 5,846,012</u>	<u>\$ 9,619,556</u>	<u>\$ 788,195</u>

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	SPLOST Capital Project Fund	CDBG Housing Rehabilitation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 205,631	\$ -	\$ 775	\$ 16,618	\$ 223,024
Taxes receivable, net	70,617	-	-	-	70,617
Due from other funds	10	-	-	-	10
Receivable from other governments	181,437	33,493	-	-	214,930
Sanitation receivables	1,333	-	-	-	1,333
Restricted cash	58,724	107,191	-	-	165,915
Total assets	\$ 517,752	\$ 140,684	\$ 775	\$ 16,618	\$ 675,829
LIABILITIES					
Accounts payable	\$ 33,346	\$ -	\$ -	\$ -	\$ 33,346
Due to other funds	-	1,038	10	-	1,048
Accrued salaries & wages	31,254	-	-	-	31,254
Other payables	18,196	-	-	-	18,196
Total liabilities	82,796	1,038	10	-	83,844
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	70,617	-	-	-	70,617
Total deferred inflows of resources	70,617	-	-	-	70,617
FUND BALANCES					
Restricted for:					
Capital Projects	-	139,646	-	-	139,646
Public Safety	-	-	-	16,618	16,618
Community Development Projects	-	-	765	-	765
Unassigned	364,339	-	-	-	364,339
Total fund balances	364,339	139,646	765	16,618	521,368
Total liabilities, deferred inflows of resources, and fund balances	\$ 517,752	\$ 140,684	\$ 775	\$ 16,618	\$ 675,829

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2020

Total fund balance, governmental funds	\$ 521,368
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	6,133,739
Payments for insurance in advance are reported as an expenditure of current financial resources in the period purchased in governmental activities and therefore are not reported in the funds.	48,338
Pension net position is not a current financial resource and is not recognized at the fund financial reporting level but is reported in the governmental activities of the Statement of Net Position.	(868,754)
The assets and liabilities of the internal service fund are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	34,763
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	70,617
Deferred Outflows - Pension	240,152
Deferred Inflows - Pension	(255,613)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the government-wide statements.	(2,151,066)
Net Position of Governmental Activities in the Statement of Net Position	\$ 3,773,544

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	SPLOST Capital Project Fund	CDBG Housing Rehabilitation Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,109,677	\$ -	\$ -	\$ -	\$ 1,109,677
Sales and Miscellaneous Taxes	477,498	-	-	29,295	506,793
Fees and Fines	512,715	-	-	16,435	529,150
Licenses and Permits	66,717	-	-	-	66,717
Intergovernmental	294,008	629,714	362,145	-	1,285,867
Contributions and Donations	67,873	-	-	-	67,873
Miscellaneous	111,973	-	-	-	111,973
Total revenues	<u>2,640,461</u>	<u>629,714</u>	<u>362,145</u>	<u>45,730</u>	<u>3,678,050</u>
EXPENDITURES					
Current:					
General Government	646,049	-	-	-	646,049
Judicial	214,002	-	-	-	214,002
Public Safety	1,446,550	-	-	8,596	1,455,146
Public Works	596,907	-	-	-	596,907
Culture and Recreation	9,352	-	-	-	9,352
Housing and Development	92,217	-	-	29,295	121,512
Capital Outlay:					
General Government	89,947	-	387,655	-	477,602
Public Safety	9,722	-	-	-	9,722
Public Works	1,680	141,666	-	-	143,346
Culture and Recreation	-	311,468	-	-	311,468
Debt Service:					
Principal	233,627	-	-	-	233,627
Interest and other charges	74,032	54,491	-	-	128,523
Total expenditures	<u>3,414,085</u>	<u>507,625</u>	<u>387,655</u>	<u>37,891</u>	<u>4,347,256</u>
Excess (deficiency) of revenues over expenditures	<u>(773,624)</u>	<u>122,089</u>	<u>(25,510)</u>	<u>7,839</u>	<u>(669,206)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	968,791	-	-	8,779	977,570
Transfers out	(8,779)	(116,699)	-	-	(125,478)
Total other financing sources and uses	<u>960,012</u>	<u>(116,699)</u>	<u>-</u>	<u>8,779</u>	<u>852,092</u>
SPECIAL ITEM					
Proceeds from sale of assets	9,126	-	-	-	9,126
Net change in fund balances	195,514	5,390	(25,510)	16,618	192,012
Fund balances - beginning	168,825	134,256	26,275	-	329,356
Fund balances - ending	<u>\$ 364,339</u>	<u>\$ 139,646</u>	<u>\$ 765</u>	<u>\$ 16,618</u>	<u>\$ 521,368</u>

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Net change in fund balances - total governmental funds: \$ 192,012

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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

Capital outlay reported as expenditures	514,184
Depreciation expense during the current fiscal period	(340,457)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets.	(714,122)
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	(7,234)
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Some capital additions were financed through debt agreements. In governmental funds, a long-term debt agreement is considered a source of financing, but in the Statement of Net Position, the debt is reported as a liability. In the governmental funds, repayment of debt agreements are considered an expense. This amount is the net effect of these differences.	233,626
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, these are not reported as expenditures in governmental funds:	
Changes in compensated absences	(5,276)

Change in NPO, Deferred Inflows, and Deferred Outflows	(23,949)
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Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	34,763
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Governmental funds recognize expenditures for insurance using the purchases method. However, the Statement of Activities uses the consumption method and thus only the amount of insurance benefits consumed are recognized.	10,742
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Change in net position of governmental activities	<u>\$ (105,711)</u>
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The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Fund		Internal Service Fund
	Water, Sanitation, Sewer, & Gas	Total	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 79,555	\$ 79,555	\$ 34,763
Accounts Receivable, net	140,613	140,613	-
Due from Other Funds	1,038	1,038	-
Receivables from Other Governments	26,375	26,375	-
Other receivables	3,614	3,614	-
Prepaid Expenses	10,478	10,478	-
Restricted Cash:			
Revenue Bond Covenant Accounts	34,356	34,356	-
Capital Projects/Outlays	9,928	9,928	-
Total Current Assets	<u>305,957</u>	<u>305,957</u>	<u>34,763</u>
Non-current Assets:			
Capital Assets:			
Land and Improvements	673,651	673,651	-
Utility System	12,278,261	12,278,261	-
Construction in Progress	78,000	78,000	-
Buildings	62,343	62,343	-
Equipment and Furniture	1,144,970	1,144,970	-
Less Accumulated Depreciation	(6,786,351)	(6,786,351)	-
Total Non-current Assets	<u>7,450,874</u>	<u>7,450,874</u>	<u>-</u>
Total Assets	<u>7,756,831</u>	<u>7,756,831</u>	<u>34,763</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	81,930	81,930	-
Salaries payable	4,140	4,140	-
Due to Other Funds	-	-	-
Customer Deposits	107,178	107,178	-
Other Accrued Expenses	3,420	3,420	-
Total Current Liabilities	<u>196,668</u>	<u>196,668</u>	<u>-</u>
Non-current Liabilities:			
Compensated Absences	8,528	8,528	-
Capital lease obligation	150,708	150,708	-
Bonds, Notes, and Loans Payable	1,554,915	1,554,915	-
Total Non-current Liabilities	<u>1,714,151</u>	<u>1,714,151</u>	<u>-</u>
Total Liabilities	<u>1,910,819</u>	<u>1,910,819</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	5,895,959	5,895,959	-
Unrestricted	(49,947)	(49,947)	34,763
Total Net Position	<u>\$ 5,846,012</u>	<u>\$ 5,846,012</u>	<u>\$ 34,763</u>

