

CITY OF STATHAM, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
June 30, 2023

**CITY OF STATHAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

February 12, 2024

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF STATHAM, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CITY OF STATHAM, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CITY OF STATHAM'S internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule - General Fund and Budgetary Comparison Schedule - ARPA Fund listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

The combining and individual nonmajor fund financial statements, and Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to

the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024, on our consideration of the CITY OF STATHAM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CITY OF STATHAM's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF STATHAM's internal control over financial reporting and compliance.

Bates, Carter + Co, LLP

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
June 30, 2023

PRIMARY GOVERNMENT

| ASSETS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|----------------------------|-----------------------------|-----------------------------|
| Cash | \$ 2,983,987 | \$ 5,288,310 | \$ 8,272,297 |
| Receivables (net of allowance for uncollectibles) | 209,274 | 130,313 | 339,587 |
| Internal balances | 3,405,905 | (3,405,905) | - |
| Prepaid items | 38,195 | 7,433 | 45,628 |
| Restricted assets: | | | |
| Cash | 178,563 | 49,723 | 228,286 |
| Non-current assets: | | | |
| Prepaid capacity | - | 140,000 | 140,000 |
| Capital assets: | | | |
| Capital assets not being depreciated | 371,949 | 525,753 | 897,702 |
| Capital assets being depreciated | 3,404,821 | 10,190,223 | 13,595,044 |
| Less: accumulated depreciation | <u>(1,614,296)</u> | <u>(4,711,858)</u> | <u>(6,326,154)</u> |
| Capital assets, net of depreciation | <u>2,162,474</u> | <u>6,004,118</u> | <u>8,166,592</u> |
| Right to Use Assets: | | | |
| Leased asset | 114,051 | - | 114,051 |
| Accumulated amortization | <u>(17,108)</u> | <u>-</u> | <u>(17,108)</u> |
| Right to Use assets, net of amortization | <u>96,943</u> | <u>-</u> | <u>96,943</u> |
| TOTAL ASSETS | <u>9,075,341</u> | <u>8,213,992</u> | <u>17,289,333</u> |
| LIABILITIES | | | |
| Accounts payable | 234,947 | 64,716 | 299,663 |
| Accrued interest payable | - | 7,463 | 7,463 |
| Other accrued items | 84,807 | 1,490 | 86,297 |
| Unearned revenue | 1,060,186 | - | 1,060,186 |
| Amounts held in trust | 334,134 | - | 334,134 |
| Customer Deposits | - | 153,746 | 153,746 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Compensated absences payable | 16,263 | - | 16,263 |
| Notes from direct borrowings | - | 26,081 | 26,081 |
| Financed purchases payable | 52,207 | - | 52,207 |
| Revenue bonds payable | - | 239,281 | 239,281 |
| Right to use liability | 22,094 | - | 22,094 |
| Due in more than one year: | | | |
| Compensated absences payable | 24,395 | - | 24,395 |
| Notes from direct borrowings | - | 101,409 | 101,409 |
| Financed purchases payable | 93,546 | - | 93,546 |
| Right to use liability | 75,708 | - | 75,708 |
| Revenue bonds payable | - | 1,938,506 | 1,938,506 |
| TOTAL LIABILITIES | <u>1,998,287</u> | <u>2,532,692</u> | <u>4,530,979</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,980,432 | 3,698,841 | 5,679,273 |
| Restricted for: | | | |
| Capital outlay projects | 1,547,878 | - | 1,547,878 |
| Debt service | - | 49,723 | 49,723 |
| General government programs | 7,866 | - | 7,866 |
| Public safety programs | 178,563 | - | 178,563 |
| Unrestricted | <u>3,362,315</u> | <u>1,932,736</u> | <u>5,295,051</u> |
| TOTAL NET POSITION | <u>\$ 7,077,054</u> | <u>\$ 5,681,300</u> | <u>\$ 12,758,354</u> |

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023**

| FUNCTIONS/PROGRAMS |PROGRAM REVENUES..... | | | |NET (EXPENSE) AND CHANGES IN NET POSITION.... | | |
|--------------------------------------|----------------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| PRIMARY GOVERNMENT | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ 569,484 | \$ 383,386 | \$ - | \$ - | \$ (186,098) | \$ - | \$ (186,098) |
| Judicial | 67,943 | - | - | - | (67,943) | - | (67,943) |
| Public safety | 1,355,504 | 6,784 | - | - | (1,348,720) | - | (1,348,720) |
| Public works | 448,816 | - | 40,589 | 466,139 | 57,912 | - | 57,912 |
| Public health and welfare | 40,747 | - | - | - | (40,747) | - | (40,747) |
| Recreation and culture | 73,871 | 6,100 | - | - | (67,771) | - | (67,771) |
| Housing and development | 124,643 | 163,034 | - | - | 38,391 | - | 38,391 |
| Interest | 7,604 | - | - | - | (7,604) | - | (7,604) |
| Total Governmental Activities | <u>2,688,612</u> | <u>559,304</u> | <u>40,589</u> | <u>466,139</u> | <u>(1,622,580)</u> | <u>-</u> | <u>(1,622,580)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water and sewer | <u>1,246,207</u> | <u>1,675,410</u> | <u>-</u> | <u>1,459,264</u> | <u>-</u> | <u>1,888,467</u> | <u>1,888,467</u> |
| Total Business-Type Activities | <u>1,246,207</u> | <u>1,675,410</u> | <u>-</u> | <u>1,459,264</u> | <u>-</u> | <u>1,888,467</u> | <u>1,888,467</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 3,934,819</u> | <u>\$ 2,234,714</u> | <u>\$ 40,589</u> | <u>\$ 1,925,403</u> | <u>(1,622,580)</u> | <u>1,888,467</u> | <u>265,887</u> |
| GENERAL REVENUES | | | | | | | |
| Property taxes | | | | | 514,886 | - | 514,886 |
| Sales taxes | | | | | 686,143 | - | 686,143 |
| Insurance premium taxes | | | | | 234,110 | - | 234,110 |
| Franchise taxes | | | | | 203,817 | - | 203,817 |
| Alcohol beverage taxes | | | | | 49,357 | - | 49,357 |
| Real estate recording taxes | | | | | 4,921 | - | 4,921 |
| Other taxes | | | | | 27,808 | - | 27,808 |
| Total taxes | | | | | <u>1,721,042</u> | <u>-</u> | <u>1,721,042</u> |
| Unrestricted investment earnings | | | | | 22,018 | 5,298 | 27,316 |
| Gain(Loss) on sale of capital assets | | | | | 1,258 | - | 1,258 |
| TRANSFERS | | | | | <u>436,002</u> | <u>(436,002)</u> | <u>-</u> |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | <u>2,180,320</u> | <u>(430,704)</u> | <u>1,749,616</u> |
| CHANGES IN NET POSITION | | | | | <u>557,740</u> | <u>1,457,763</u> | <u>2,015,503</u> |
| NET POSITION, Beginning | | | | | <u>6,519,314</u> | <u>4,223,537</u> | <u>10,742,851</u> |
| NET POSITION, Ending | | | | | <u>\$ 7,077,054</u> | <u>\$ 5,681,300</u> | <u>\$ 12,758,354</u> |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

| ASSETS | GENERAL | SPLOST | ARPA FUND | NONMAJOR DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---------------------|---------------------|---------------------|----------------------------------|--------------------------------|
| Cash | \$ 415,458 | \$ 1,500,476 | \$ 1,068,052 | \$ - | \$ 2,983,986 |
| Receivables (net of allowance for uncollectibles) | 161,872 | 47,402 | - | - | 209,274 |
| Interfund receivables | 3,405,905 | - | - | - | 3,405,905 |
| Prepaid items | 38,195 | - | - | - | 38,195 |
| Restricted assets: | | | | | |
| Cash | 178,563 | - | - | - | 178,563 |
| TOTAL ASSETS | \$ 4,199,993 | \$ 1,547,878 | \$ 1,068,052 | \$ - | \$ 6,815,923 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 234,945 | \$ - | \$ - | \$ - | \$ 234,945 |
| Other accrued items | 84,807 | - | - | - | 84,807 |
| Unearned revenue | - | - | 1,060,186 | - | 1,060,186 |
| Amounts held in trust | 334,134 | - | - | - | 334,134 |
| TOTAL LIABILITIES | 653,886 | - | 1,060,186 | - | 1,714,072 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 76,018 | - | - | - | 76,018 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 76,018 | - | - | - | 76,018 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 729,904 | - | 1,060,186 | - | 1,790,090 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid expenditure | 38,195 | - | - | - | 38,195 |
| Restricted: | | | | | |
| Capital outlay projects | - | 1,547,878 | - | - | 1,547,878 |
| General government programs | - | - | 7,866 | - | 7,866 |
| Public safety programs | 178,563 | - | - | - | 178,563 |
| Unassigned | 3,253,331 | - | - | - | 3,253,331 |
| TOTAL FUND BALANCES | 3,470,089 | 1,547,878 | 7,866 | - | 5,025,833 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 4,199,993 | \$ 1,547,878 | \$ 1,068,052 | \$ - | \$ 6,815,923 |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
For the Year Ended June 30, 2023