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Fund		
	Water, Sanitation, Sewer, & Gas	Total	Internal Service Fund
OPERATING REVENUES			
Charges for services	\$ 2,315,067	\$ 2,315,067	\$ 92,045
Miscellaneous	48,917	48,917	-
Total operating revenues	<u>2,363,984</u>	<u>2,363,984</u>	<u>92,045</u>
OPERATING EXPENSES			
Personal services	386,562	386,562	57,284
Contractual services	539,541	539,541	-
Repairs and maintenance	40,468	40,468	-
Other supplies and expenses	314,717	314,717	-
Depreciation	335,309	335,309	-
Total Operating Expenses	<u>1,616,597</u>	<u>1,616,597</u>	<u>57,284</u>
Operating income (loss)	<u>747,387</u>	<u>747,387</u>	<u>34,761</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	288	288	2
Operating grants and contributions	62,625	62,625	-
Interest expense	(58,615)	(58,615)	-
Total non-operating revenue (expenses)	<u>4,298</u>	<u>4,298</u>	<u>2</u>
Income (loss) before contributions and transfers	<u>751,685</u>	<u>751,685</u>	<u>34,763</u>
Transfers in	116,699	116,699	-
Transfers out	(968,791)	(968,791)	-
Net transfers in (out)	<u>(852,092)</u>	<u>(852,092)</u>	<u>-</u>
Change in net position	(100,407)	(100,407)	34,763
Total net position - beginning	5,946,419	5,946,419	-
Total net position - ending	<u>\$ 5,846,012</u>	<u>\$ 5,846,012</u>	<u>\$ 34,763</u>

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Enterprise Fund		Internal Service Fund
	Water, Sanitation, Sewer & Gas	Total	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,335,972	\$ 2,335,972	\$ 92,045
Payments to suppliers	(903,591)	(903,591)	-
Payments to employees	(386,562)	(386,562)	(57,284)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,045,819</u>	<u>1,045,819</u>	<u>34,761</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to/from other funds	116,699	116,699	-
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	<u>116,699</u>	<u>116,699</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant proceeds	62,629	62,629	-
Transfer in from SPLOST	(968,791)	(968,791)	-
Acquisition and construction of capital assets	(95,777)	(95,777)	-
Principal payments on debt	(117,359)	(117,359)	-
Principal payments on revenue bonds	(33,114)	(33,114)	-
Interest paid	(58,615)	(58,615)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,211,027)</u>	<u>(1,211,027)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	288	288	2
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>288</u>	<u>288</u>	<u>2</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(48,221)	(48,221)	34,763
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>172,060</u>	<u>172,060</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 123,839</u>	<u>\$ 123,839</u>	<u>\$ 34,763</u>

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Enterprise Fund</u>		Internal Service Fund
	Water, Sanitation, Sewer & Gas	Total	
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 747,387	\$ 747,387	\$ 34,761
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	335,309	335,309	-
(Increase) decrease in current assets			
Accounts receivable	(1,637)	(1,637)	-
Intergovernmental receivable	(26,375)	(26,375)	-
Prepaid expenses	440	440	-
(Decrease) increase in current liabilities			
Accounts payable	(17,492)	(17,492)	-
Accrued liabilities	(416)	(416)	-
Deposits	8,603	8,603	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,045,819</u>	<u>\$ 1,045,819</u>	<u>\$ 34,761</u>

The notes to the financial statements are an integral part of this statement.

City of Pelham, Georgia
Statement of Net Position
Component Units
June 30, 2020

	Joint Development Authority of Mitchell Co & Pelham <u>December 31, 2019</u>	Downtown Development Authority <u>June 30, 2020</u>	<u>Totals</u>
ASSETS			
Cash and Equivalents	\$ 56,485	\$ 5,690	\$ 62,175
Capital Assets:			
Land	-	13,386	13,386
Buildings & Building Improvements	-	714,122	714,122
Less: Accumulated Depreciation	-	(1,488)	(1,488)
Total assets	<u>56,485</u>	<u>731,710</u>	<u>788,195</u>
NET POSITION			
Net Investment in Capital Assets	-	726,020	726,020
Restricted for:			
Community Development Projects	56,485	5,690	62,175
Total net position	<u>\$ 56,485</u>	<u>\$ 731,710</u>	<u>\$ 788,195</u>

City of Pelham, Georgia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2020

Activities:	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Joint Development Authority of Mithcell Co & Pelham	Downtown Development Authority	
Component units:						
Joint Development Authority of Mitchell Co & Pelham	\$ 853	\$ -	\$ -	\$ (853)	\$ -	\$ (853)
Downtown Development Authority	1,546	2,475	727,822	-	728,751	728,751
Total component units	<u>\$ 2,399</u>	<u>\$ 2,475</u>	<u>\$ 727,822</u>	<u>(853)</u>	<u>728,751</u>	<u>727,898</u>
General Revenues:						
Investment				162	-	162
Special item - gain on sale of asset				3,475	-	3,475
Total General Revenues				<u>3,637</u>	<u>-</u>	<u>3,637</u>
Change in net position				2,784	728,751	731,535
Net position - beginning				<u>53,701</u>	<u>2,959</u>	<u>56,660</u>
Net position - ending				<u>\$ 56,485</u>	<u>\$ 731,710</u>	<u>\$ 788,195</u>

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Pelham was incorporated September 14, 1881, under the laws of the State of Georgia. The City is a municipal corporation governed by an elected mayor and eight-member council, with its fiscal operations monitored by the City Manager. The City provides a range of municipal services as authorized by its Charter including police and fire protection, public works (streets and waste collection), public improvements, water, sanitation, sewer and gas services, telecommunication services and general administrative services. The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units. The component units' column in the government-wide financial statements includes the financial data of the Downtown Development Authority of Pelham. The Downtown Development Authority of Pelham was established by the Mayor and City Council of Pelham on July 11, 1983. The Authority has seven members appointed by the Mayor and City Council. Once selected, the seven members of the Authority will elect members to serve as a Chairman and a Secretary/Treasurer. Although the Authority is a legally separate entity, the City has the ability to impose its will on the Authority.

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA's year end is December 31.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City implemented a new reporting model as required by the Governmental Accounting Standards Board beginning July 1, 2003. The implementation of the new reporting model affects the comparability with all prior years' reports.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government and its 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 service. 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 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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, alcoholic beverage taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 government reports the following major governmental funds:

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

The *SPLOST Capital Projects Fund* is the fund used to account for all special local option sales tax revenues as well as the specifically identified projects for which the SPLOST tax was established.

The *CDBG Housing Rehabilitation Capital Project Fund* is the fund used to account for grant award draws and expenditures for capital projects.

The government reports the following major proprietary fund:

The *Water, Sanitation, Sewer and Gas Fund* accounts for the activities of the government's water distribution system, sewage treatment plant, sewage pumping station and collection systems.

The government reports the following fund type:

Internal Service Fund – This fund account for insurance services provided to other departments and funds of the City.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's various funds related

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

to charges resulting from services provided through actual operations. Elimination of these charges would distort the direct costs and program revenues reported 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 non-operating 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 revenue of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

State statutes authorize the City and the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution. For the purpose of the Statement of Cash Flows, the City considers cash on hand, cash in demand deposits and certificates of deposit to be cash equivalents.

2. 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 "due to/from other funds" (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 "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivable and trade accounts receivable in excess of 90 days plus a percentage of receivable balances less than 90 days comprise the allowance for uncollectibles.

Property taxes are levied as of October 30, 2020 on property values assessed as of January 1, 2020. The billing, representing the current year tax levy, was mailed October 30, 2020. The billings are considered past due 90 days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are 90 days delinquent.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements of the proprietary funds. In the fund financial statements governmental funds record items as expenditures when purchased (purchases method) rather than when consumed.