| | | |
|--|-----------|--------------------------------|
| Total Fund Balances for Governmental Funds (page 3) | \$ | 5,025,833 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. | | 2,162,474 |
| Right to Use lease assets used in the governmental activities are not financial resources and therefore are not reported in the funds. | | 96,943 |
| Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds. | | |
| Property Taxes | 76,018 | 76,018 |
| Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (40,658) | |
| Financed purchases | (145,753) | |
| Lease liability | (97,802) | (284,213) |
| Rounding | | (1) |
| Total net position of governmental activities (page 1) | \$ | <u><u>7,077,054</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

| | GENERAL | SPLOST | ARPA FUND | NONMAJOR DEBT SERVICE FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---------------------|---------------------|-----------------|----------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 1,690,020 | \$ - | \$ - | \$ - | \$ 1,690,020 |
| Licenses and permits | 163,034 | - | - | - | 163,034 |
| Intergovernmental | 5,462 | 496,427 | - | - | 501,889 |
| Fines and forfeitures | 357,567 | - | - | - | 357,567 |
| Charges for services | 35,664 | - | - | - | 35,664 |
| Contributions and donations | 2,722 | - | - | - | 2,722 |
| Investment income | 14,295 | 10,300 | 7,723 | - | 32,318 |
| Miscellaneous | 3,038 | - | - | - | 3,038 |
| TOTAL REVENUES | <u>2,271,802</u> | <u>506,727</u> | <u>7,723</u> | <u>-</u> | <u>2,786,252</u> |
| EXPENDITURES | | | | | |
| Current Expenditures | | | | | |
| General government | 519,746 | - | - | - | 519,746 |
| Judicial | 67,940 | - | - | - | 67,940 |
| Public safety | 1,214,320 | - | - | - | 1,214,320 |
| Public works | 407,453 | - | - | - | 407,453 |
| Public health and welfare | 40,747 | - | - | - | 40,747 |
| Culture and Recreation | 73,871 | - | - | - | 73,871 |
| Housing and development | 124,643 | - | - | - | 124,643 |
| Intergovernmental | 7,842 | - | - | - | 7,842 |
| Capital outlay | 265,270 | - | - | 50,383 | 315,653 |
| Debt service | | | | | |
| Principal | 19,888 | - | - | 36,845 | 56,733 |
| Interest | 401 | - | - | 7,203 | 7,604 |
| TOTAL EXPENDITURES | <u>2,742,121</u> | <u>-</u> | <u>-</u> | <u>94,431</u> | <u>2,836,552</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES | <u>(470,319)</u> | <u>506,727</u> | <u>7,723</u> | <u>(94,431)</u> | <u>(50,300)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of county property | 1,258 | - | - | - | 1,258 |
| Proceeds from leases | 114,051 | - | - | - | 114,051 |
| Proceeds from financed purchases | - | - | - | 50,383 | 50,383 |
| Transfers in | 750,000 | - | - | 385,886 | 1,135,886 |
| Transfers out | (41,143) | (316,903) | - | (341,838) | (699,884) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>824,166</u> | <u>(316,903)</u> | <u>-</u> | <u>94,431</u> | <u>601,694</u> |
| NET CHANGE IN FUND BALANCES | <u>353,847</u> | <u>189,824</u> | <u>7,723</u> | <u>-</u> | <u>551,394</u> |
| FUND BALANCES, Beginning of year | <u>3,116,242</u> | <u>1,358,054</u> | <u>143</u> | <u>-</u> | <u>4,474,439</u> |
| FUND BALANCES, End of year | <u>\$ 3,470,089</u> | <u>\$ 1,547,878</u> | <u>\$ 7,866</u> | <u>\$ -</u> | <u>\$ 5,025,833</u> |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| | | |
|--|-----------------|--------------------------|
| Net change in fund balances (page 5) | | \$ 551,394 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p> | | |
| Capital outlays | 315,653 | |
| Depreciation expense | (166,675) | |
| Amortization expense | <u>(17,109)</u> | 131,869 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Property taxes | <u>76,018</u> | 76,018 |
| <p>Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.</p> | | |
| Property taxes | <u>(53,181)</u> | (53,181) |
| <p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.</p> | | |
| Proceeds from borrowing including premiums and discounts | (164,434) | |
| Principal payments on long-term debt | <u>56,733</u> | (107,701) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Compensated absences, current year | (40,658) | |
| Compensated absences, prior year | <u>-</u> | (40,658) |
| Rounding | | <u>(1)</u> |
| Changes in net position of governmental activities (page 2) | | <u>\$ 557,740</u> |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