4. Restricted Assets

Portions of the City's assets are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, laws or regulations of other governments). Self-imposed restrictions that can be removed as easily as imposed are not considered restrictions for financial reporting purposes; although, restrictions can be imposed by the City's constitutional provisions or by enabling legislation that are not easily removed. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 for vehicles and machinery and more than \$5,000 for all other asset types (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets (e.g. roads, sidewalks, bridges and similar items) acquired before the implementation date became effective. Infrastructure acquired prior to July 1, 2003 has not been recorded for governmental activities. GASB Statement 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (July 1, 2003).

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 capitalized value of the assets constructed. The total interest expense incurred by the general government during the current fiscal year was \$128,523. Of these amounts, none were attributable to the cost of capital assets associated with construction projects.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	7-10 years
Improvements other than building	20-50 years

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City's annual leave policy allows an employee to earn and accumulate up to 240 hours. Also, those employees with over ten years of service can accumulate an additional eight hours for each year not to exceed 120 hours, and it will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund has been used to liquidate compensated absences, unless associated with a specific proprietary fund in prior years.

7. 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, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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."

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 on 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 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) 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. The City Council also may modify or rescind the commitment.
- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee or the City's finance director to assign fund balances.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

- *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 balance may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

9. Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes of \$70,617 is listed as unavailable and is deferred to be recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted for the General Fund, Special Revenue and the proprietary funds on an annual basis. The budgets for the General and Special Revenue Funds are adopted on a cash plus 30 days basis, which is not consistent with generally accepted accounting principles. Project-length budgets are adopted for the Capital Projects Fund. Budgets are prepared for the proprietary funds as a management control device; (non-GAAP) hybrid basis of accounting is used in preparing the proprietary fund budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared and submitted by the City Manager to the administrative committee for their consideration and approval prior to presentation to the full Council for adoption, which is required prior to commencement of the ensuing fiscal year. After the budget requests have been reviewed, a public hearing is held for public comment. After the public hearing, a budget ordinance is adopted by the Mayor and Council. The City’s policy for the legal level of budgetary control is at the individual department level. Only the Mayor and Council can amend the annual budget at the department level. Amendments that change the composition within a departmental budget can occur with the authorization of the City Manager.

Original budgeted amounts for the year ended June 30, 2020, were adopted by the City Council on June 20, 2019.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's behalf.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All the City's deposits are covered by a combination of federal depository insurance and securities pledged by financial institutions as collateral to protect the deposits of the City as required under state law. Therefore, the City has no custodial credit risk for its deposits.

B. RECEIVABLES

All trade and property taxes receivables are shown net of allowance for uncollectibles.

The City entered into a reimbursement agreement with James Workman to extend gas lines to his Chicken Houses. Total expense agreement was \$67,000. Mr. Workman was to pay \$42,000 prior to construction and \$458 a month for five years at an interest rate of 3.8%. Payments started March 2016. The receivable on this agreement at June 30, 2020 was \$3,614.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

C. CAPITAL ASSETS

Primary Government

Governmental activities:	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 541,113	\$ -	\$ -	\$ -	\$ 541,113
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	541,113	-	-	-	541,113
Capital assets, being depreciated					
Buildings	3,469,685	89,948	-	(735,455)	2,824,178
Improvements, other than buildings	4,608,572	414,667	-	(41,360)	4,981,879
Machinery and equipment	2,212,647	9,569	-	-	2,222,216
Total capital assets, being depreciated	10,290,904	514,184	-	(776,815)	10,028,273
Less accumulated depreciation for					
Buildings	(1,383,312)	(77,784)	-	57,120	(1,403,976)
Improvements, other than buildings	(1,477,561)	(141,828)	-	5,574	(1,613,815)
Machinery and equipment	(1,297,011)	(120,845)	-	-	(1,417,856)
Total accumulated depreciation	(4,157,884)	(340,457)	-	62,694	(4,435,647)
Total capital assets, being depreciated, net	6,133,020	173,727	-	(714,121)	5,592,626
Governmental activities capital assets, net	<u>\$ 6,674,133</u>	<u>\$ 173,727</u>	<u>\$ -</u>	<u>\$ (714,121)</u>	<u>\$ 6,133,739</u>
Business-type activities:	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 673,651	\$ -	\$ -	\$ -	\$ 673,651
Construction in progress	-	78,000	-	-	78,000
Total capital assets not being depreciated	673,651	78,000	-	-	751,651
Capital assets, being depreciated					
Buildings	62,343	-	-	-	62,343
Improvements, other than buildings	12,260,484	17,777	-	-	12,278,261
Machinery and equipment	1,144,970	-	-	-	1,144,970
Total capital assets, being depreciated	13,467,797	17,777	-	-	13,485,574
Less accumulated depreciation for					
Buildings	(42,374)	(1,127)	-	-	(43,501)
Improvements, other than buildings	(6,084,394)	(240,082)	-	-	(6,324,476)
Machinery and equipment	(324,273)	(94,101)	-	-	(418,374)
Total accumulated depreciation	(6,451,041)	(335,310)	-	-	(6,786,351)
Total capital assets, being depreciated, net	7,016,756	(317,533)	-	-	6,699,223
Business-type activities capital assets, net	<u>\$ 7,690,407</u>	<u>\$ (239,533)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,450,874</u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

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

Governmental activities:

General government	\$ 56,010
Public safety	77,806
Public works	118,422
Health and welfare	56,365
Culture and recreation	29,681
Housing and Development	<u>2,173</u>

Total depreciation expense-governmental activities	<u><u>\$ 340,457</u></u>
----------------------------------------------------	--------------------------

Business-type activities:

Water	\$ 241,761
Sewer	85,383
Gas	<u>8,166</u>

Total depreciation expense-business-type activities	<u><u>\$ 335,310</u></u>
-----------------------------------------------------	--------------------------

Depreciation expense of \$34,468 for Governmental and \$23,558 for Business-type for assets acquired through capital leases for the year ended June 30, 2020 is included in current year depreciation expense.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Leased Assets:		
Buildings	\$ 397,665	\$ 235,579
Less: accumulated depreciation	<u>(104,714)</u>	<u>(71,418)</u>
Total	<u><u>\$ 292,951</u></u>	<u><u>\$ 164,161</u></u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from other funds:

	<u>Interfund Receivable (Due From)</u>	<u>Interfund Payable (Due To)</u>
Governmental Funds		
General Fund	\$ 34,773	\$ -
SPLOST Capital Project Fund	-	1,038
CDBG 17	-	10
Sub-total Governmental Funds	<u>34,773</u>	<u>1,048</u>
Proprietary Funds		
Water, Sanitation, Sewer and Gas Fund	1,038	-
Sub-total Proprietary Funds	<u>1,038</u>	<u>-</u>
Non-Major Funds		
Internal Service Fund	-	34,763
Sub-total Non-Major Funds	<u>-</u>	<u>34,763</u>
Totals	<u>\$ 35,811</u>	<u>\$ 35,811</u>

Governmental fund receivables	\$ 34,773
Governmental fund payables	<u>(35,811)</u>
Internal balances - Statement of Net Position	<u>\$ (1,038)</u>
Proprietary fund receivables	<u>\$ 1,038</u>
Internal balances - Statement of Net Position	<u>\$ 1,038</u>

Due to/from balances between General Fund and CDBG are for starting a checkbook.

Due to/from balances between Proprietary Funds and SPLOST are for qualified debt payments.

Interfund transfers:

Transfer Out	<u>Transfer In</u>			
	<u>General Fund</u>	<u>Confiscated Assets Fund</u>	<u>Major Enterprise- Water, Sanitation, Sewer and Gas</u>	<u>Total</u>
General Fund	\$ -	\$ 8,779	\$ -	\$ 8,779
SPLOST Capital Projects Fund	-	-	116,699	116,699
Major - Enterprise Funds - Water, Sanitation, Sewer and Gas	968,791	-	-	968,791
Internal Service Fund	34,763	-	-	34,763
Totals	<u>\$ 1,003,554</u>	<u>\$ 8,779</u>	<u>\$ 116,699</u>	<u>\$ 1,129,032</u>

Transfers from the SPLOST Fund in the amount of \$116,699 were for capital expenditures moved to the Water, Sanitation, Sewer & Gas Fund.

All other transfers were for normal operating expenses.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

E. LONG-TERM DEBT

Operating Leases

The City leases equipment under noncancelable leases and had a total of two operating leases at June 30, 2020.

The City of Pelham, GA has one operating lease with John Deere for a 2016 John Deere 310SL Backhoe Loader to be used in Highways & Streets Department. Total cost for lease was \$7,021 for the year ended June 30, 2020.

The City of Pelham, GA has one operating lease with Balboa Capital for Police Cameras to be used in Police Department. Total cost for lease was \$11,007 for the year ended June 30, 2020.

The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Backhoe</u>	<u>Cameras</u>
2021	\$ 58,050	\$ 9,930
2022	-	10,832
2023	-	5,417
	<u>\$ 58,050</u>	<u>\$ 26,179</u>

Capital Leases

Governmental Activities

The City entered into a lease on October 20, 2016 with Ford Credit. The lease is secured by three F250's with an original balance of \$78,483. At June 30, 2020, the balance of the lease outstanding was \$5,398.

The City entered into a lease on March 28, 2017 with BB&T. The lease is secured by four Dodge Chargers with an original balance of \$140,000. At June 30, 2020, the balance of the lease outstanding was \$52,341.

The City entered into a lease on August 29, 2017 with John Deere. The lease is secured by a Mowing Tractor with an original balance of \$40,720. At June 30, 2020, the balance of the lease outstanding was \$24,819.

The City entered into a lease on March 29, 2018 with BB&T. The lease is secured by Lighting with an original balance of \$115,975. At June 30, 2020, the balance of the lease outstanding was \$67,045.

The City entered into a lease on April 12, 2018 with BB&T. The lease is secured by a Dodge Ram 2500 with an original balance of \$29,615. At June 30, 2020, the balance of the lease outstanding was \$17,624.

The City entered into a lease on June 28, 2018 with John Deere. The lease is secured by three John Deere 960M ZTrak mowers with an original balance of \$25,365. At June 30, 2020, the balance of the lease outstanding was \$750.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Capital Lease debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 73,054	\$ 6,051
2022	62,191	2,929
2023	32,732	717
	<u>\$ 167,977</u>	<u>\$ 9,697</u>

Business-type Activities

The City entered into a lease on October 20, 2016 with Ford Credit. The lease is secured by two F250's with an original balance of \$54,050. At June 30, 2020, the balance of the lease outstanding was \$3,715.

The City entered into a lease on August 2, 2016 with Bancorp. The lease is secured by a John Deere Backhoe Loader with an original balance of \$74,895. At June 30, 2020, the balance of the lease outstanding was \$48,445.

The City entered into a lease on April 12, 2018 with BB&T. The lease is secured by a (2) Dodge Ram 1500s and a John Deere Gator with an original balance of \$73,385. At June 30, 2020, the balance of the lease outstanding was \$43,672.

The City entered into a lease on August 22, 2018 with Deere Credit. The lease is secured by an Excavator with an original balance of \$63,070. At June 30, 2020, the balance of the lease outstanding was \$54,876.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 30,248	\$ 5,938
2022	61,375	4,124
2023	18,496	2,868
2024	40,589	400
	<u>\$ 150,708</u>	<u>\$ 13,330</u>

Revenue Bonds

Governmental Activities

On May 5, 2016, the City issued \$2,240,000 of 2016A and 2016B Series Revenue Bonds for the purpose of consolidating debt. The City had to pay issuance cost of \$54,827 which has been fully expensed in accordance with GASB 65.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Bonds will bear interest as set forth below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 100,000	\$ 108,981
2022	105,000	103,106
2023	110,000	96,938
2024	115,000	90,475
2025	125,000	83,719
2026-2030	740,000	299,919
2031-2033	560,000	67,269
	<u>\$ 1,855,000</u>	<u>\$ 850,407</u>

Business-type Activities

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The proceeds of the 1993A and 1993B Water and Sewer Revenue Bonds were used for the purpose of expanding the Water and Sewer system to provide additional services to new customers.

Revenue bonds outstanding at year-end are as follows:

\$1,025,000 Water and Sewer Revenue Bonds, series 1993A, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	\$ 561,166
\$100,000 Water and Sewer Revenue Bonds, series 1993B, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	<u>54,754</u>
Total Revenue Bonds	<u>\$ 615,920</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 34,769	\$ 30,796
2022	36,507	29,058
2023	38,333	27,232
2024	40,249	25,316
2025	42,262	23,303
2026-2030	245,200	82,625
2031-2033	178,600	18,154
Totals	<u>\$ 615,920</u>	<u>\$ 236,484</u>

Notes Payable

Governmental Activities

The City refinanced and consolidated two loans on December 8, 2017 with Family Bank. The note is secured by (5) Dodge Chargers with a new original balance of \$89,368. At June 30, 2020, the balance of the note outstanding was \$45,828.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Notes payable debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 18,547	\$ 1,493
2022	18,601	749
2023	8,680	95
	<u>\$ 45,828</u>	<u>\$ 2,337</u>

Business-type Activities

The City established a note on January 31, 2003 with the Georgia Environmental Facilities Authority for \$462,640 bearing interest at 0%. The debt was used for the construction of a water tank. Seventy-eight quarterly payments of \$5,931 are due beginning July 1, 2005. At June 30, 2020, the balance of the note outstanding was \$106,764.

The City established a note on July 31, 2008 with the Georgia Environmental Facilities Authority for an amount up to \$949,240 bearing interest at 4.10%. The debt was used for the build of an additional sprayfield. Two-hundred and forty-five monthly payments of \$3,881 are due beginning May 1, 2010. At June 30, 2020, the balance of the note outstanding was \$376,382.

The City established a note on March 27, 2018 with the Georgia Environmental Facilities Authority for an amount up to \$504,293 bearing interest at .89%. The debt was used for the replacement of water meters. Two-hundred and forty-five monthly payments of \$2,283 are due beginning June 1, 2018. At June 30, 2020, the balance of the note outstanding was \$455,849.