| | WATER & SEWER FUND | NONMAJOR SOLID WASTE FUND | TOTAL |
|---|-----------------------|---------------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 5,288,310 | \$ - | \$ 5,288,310 |
| Receivables (net of allowance for uncollectibles) | 130,313 | - | 130,313 |
| Interfund receivables | - | 537,860 | 537,860 |
| Prepaid items | 7,433 | - | 7,433 |
| Restricted assets: | | | |
| Cash | 49,723 | - | 49,723 |
| TOTAL CURRENT ASSETS | <u>5,475,779</u> | <u>537,860</u> | <u>6,013,639</u> |
| Noncurrent Assets | | | |
| Prepaid capacity | 140,000 | - | 140,000 |
| Capital assets | | | |
| Capital assets not being depreciated | 525,753 | - | 525,753 |
| Capital assets being depreciated | 10,190,223 | - | 10,190,223 |
| Less: accumulated depreciation | (4,711,858) | - | (4,711,858) |
| TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) | <u>6,004,118</u> | <u>-</u> | <u>6,004,118</u> |
| TOTAL NONCURRENT ASSETS | <u>6,144,118</u> | <u>-</u> | <u>6,144,118</u> |
| TOTAL ASSETS | <u>11,619,897</u> | <u>537,860</u> | <u>12,157,757</u> |
| TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES | <u>11,619,897</u> | <u>537,860</u> | <u>12,157,757</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 64,716 | - | 64,716 |
| Accrued interest | 7,463 | - | 7,463 |
| Other accrued items | 1,490 | - | 1,490 |
| Interfund payables | 3,527,829 | 415,936 | 3,943,765 |
| Notes from direct borrowings | 26,081 | - | 26,081 |
| Revenue bonds payable | 239,281 | - | 239,281 |
| TOTAL CURRENT LIABILITIES | <u>3,866,860</u> | <u>415,936</u> | <u>4,282,796</u> |
| Noncurrent Liabilities | | | |
| Customer deposits | 153,746 | - | 153,746 |
| Notes from direct borrowings | 101,409 | - | 101,409 |
| Revenue bonds payable | 1,938,506 | - | 1,938,506 |
| TOTAL NONCURRENT LIABILITIES | <u>2,193,661</u> | <u>-</u> | <u>2,193,661</u> |
| TOTAL LIABILITIES | <u>6,060,521</u> | <u>415,936</u> | <u>6,476,457</u> |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | <u>6,060,521</u> | <u>415,936</u> | <u>6,476,457</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,698,841 | - | 3,698,841 |
| Restricted for debt service | 49,723 | - | 49,723 |
| Unrestricted | 1,810,812 | 121,924 | 1,932,736 |
| TOTAL NET POSITION | <u>\$ 5,559,376</u> | <u>\$ 121,924</u> | <u>\$ 5,681,300</u> |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

| | WATER & SEWER FUND | NONMAJOR SOLID WASTE FUND | TOTAL |
|---|-----------------------|---------------------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for sales and services: | | | |
| Pledged as security for revenue bonds: | | | |
| Charges for services | \$ 1,608,503 | \$ - | \$ 1,608,503 |
| Other operating revenue | | | |
| Connection fees | 5,559 | - | 5,559 |
| Other | 60,583 | - | 60,583 |
| Miscellaneous Income | 765 | - | 765 |
| Total Operating Revenues | 1,675,410 | - | 1,675,410 |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 114,154 | - | 114,154 |
| Supplies | 26,103 | - | 26,103 |
| Other services and charges | 312,713 | - | 312,713 |
| Depreciation | 201,935 | - | 201,935 |
| Repairs and maintenance | 31,696 | - | 31,696 |
| Utilities | 30,978 | - | 30,978 |
| Water purchases | 442,309 | - | 442,309 |
| Total Operating Expenses | 1,159,888 | - | 1,159,888 |
| OPERATING INCOME | 515,522 | - | 515,522 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 5,298 | - | 5,298 |
| Interest expense | (86,319) | - | (86,319) |
| Total Nonoperating Revenues (Expenses) | (81,021) | - | (81,021) |
| INCOME (LOSS) BEFORE TRANSFERS | 434,501 | - | 434,501 |
| Water connection fees | 516,664 | - | 516,664 |
| Sewer connection fees | 942,600 | - | 942,600 |
| Transfer in | 341,838 | - | 341,838 |
| Transfer out | (777,840) | - | (777,840) |
| CHANGE IN NET POSITION | 1,457,763 | - | 1,457,763 |
| TOTAL NET POSITION, Beginning of year | 4,101,613 | 121,924 | 4,223,537 |
| TOTAL NET POSITION, End of year | \$ 5,559,376 | \$ 121,924 | \$ 5,681,300 |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

| | WATER & SEWER FUND | NONMAJOR SOLID WASTE FUND | TOTAL |
|---|-----------------------------------|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customer | \$ 1,622,734 | \$ - | \$ 1,622,734 |
| Payments to suppliers | (261,964) | - | (261,964) |
| Payments to employees | (91,314) | - | (91,314) |
| | <u>1,269,456</u> | <u>-</u> | <u>1,269,456</u> |
| Net cash provided by (used in) operating activities | | | |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Transfers in (out) | (777,840) | - | (777,840) |
| | <u>(777,840)</u> | <u>-</u> | <u>(777,840)</u> |
| Net Cash provided (used) by non-capital financing activities | | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (75,573) | - | (75,573) |
| Water/Sewer tap fees in excess of cost | 1,459,264 | - | 1,459,264 |
| Transfers in/out | 341,838 | - | 341,838 |
| Principal payments on debt | (245,688) | - | (245,688) |
| Interest paid | (96,151) | - | (96,151) |
| | <u>1,383,690</u> | <u>-</u> | <u>1,383,690</u> |
| Net cash provided by (used in) capital and related financing activities | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment earnings | 5,298 | - | 5,298 |
| | <u>5,298</u> | <u>-</u> | <u>5,298</u> |
| Net cash provided by (used in) investing activities | | | |
| Net increase (decrease) in cash and cash equivalents | 1,880,604 | - | 1,880,604 |
| CASH, Beginning of year | 3,457,429 | - | 3,457,429 |
| CASH, End of year | <u>\$ 5,338,033</u> | <u>\$ -</u> | <u>\$ 5,338,033</u> |
| RECONCILIATION OF CASH | | | |
| Cash | \$ 5,288,310 | \$ - | \$ 5,288,310 |
| Restricted Cash | 49,723 | - | 49,723 |
| Total Cash | <u>\$ 5,338,033</u> | <u>\$ -</u> | <u>\$ 5,338,033</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ 515,522 | \$ - | \$ 515,522 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | 201,935 | - | 201,935 |
| (Increase) decrease in: | | | |
| Accounts receivable | (52,676) | - | (52,676) |
| Prepaid expenses | (3,427) | - | (3,427) |
| Increase (decrease) in: | | | |
| Accounts payable | 37,368 | - | 37,368 |
| Customer deposits | 21,350 | - | 21,350 |
| Other accrued items | 1,490 | - | 1,490 |
| Interfund balances | 547,894 | - | 547,894 |
| | <u>1,269,456</u> | <u>-</u> | <u>1,269,456</u> |
| Net cash provided by (used in) operating activities | | | |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES | | | |
| Amortization of premium on bonds payable | \$ 9,280 | \$ - | \$ 9,280 |