Notes payable debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 78,314	\$ 19,385
2022	79,801	17,898
2023	81,343	16,356
2024	82,938	14,761
2025	72,734	13,104
2026-2030	331,414	38,457
2031-2035	131,035	13,195
2036-2038	81,416	1,286
	<u>\$ 938,995</u>	<u>\$ 134,442</u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases payable	\$ 261,568	\$ -	\$ (93,591)	\$ 167,977	\$ 73,054
Revenue bonds	1,970,000	-	(115,000)	1,855,000	100,000
Notes payable	70,864	-	(25,036)	45,828	18,547
Compensated absences	76,982	45,307	(40,028)	82,261	-
	<u>2,379,414</u>	<u>45,307</u>	<u>(273,655)</u>	<u>2,151,066</u>	<u>191,601</u>
Total long-term liabilities- Governmental Activities	<u>\$ 2,379,414</u>	<u>\$ 45,307</u>	<u>\$ (273,655)</u>	<u>\$ 2,151,066</u>	<u>\$ 191,601</u>
Business-type activities					
Capital leases payable	\$ 190,517	\$ -	\$ (39,809)	\$ 150,708	\$ 30,248
Revenue bonds	649,033	-	(33,113)	615,920	34,769
Notes payable	1,016,546	-	(77,551)	938,995	78,314
Compensated absences	8,691	6,732	(6,895)	8,528	-
	<u>1,864,787</u>	<u>6,732</u>	<u>(157,368)</u>	<u>1,714,151</u>	<u>143,331</u>
Total long-term liabilities- Business-type Activities	<u>\$ 1,864,787</u>	<u>\$ 6,732</u>	<u>\$ (157,368)</u>	<u>\$ 1,714,151</u>	<u>\$ 143,331</u>

F. RESTRICTED ASSETS

General Fund. Specific general funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's General Fund Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the General Fund Revenue Bonds. The funding for the retirement of the bonds is provided partially from the 2018 SPLOST Referendum and from operations. The balance in the Sinking Fund at June 30, 2020 is \$0.

Liabilities payable from restricted assets:

Current portion of bonds payable	\$ 100,000
Interest payable	<u>108,981</u>
Total liabilities payable from restricted assets	<u>\$ 208,981</u>

Enterprise Funds. Specific enterprise funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's Water and Sewer Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the Water and Sewer Revenue Bonds. The funding for the retirement of the bonds is provided from the operations of the Water and Sewer operations. The balance in the Sinking Fund at June 30, 2020 is \$34,356.

Liabilities payable from restricted assets:

Current portion of bonds payable	\$ 34,769
Interest payable	<u>30,796</u>
Total liabilities payable from restricted assets	<u>\$ 65,565</u>

IV. SPECIAL ITEM – SALE OF CAPITAL ASSETS

During the fiscal year ended June 30, 2020, the City sold capital assets, which are transactions the City considers infrequent in occurrence. The City has reported these transactions as special items in the government-wide financial statements as required by GASB 34, paragraph 56.

The transactions consisted of the disposition miscellaneous small equipment.

V. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the City carries commercial insurance. The basis for estimating the liabilities for unpaid claims is “IBNR” established by an actuary.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is aware of one claim, which the City could be liable for which was outstanding and unpaid at June 30, 2020. The City has entered into a settlement agreement pending the final approval by the Court, which is resulting in a relatively small payment above the coverage amount in addition to the deductible and attorney fee. No provisions have been made in the financial statements for the year ended June 30, 2020 for any estimate of potential unpaid claims.

B. CONTINGENT LIABILITIES

Grants:

The City participates in Federal and State-assisted grant programs. These programs are subject to program compliance audits by the grantor or its representative. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation:

The City Attorney represented that there is no pending or threatened litigation against the City, and additionally, there are no unasserted claims or assessments.

Intergovernmental Agreement:

On July 1, 2007, the city entered into an agreement with Mitchell County to form the Joint Development Authority of Mitchell County and Pelham. Initially, the city pledged an annual sum not to exceed the equivalent of 2.5 mills of the ad valorem tax levied by Pelham on the real property within its boundaries with said payment or payments to be made only if the income generated by the operation of the Hand Trading Company Building by the JDA is not sufficient to service the debt secured by the Hand Trading Company Building property. On December 21, 2018, the Joint Development Authority entered into a closing agreement with Hand TC Restoration, LP. Upon closing, Pelham no longer had any financial commitments to the project.

C. JOINT VENTURES

Southwest Georgia Regional Commission. The City of Pelham, in conjunction with cities and counties in the fourteen (14) county Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC). Membership in an RC is automatic for each municipality and county in the state. The

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC 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 non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as “public agencies and instrumentalities of their members.” Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39)

Separate financial statements may be obtained: Southwest Georgia Regional Commission, P.O. Box 346, 30 West Broad Street, Camilla, Georgia 31730-0346.

D. RELATED ORGANIZATIONS

The City’s officials are also responsible for appointing the members of the boards of other organizations; however, the City’s accountability for the organizations does not extend beyond making appointments. The City Council appoints board members to the Housing Authority and the Library Board.

E. PENSION PLAN

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple employer public retirement system that acts as a common investment and administrative agent for cities, counties, authorities and agencies in the State of Georgia. The plan is also a defined benefit plan. Regular, full-time employees who work at least 30 hours per week may participate in the plan after completion of one year of continuous service. Normal retirement age is 65, provided the employee has at least 5 years of credited service. Early retirement is permitted between ages 55 and 65 provided the employee has at least 10 years of credited service. City employees who retire at or after normal retirement age with ten years of credited service are entitled to an annual retirement benefit payable for life. The monthly benefit is determined by first calculating the employee’s average monthly earnings from the consecutive 5-year period prior to retirement in which earnings are the highest. The sum of 1% of the average monthly earnings which are less than or equal to the amount for covered compensation for the employee’s year of birth and 1.75% of average monthly earnings in excess of the covered compensation is multiplied by the number of years of credited service at retirement age to calculate the dollar value of the monthly retirement benefit.

Also, the pension plan provides for death benefits and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance obligations to contribute are established by Council resolutions; amendments to the plan must also be authorized by resolution of the Council. Employees are not required to contribute to the plan. The Georgia Municipal Benefits System issues a publicly available financial report, which may be obtained by contacting The Burgess Building in Atlanta, Georgia.

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the entry age normal actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Net Investment Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	45.00%	6.41%
International equity	20.00%	6.96%
Real estate	10.00%	1.96%
Global fixed income	5.00%	4.76%
Domestic fixed income	20.00%	3.06%
Cash	0.00%	
Total	<u>100.00%</u>	

Rate of Return: 7.375% On-going basis, based on long-term expected rate of return on pension plan investments.

Significant actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all prior periods included in the measurement:

The significant actuarial assumptions used in the current valuation, as of January 1, 2020 are:

Net Investment Rate of Return	7.375 % per year
Projected Salary Increases	2.25 % plus service based merit increases
Cost of living adjustment	2.25%

The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Net Pension Liability. The components of the net pension liability of participating entities were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017 *	\$ 4,220,592	\$ 3,384,445	\$ 836,147
Changes for the year:			
Service Cost	70,479	-	70,479
Interest	313,293	-	313,293
Difference Between expected and actual expenses	6,701	-	6,701
Employer Contributions	-	156,757	(156,757)
Employee Contributions	-	-	-
Net Investment Income	-	96,577	(96,577)
Benefit Payments	(227,672)	(227,672)	-
Administrative Expense	-	(14,471)	14,471
Other Changes	(119,003)	-	(119,003)
Net Changes	<u>43,798</u>	<u>11,191</u>	<u>32,607</u>
Balances at September 30, 2018 **	<u>\$ 4,264,390</u>	<u>\$ 3,395,636</u>	<u>\$ 868,754</u>

*Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2019 are used to measure TPL as of September 30, 2018. The balances as of September 30, 2018 constitute measurements of the NPL for the fiscal year ending June 30, 2019.

**Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2020 are used to measure TPL as of September 30, 2019. The balances as of September 30, 2019 constitute measurements of the NPL for the fiscal year ending June 30, 2020.