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

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

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed with the exception of federal and state grant revenue, which has a 12 month availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary fund:

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Receivables and Payables

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

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

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

Property taxes attach as an enforceable lien on property as of July 31. Taxes are normally levied by October 10th of each year. The 2023 property taxes were levied October 10, 2022, and were due December 31, 2022. The taxes are subject to lien after March 31, 2023. Interest and penalties are assessed on taxes not paid by this date.

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

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

Inventories and Prepaid Items

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2023.

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

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

Right to Use Assets and Liabilities

Intangible assets are classified as right-to-use lease assets under GASB No. 87 and are amortized based on the underlying asset life.

The City is a lessee for a noncancellable lease of a building. The City recognizes a lease liability and an intangible right-to-use lease asset in the governmental activities of the City.

At the commencement of a lease, the City initially measures the lease liability at the present

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Deferred Outflows/Inflows of Resources

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with GASB No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. 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.

Long-term Obligations

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

Bond Premiums and Discounts

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

Fund Equity/Net Position

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

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

Nonspendable - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the the City Council must adopt another resolution.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Administrator to assign fund balances.

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

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2023 are as follows:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Net investment in capital assets: | | |
| Cost of capital assets | \$ 3,776,770 | \$ 10,715,976 |
| Accumulated depreciation | (1,614,296) | (4,711,858) |
| Net book value | 2,162,474 | 6,004,118 |
| Cost of right to use assets | 114,051 | - |
| Accumulated amortization | (17,108) | - |
| Net book value | 96,943 | - |
| Finance Purchases related debt | (145,753) | - |
| Accounts payable related to capital assets | (35,430) | - |
| Revenue bonds related to capital assets | - | (2,177,787) |
| Notes from direct borrowings | - | (127,490) |
| Right to use liability | (97,802) | - |
| Net investment in capital assets | \$ 1,980,432 | \$ 3,698,841 |

Management Estimates

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

Allocation of Indirect Cost

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports \$1,734,307 of restricted net position, of which \$1,726,441 is restricted by enabling legislation.

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

Restricted:

General Fund

| | |
|---|------------|
| <i>Public Safety</i> - For monies restricted from collections of police confiscations and speed camera fines. | \$ 178,563 |
|---|------------|

ARPA Fund

| | |
|---|-------|
| <i>ARPA service</i> - For unspent interest earned from the federal government funding for coronavirus relief. | 7,866 |
|---|-------|

SPLOST Fund

| | |
|--|------------------|
| <i>SPLOST</i> - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum. | <u>1,547,878</u> |
|--|------------------|

| | |
|-------------------------------|----------------------------|
| Total Restricted Fund Balance | <u><u>\$ 1,734,307</u></u> |
|-------------------------------|----------------------------|

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Budgeting Policy

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

Basis for Budgeting

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

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, Debt Service, or Proprietary Funds. The City of Statham has no recorded encumbrances at June 30, 2023.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

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

(C) DEFICIT FUND EQUITY

At June 30, 2023, no funds had deficit fund equity.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Credit Risk. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2023, the ratings of its investments are shown above.

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

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

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2023, all of the City's deposits were insured or were adequately collateralized with securities held by the pledging financial institution's name.

As of June 30, 2023, the City's bank balance of \$8,503,473 was adequately collateralized with securities held by the pledging financial institution's name.

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

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The City utilized the pooled method to secure deposits of public funds.