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%
	<u>\$ 1,397,000</u>	<u>\$ 868,754</u>	<u>\$ 427,564</u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

Pension expense for the year ended June 30, 2020

Service Cost	\$	70,479
Interest on TPL		313,293
Employee contributions		-
Administrative cost		14,471
Expected return on assets		(250,631)
Expensed portion of current year period differences between expected and actual experience in TPL		1,676
Expensed portion of current year period assumption change		(29,750)
Current year plan changes		-
Expensed portion of current year period differences between projected and actual investment earnings		30,810
Current year recognition of deferred inflows and outflows established in prior years		30,358
Total expense	\$	<u>180,706</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Projected recognition of deferred outflows/(inflows)

	<u>Year Established</u>	<u>Outstanding Balance at July 1, 2019</u>	<u>Amount Recognized During FYE June 30, 2020</u>	<u>Outstanding Balance at June 30, 2020</u>
Fiscal Year Outflows				
Total Outflows		<u>\$ 397,517</u>	<u>\$ 157,365</u>	<u>\$ 240,152</u>
Fiscal Year Inflows				
Total Inflows		<u>\$ (379,884)</u>	<u>\$ (124,271)</u>	<u>\$ (255,613)</u>
Total		<u>\$ 17,633</u>	<u>\$ 33,094</u>	<u>\$ (15,461)</u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Deferred Outflows/(Inflows) Recognized in Future Years

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fiscal Year Outflows				
Total Outflows	<u>\$ 104,105</u>	<u>\$ 72,750</u>	<u>\$ 32,486</u>	<u>\$ 30,811</u>
Fiscal Year Inflows				
Total Inflows	<u>\$ (124,272)</u>	<u>\$ (86,256)</u>	<u>\$ (45,085)</u>	<u>\$ -</u>
Total	<u>\$ (20,167)</u>	<u>\$ (13,506)</u>	<u>\$ (12,599)</u>	<u>\$ 30,811</u>

The following chart shows historical funding information on the basis used for determining contribution requirements. This funding information is based on the actuarial value of assets and the actuarial accrued liability, which includes projected increases in salaries not reflected on the previous measurements of funding status. If the chart were based on the market value of assets instead of the actuarial value of assets, the funded ratios would differ.

Funding History

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
1/1/2011	2,999,550	3,305,975	306,425	90.73%	1,422,615	21.54%
1/1/2012	2,849,749	3,454,230	604,481	82.50%	1,384,487	43.66%
1/1/2013	2,844,847	3,568,311	723,464	79.73%	1,282,033	56.43%
1/1/2014	2,958,336	3,675,520	717,184	80.49%	1,165,752	61.52%
1/1/2015	2,939,206	3,509,569	570,363	83.75%	1,252,459	45.54%
1/1/2016	2,902,541	3,328,935	426,394	87.19%	731,207	58.31%
1/1/2017	3,017,875	3,471,175	453,300	86.94%	871,718	52.00%
1/1/2018	3,166,610	3,594,514	427,904	88.10%	1,075,865	39.77%
1/1/2019	3,316,781	3,851,012	534,231	86.13%	1,202,451	44.43%
1/1/2020	3,468,819	3,891,393	422,574	89.14%	1,348,521	31.34%

* Not less than zero

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

Table of Plan Coverage as of Valuation Date

Category	For Valuation as of		Change From Prior Year
	January 1, 2020	January 1, 2019	
Active participants in valuation			
Number of employees	41	37	10.8%
Number of elected officials	7	8	-12.5%
Average age	45.8	48.0	N/A
Average service	8.9	8.6	N/A
Total valuation payroll	\$ 1,348,521	\$ 1,202,451	12.1%
Average valuation payroll	32,891	32,499	1.2%
Account balances	N/A	N/A	N/A
Total active vested participants	17	19	-10.5%
Vested terminated participants			
	21	20	5.0%
Retired participants			
Number in pay status	33	34	-2.9%
Average age	75.6	74.8	N/A
Average monthly benefit	\$ 463	\$ 480	-3.5%
Disabled participants			
Number in pay status	1	1	0.0%
Average age	60.0	59.0	N/A
Average monthly benefit	\$ 296	\$ 290	2.1%
Beneficiaries			
	10	10	0.0%

Participant Population: 2010 - 2019

Year Ended	Active Participants	Vested Terminated Participants	Retired	Ratio of Non- Actives to Actives
			Participants and Beneficiaries	
12/31/2010	62	14	42	0.90
12/31/2011	60	14	43	0.95
12/31/2012	51	13	46	1.16
12/31/2013	45	15	45	1.33
12/31/2014	49	16	43	1.20
12/31/2015	29	18	42	2.07
12/31/2016	33	19	45	1.94
12/31/2017	42	20	45	1.55
12/31/2018	45	20	45	1.44
12/31/2019	48	21	44	1.35

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

F. HOTEL/MOTEL LODGING TAX

The City of Pelham has levied a 5% lodging tax. A summary of the transactions for the year ending June 30, 2020 follows:

Lodging tax receipts	\$ 29,295
Disbursement to promote tourism and economic development.	(11,718)
Disbursement for other purposes	<u>(17,577)</u>
Balance of lodging tax funds on hand at end of the year	<u><u>\$ -</u></u>

The City expended 40% of these taxes received during the year to promote tourism and economic development within the City. The other 60% was used for other purposes.

G. FUND EQUITY

Fund Balances:

- **Unassigned** – The following fund balances are unassigned:

General Fund	
Fund Balance	\$ 399,103
Total	<u><u>\$ 399,103</u></u>

VI. COMPONENT UNIT-JOINT DEVELOPMENT AUTHORITY OF MITCHELL COUNTY AND PELHAM

A. REPORTING ENTITY

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. SPECIAL ITEM – SALE OF CAPITAL ASSETS

During the year ended December 31, 2019, the Authority repossessed property that was in original agreement as a Note Receivable. The Authority then sold that property resulting in a Gain of Sale in the amount of \$3,475.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2020

VII. COMPONENT UNIT-PELHAM CITY ECONOMIC AUTHORITY

A. REPORTING ENTITY

The Pelham City Economic Authority was established by the Mayor and City Council of Pelham on July 11, 1983. The Authority has seven members appointed by the Mayor and City Council. Once selected, the seven members of the Authority will elect members to serve as a Chairman and a Secretary/ Treasurer. Although the Authority is a legally separate entity, the City has the ability to impose its will on the Authority.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. CAPITAL ASSETS

Governmental activities:	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfers</u>	<u>Balance</u>
Capital assets, not being depreciated					
Land	\$ -	\$ -	\$ -	\$ 13,386	\$ 13,386
Total capital assets not being depreciated	-	-	-	13,386	13,386
Capital assets, being depreciated					
Buildings & Building Improvements	-	-	-	714,122	714,122
Total capital assets, being depreciated	-	-	-	714,122	714,122
Less accumulated depreciation for					
Buildings & Building Improvements	-	-	-	(1,487)	(1,487)
Total accumulated depreciation	-	-	-	(1,487)	(1,487)
Total capital assets, being depreciated, net	-	-	-	712,635	712,635
Governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ 726,021	\$ 726,021

Buildings are depreciated over 40 years.

VIII. SUBSEQUENT EVENTS

The City of Pelham's date for evaluating the existence of subsequent events that would affect the financial statements for the year ended June 30, 2020, was March 8, 2021 which was the date the financial statements were issued.

Required Supplementary Information

City of Pelham, Georgia
Budgetary Basis Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes				
Property	\$ 826,063	\$ 826,063	\$ 915,042	\$ 88,979
Franchise	197,700	197,700	190,530	(7,170)
Alcoholic Beverage	90,000	90,000	107,348	17,348
Insurance Premium	275,000	275,000	296,240	21,240
Intangible	4,100	4,100	4,169	69
Financial Institution	15,000	15,000	11,242	(3,758)
Sales and Miscellaneous Taxes	21,000	21,000	62,604	41,604
Fees and Fines	600,000	600,000	513,335	(86,665)
Licenses and Permits	63,730	63,730	66,717	2,987
Intergovernmental	138,398	138,398	294,008	155,610
Contributions & Donations from Private Sources	-	-	67,873	67,873
Miscellaneous	136,216	136,216	111,353	(24,863)
TOTAL REVENUES	2,367,207	2,367,207	2,640,461	273,254
EXPENDITURES				
General Government				
Legislative	76,179	76,179	56,275	19,904
Financial	992,532	863,532	818,790	44,742
Buildings	79,714	111,714	111,648	66
Total General Government	1,148,425	1,051,425	986,713	64,712
Judicial				
Municipal Court	75,438	204,438	204,188	250
Total Judicial	75,438	204,438	204,188	250
Public Safety				
Police	1,104,122	1,104,122	1,047,740	56,382
Fire	425,596	425,596	387,392	38,204
Total Public Safety	1,529,718	1,529,718	1,435,132	94,586
Public Works				
Highway and Streets	632,438	600,438	502,220	98,218
Maintenance and Shop	110,490	110,490	101,385	9,105
Cemetery	288	288	264	24
Total Public Works	743,216	711,216	603,869	107,347
Culture and Recreation				
Recreation	30,490	30,490	27,791	2,699
Parks	16,000	16,000	7,550	8,450
Total Culture and Recreation	46,490	46,490	35,341	11,149
Housing and Development				
Code Enforcement	56,663	56,663	56,323	340
Economic Development and Assistance	61,615	61,615	31,145	30,470
Total Housing and Development	118,278	118,278	87,468	30,810
TOTAL EXPENDITURES - ALL DEPARTMENTS	3,661,565	3,661,565	3,352,711	308,854
Net Excess before Transfers	(1,294,358)	(1,294,358)	(712,250)	582,108
OTHER FINANCING SOURCES (USES)				
Transfers	1,262,050	1,262,050	960,012	(302,038)
TOTAL OTHER FINANCING SOURCES (USES)	1,262,050	1,262,050	960,012	(302,038)
SPECIAL ITEMS				
Proceeds from sale of capital assets	10,000	10,000	9,126	(874)
Total Special Items	10,000	10,000	9,126	(874)
Net Excess (Deficit)	(22,308)	(22,308)	256,888	279,196
Fund balances - beginning of the year (GAAP basis)	168,825	168,825	168,825	-
In accordance with Governmental Accounting Standards Board Statement Number 34 (GASB 34), paragraph 131 the County has presented the budgetary comparison schedule using the same format, terminology, and classifications as the budget document. Additionall				
Fund balances - end of the year (budgetary basis)	\$ 146,517	\$ 146,517	425,713	\$ 279,196
Adjustment for basis differences			(61,374)	
Fund balances - end of the year GAAP Basis			\$ 364,339	

Note A - Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis

Financial Statements General Fund:	<u>General Fund</u>
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 2,640,461
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	<u>\$ 2,640,461</u>
Expenditures	
Adjustments:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 3,352,711
Adjustments:	
The City budgets for expenditures on the cash plus 30 days basis of accounting rather than all accounts payables that would be recognized using the modified accrual basis of accounting.	61,374
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	<u>\$ 3,414,085</u>
Other financing sources	
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedule	\$ 960,012
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balance - general fund.	<u>\$ 960,012</u>

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2020

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 70,479	\$ 60,374	\$ 52,377	\$ 43,686	\$ 93,496	\$ 112,780
Interest	313,293	290,928	284,104	271,475	280,881	288,316
Differences between expected and actual experience	6,701	161,054	125,419	78,341	(268,694)	(187,773)
Changes of assumption	(119,003)	-	(80,703)	-	-	(930,031)
Changes in benefit terms	-	-	-	-	-	(70,126)
Benefit payments, including refunds of employee contributions	(227,672)	(220,852)	(235,935)	(225,164)	(228,938)	(234,396)
Net change in total pension liability	43,798	291,504	145,262	168,338	(123,255)	(1,021,230)
Total Pension Liability as of beginning	4,220,592	3,929,088	3,783,826	3,615,488	3,738,743	4,759,973
Total Pension Liability as of ending (a)	<u>\$ 4,264,390</u>	<u>\$ 4,220,592</u>	<u>\$ 3,929,088</u>	<u>\$ 3,783,826</u>	<u>\$ 3,615,488</u>	<u>\$ 3,738,743</u>
Employer contributions	\$ 156,757	\$ 144,684	\$ 169,966	\$ 150,000	\$ 15,800	\$ 18,974
Net investment income	96,577	310,634	421,651	289,059	40,345	305,522
Benefit payments, including refunds of employer contributions	(227,672)	(220,852)	(235,935)	(225,164)	(228,938)	(234,396)
Administrative expense	(14,471)	(15,247)	(15,856)	(9,772)	(11,364)	(9,403)
Other	-	-	-	-	-	-
Net Change in fiduciary net position	11,191	219,219	339,826	204,123	(184,157)	80,697
Plan fiduciary net position - beginning	3,384,445	3,165,226	2,825,400	2,621,277	2,805,434	2,724,737
Plan fiduciary net position - ending (b)	<u>3,395,636</u>	<u>3,384,445</u>	<u>3,165,226</u>	<u>2,825,400</u>	<u>2,621,277</u>	<u>2,805,434</u>
Net Pension Liability - ending: (a)-(b)	<u>\$ 868,754</u>	<u>\$ 836,147</u>	<u>\$ 763,862</u>	<u>\$ 958,426</u>	<u>\$ 994,211</u>	<u>\$ 933,309</u>
Plan's fiduciary net position as a percentage of the total pension liability	79.63%	80.19%	80.56%	74.67%	72.50%	75.04%
Covered-employee payroll	\$ 1,348,521	\$ 1,202,451	\$ 1,075,865	\$ 871,718	\$ 731,207	\$ 1,252,459
Net pension liability as a percentage of covered-employee payroll	64.4%	69.5%	71.0%	110.0%	136.0%	74.5%

Note: This schedule will present 10 year of information once the data is available.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2020

SCHEDULE OF CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	--*	149968	\$ 142,922	\$ 134,235	\$ 183,915	\$ 195,053
Contributions in relation to the actuarially determined contribution	--*	149968	142,922	135,235	* 150,000	15,800
Contribution deficiency (excess)	--*	--*	-	-	33,915	179,253
Covered-employee payroll	--*	1202451	1,075,865	871,718	* 731,207	1,252,459
Contributions as a percentage of covered-employee payroll	--*	12.47	13.28%	15.40%	20.51%	1.26%

* 2020 information will be determined after fiscal year end and will be included in the 2021 valuation report.

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

*** 2019 covered payroll is based on date collected as of September 30, 2018 for the 2019 actuarial valuation.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2020

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date The actuarially determined contribution rate was determined as of January 1, 2020, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending June 30, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Projected Unit Credit

Amortization Method Closed level dollar for remaining unfunded liability

Remaining Amortization Period Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

Asset Valuation Method Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	2.25%
Retirement Age	
age 66 to 71	25%
72 and over	100%
Mortality	Pri-2012

Supplementary Information

Combining Fund Statements and Schedules

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2020

	Hotel/Motel Tax Fund	Confiscated Assets Fund	Totals
ASSETS			
Cash	\$ -	\$ 16,618	\$ 16,618
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 16,618</u>	<u>\$ 16,618</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Public Safety	-	16,618	16,618
TOTAL LIABILITES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 16,618</u>	<u>\$ 16,618</u>

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2020

	Hotel/Motel Tax Fund	Confiscated Assets Fund	Totals
REVENUES			
Hotel/Motel Tax	\$ 29,295	\$ -	\$ 29,295
Fines and forfeitures	-	16,435	16,435
TOTAL REVENUES	<u>29,295</u>	<u>16,435</u>	<u>45,730</u>
EXPENDITURES			
Capital Outlay			
Public Safety	-	8,596	8,596
Economic Development	29,295	-	29,295
TOTAL EXPENDITURES	<u>29,295</u>	<u>8,596</u>	<u>37,891</u>
Excess (Deficiency) of revenues over expenditures before transfers	<u>-</u>	<u>7,839</u>	<u>7,839</u>
Transfers in	-	8,779	8,779
Net Transfers	-	8,779	8,779
Net Change in Fund Balance	-	16,618	16,618
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 16,618</u>	<u>\$ 16,618</u>

City of Pelham, Georgia
Budgetary Comparison Schedule
Hotel/Motel - Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Hotel/Motel Tax	\$ 18,000	\$ 29,300	\$ 29,295	\$ (5)
TOTAL REVENUES	<u>18,000</u>	<u>29,300</u>	<u>29,295</u>	<u>(5)</u>
EXPENDITURES				
Housing and Development				
Economic Development and Assistance	18,000	29,300	29,295	5
Total Housing and Development	<u>18,000</u>	<u>29,300</u>	<u>29,295</u>	<u>5</u>
TOTAL EXPENDITURES - ALL DEPARTMENTS	<u>18,000</u>	<u>29,300</u>	<u>29,295</u>	<u>5</u>
Net Excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Pelham, Georgia
Budgetary Comparison Schedule
Confiscated Assets Fund - Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 16,435	\$ 1,435
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>16,435</u>	<u>1,435</u>
EXPENDITURES				
Public Safety	<u>13,200</u>	<u>13,200</u>	<u>8,596</u>	<u>4,604</u>
TOTAL EXPENDITURES - ALL DEPARTMENTS	<u>13,200</u>	<u>13,200</u>	<u>8,596</u>	<u>4,604</u>
Net Excess	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ 7,839</u>	<u>\$ 6,039</u>

State Reporting Requirements

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax
June 30, 2020

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2018						
Park & Recreational facilities construction and/or improvements	\$ 154,000	\$ 154,000	\$ 19,379	\$ 78,580	\$ 97,959	63.61%
Police vehicles and/or equipment	140,000	140,000	66,691	-	66,691	47.64%
Public Works and Water/Gas/Sewer vehicles and/or equipment	60,000	60,000	60,686	-	60,686	101.14%
Water & Sanitations Systems construction and/or improvements	120,000	120,000	108,236	167,665	275,901	229.92%
Retirement of general obligation debt for water and sewer improvements and Hand Trading Company Building	1,476,000	1,476,000	111,463	54,491	165,954	11.24%
Construction, maintenance, and improvement of city roads, streets, and bridges	382,030	382,030	-	27,007	27,007	7.07%
TOTAL	\$ 2,332,030	\$ 2,332,030	\$ 366,455	\$ 327,743	\$ 694,198	29.77%

Reconciliation to SPLOST Capital Project Fund:	
Expenditures per Schedule above	\$ 327,743
Grant proceeds expended for capital projects	<u>296,581</u>
Net adjustment	<u>296,581</u>
Expenditures and transfers per Statements on page 6	<u>\$ 624,324</u>

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2020

Grant #17h-x-101-2-5951

Total Program Year 2020 funds allocated to recipient	\$ 725,773
Less: Total Program Year 2018 funds drawn down by recipient	(7,500)
Less: Total Program Year 2019 funds drawn down by recipient	(345,492)
Less: Total Program Year 2020 funds drawn down by recipient	<u>(358,145)</u>
Funds still available from Program Year 2020 Resources	<u><u>\$ 14,636</u></u>
Total Program Year 2020 funds held at beginning of year	\$ -
Total Program Year 2018 funds drawn down and received by recipient	7,500
Total Program Year 2019 funds drawn down and received by recipient	345,492
Total Program Year 2020 funds drawn down and received by recipient	358,145
Less: Funds applied and expended to Program Year 2018 costs	(7,000)
Less: Funds applied and expended to Program Year 2019 costs	(319,717)
Less: Funds applied and expended to Program Year 2020 costs	<u>(383,655)</u>
TOTAL PROGRAM YEAR 2020 FUNDS HELD BY RECIPIENT	<u><u>\$ 765</u></u>

City of Pelham, Georgia
 Community Development Block Grant
 Budget to Actual Funds Schedule
 June 30, 2020

<u>Grant #17h-x-101-2-5951</u>						
Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs	
H-001-01	\$ 12,500	\$ 4,000	\$ 8,500	\$ 12,500	\$ -	
H-004-00	19,080	11,330	7,750	19,080	-	
H-14A-01	171,725	58,465	113,260	171,725	-	
H-14A-02	458,932	291,160	167,507	458,667	-	
C-022-00	12,761	-	-	-	-	
A-21A-00	<u>50,775</u>	<u>18,700</u>	<u>29,700</u>	<u>48,400</u>	<u>-</u>	
TOTAL	<u><u>\$ 725,773</u></u>	<u><u>\$ 383,655</u></u>	<u><u>\$ 326,717</u></u>	<u><u>\$ 710,372</u></u>	<u><u>\$ -</u></u>	

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2020

Grant #18p-x-101-2-6084

Total Program Year 2020 funds allocated to recipient	\$ 750,000
Less: Total Program Year 2020 funds drawn down by recipient	<u>(62,625)</u>
Funds still available from Program Year 2020 resources	<u>\$ 687,375</u>
Total Program Year 2020 funds held at beginning of year	\$ -
Total Program Year 2020 funds drawn down and received by recipient	62,625
Less: Funds applied and expended to Program Year 2020 costs	<u>(62,625)</u>
TOTAL PROGRAM YEAR 2020 FUNDS HELD BY RECIPIENT	<u><u>\$ -</u></u>

City of Pelham, Georgia
 Community Development Block Grant
 Budget to Actual Funds Schedule
 June 30, 2020

Grant #18p-x-101-2-6084

Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs
T-03J-00	\$ 75,000	\$ -	\$ -	\$ -	\$ -
P-03J-02	630,000	44,625	-	44,625	-
A-21A-00	<u>45,000</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>
TOTAL	<u>\$ 750,000</u>	<u>\$ 62,625</u>	<u>\$ -</u>	<u>\$ 62,625</u>	<u>\$ -</u>

Governmental Auditing Standards Requirements

Perry L. Henry, LLC

Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

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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

Honorable Mayor and Members of
the City Council
City of Pelham, Georgia

We have audited, in accordance with audit 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 aggregate business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Pelham, Georgia's basic financial statements, and have issued our report dated thereon March 8, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pelham, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Pelham's Response to Findings

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

Purpose of this Report

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

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
March 8, 2021

City of Pelham, Georgia
Schedule of Findings and Responses
June 30, 2020

2012-1

Condition: The City does not have adequate separation of duties in various functions of the City.

Criteria: Internal control is a process designed to provide reasonable assurance about your objectives with regard to reliability of:

- (1) financial reporting,
- (2) effectiveness and efficiency of operations, and
- (3) Compliance with applicable laws and regulations.

Cause: There is an insufficient number of staff to properly segregate functions of all transaction cycles.

Effect: The City will be exposed to increased risk that the financial statements could be materially misstated whether by error or intentionally and not be detected in a timely manner.

Recommendation: The City should monitor the control environment and continue to strengthen controls where cost effective.

Management's Response: Management agrees. A corrective action plan will be issued under a separate cover.