NOTE 5 - RECEIVABLES

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

| | <u>General Fund</u> | <u>SPLOST Fund</u> | <u>Water & Sewer Fund</u> |
|------------------------------------|-------------------------|------------------------|-----------------------------------|
| Receivables: | | | |
| Property Taxes | \$ 85,188 | \$ - | \$ - |
| Accounts | 7,248 | - | 142,247 |
| Intergovernmental | 69,436 | 47,402 | - |
| Total Gross Receivables | <u>161,872</u> | <u>47,402</u> | <u>142,247</u> |
| Less: Allowance for Uncollectibles | - | - | (11,934) |
| Total Net Receivables | <u>\$ 161,872</u> | <u>\$ 47,402</u> | <u>\$ 130,313</u> |

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|--------------------|---------------------|
| Property taxes (General Fund) | \$ 76,018 | \$ - |
| Grant drawdowns prior to meeting all eligibility requirements (ARPA Fund) | <u>-</u> | <u>1,060,186</u> |
| Total unavailable/ unearned revenue for governmental funds | <u>\$ 76,018</u> | <u>\$ 1,060,186</u> |

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Property taxes receivable at June 30, 2023, consist of the following:

| <u>Digest Year</u> | <u>General Fund</u> |
|--------------------|---------------------|
| 2022 | \$ 28,615 |
| 2021 | 7,626 |
| 2020 | 7,456 |
| 2019 | 4,182 |
| 2018 | 2,461 |
| 2017 | 1,979 |
| 2016 | 2,304 |
| 2015 | 3,246 |
| 2014 | 2,236 |
| 2013 | 3,296 |
| 2012 | 1,302 |
| 2011 & prior | 2,551 |
| Penalties | 6,833 |
| Interest | 11,101 |
| Total | <u>\$ 85,188</u> |

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2023 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirement</u> | <u>Transfer</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|-------------------|-----------------|---------------------------|
| Governmental Activities: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land and land improvements | \$ 365,949 | \$ - | \$ - | \$ - | \$ 365,949 |
| Construction in progress | 6,000 | - | - | - | 6,000 |
| Total non-depreciable capital assets | <u>371,949</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>371,949</u> |
| Depreciable Assets: | | | | | |
| Buildings and improvements | 524,899 | - | - | - | 524,899 |
| Machinery and Vehicles | 1,021,821 | 159,836 | - | - | 1,181,657 |
| Infrastructure | 1,656,500 | 41,765 | - | - | 1,698,265 |
| Total depreciable capital assets | <u>3,203,220</u> | <u>201,601</u> | <u>-</u> | <u>-</u> | <u>3,404,821</u> |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and improvements | (311,643) | (13,122) | - | - | (324,765) |
| Machinery and Vehicles | (644,652) | (120,353) | - | - | (765,005) |
| Infrastructure | (491,326) | (33,200) | - | - | (524,526) |
| Total accumulated depreciation | <u>(1,447,621)</u> | <u>(166,675)</u> | <u>-</u> | <u>-</u> | <u>(1,614,296)</u> |
| Total depreciable capital assets, net | <u>1,755,599</u> | <u>34,926</u> | <u>-</u> | <u>-</u> | <u>1,790,525</u> |
| Governmental activities capital assets, net | <u>\$ 2,127,548</u> | <u>\$ 34,926</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,162,474</u> |

Additions to governmental activities capital assets for fiscal year ending June 30, 2023 consist of the following:

| | |
|--------------------------------------|-------------------|
| Capital Outlay | <u>\$ 201,601</u> |
| Total Additions | <u>\$ 201,601</u> |
| Depreciable capital assets additions | <u>201,601</u> |
| Total Additions | <u>\$ 201,601</u> |

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

| | |
|---|-------------------|
| Governmental Activities: | |
| General Government | \$ 46,061 |
| Public Safety | 92,267 |
| Public Works | 28,347 |
| Total depreciation expense: Governmental Activities | <u>\$ 166,675</u> |

Capital asset activity for business-type funds for the year ended June 30, 2023 was as follows:

| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Retirement</u> | <u>Transfer</u> | Ending <u>Balance</u> |
|---|-----------------------------|---------------------|-------------------|-----------------|--------------------------|
| Business-type Activities: | | | | | |
| Non-Depreciable Assets: | | | | | |
| Land and land improvements | \$ 525,753 | \$ - | \$ - | \$ - | \$ 525,753 |
| Total non-depreciable capital assets | <u>525,753</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>525,753</u> |
| Depreciable Assets: | | | | | |
| Buildings and improvements | 41,898 | - | - | - | 41,898 |
| Distribution systems | 9,589,002 | 75,573 | - | - | 9,664,575 |
| Machinery and Vehicles | 483,750 | - | - | - | 483,750 |
| Total depreciable capital assets | <u>10,114,650</u> | <u>75,573</u> | <u>-</u> | <u>-</u> | <u>10,190,223</u> |
| Less Accumulated Depreciation for: | | | | | |
| Buildings and improvements | (26,139) | (1,048) | - | - | (27,187) |
| Distribution Systems | (4,004,015) | (199,902) | - | - | (4,203,917) |
| Machinery and Vehicles | (479,769) | (985) | - | - | (480,754) |
| Total accumulated depreciation | <u>(4,509,923)</u> | <u>(201,935)</u> | <u>-</u> | <u>-</u> | <u>(4,711,858)</u> |
| Total depreciable capital assets, net | <u>5,604,727</u> | <u>(126,362)</u> | <u>-</u> | <u>-</u> | <u>5,478,365</u> |
| Business-type activities capital assets, net | <u>\$ 6,130,480</u> | <u>\$ (126,362)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,004,118</u> |

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

| | |
|--|-------------------|
| Business-type Activities: | |
| Water & Sewer | \$ 201,935 |
| Total depreciation expense: Business-type Activities | <u>\$ 201,935</u> |

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2023, and the remainder of the authorized project expenditures for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

| | <u>Project Authorization</u> | <u>Expended To Date</u> | <u>Contracts in Progress</u> | <u>Authorized Not Obligated</u> | <u>Source</u> |
|--------------------------------------|----------------------------------|-----------------------------|----------------------------------|-------------------------------------|---------------|
| Governmental Activities: | | | | | |
| Library Project | \$ 395,877 | \$ 6,000 | \$ - | \$ 389,877 | General Fund |
| Total Governmental Activities | <u>\$ 395,877</u> | <u>\$ 6,000</u> | <u>\$ -</u> | <u>\$ 389,877</u> | |

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2023, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> | <u>Due After One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|-------------------------------|
| Governmental Activities: | | | | | | |
| Financed Purchases | \$ 135,855 | \$ 50,383 | \$ (40,485) | \$ 145,753 | \$ 52,207 | \$ 93,546 |
| Compensated absences | - | 70,648 | (29,990) | 40,658 | 16,263 | 24,395 |
| Governmental activities long-term liabilities | <u>\$ 135,855</u> | <u>\$ 121,031</u> | <u>\$ (70,475)</u> | <u>\$ 186,411</u> | <u>\$ 68,470</u> | <u>\$ 117,941</u> |
| Business-type Activities: | | | | | | |
| Revenue bonds | \$ 2,305,000 | \$ - | \$ (220,000) | \$ 2,085,000 | \$ 230,000 | \$ 1,855,000 |
| Add: Original issue | | | | | | |
| Premiums | 102,067 | - | (9,281) | 92,786 | 9,281 | 83,505 |
| Total Revenue Bonds | 2,407,067 | - | (229,281) | 2,177,786 | 239,281 | 1,938,505 |
| Notes from direct borrowings | 153,178 | - | (25,300) | 127,490 | 26,081 | 101,409 |
| Business-type activities long-term liabilities | <u>\$ 2,560,245</u> | <u>\$ -</u> | <u>\$ (254,581)</u> | <u>\$ 2,305,276</u> | <u>\$ 265,362</u> | <u>\$ 2,039,914</u> |

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

FINANCED PURCHASES

Vehicles were acquired under financed purchase agreements which bear interest rates from 3.25% to 5.03%. The vehicles have an estimated useful life of five years. The net value of the financed purchases related to the vehicle purchases as of June 30, 2023 is \$84,145.

The City also has a financed purchase with Axon Enterprise, Inc related to public safety equipment. The City is required to make yearly payments. The equipment estimated useful life was 60 months as of the contract commencement. The net value of the financed purchases related to the Axon agreements as of June 30, 2023 is \$61,608.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Minimum future annual debt service required for these financed purchases, as of June 30, 2023, are as follows:

| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|-------------------|-----------------|-------------------|
| 2024 | \$ 52,207 | \$ 2,727 | \$ 54,934 |
| 2025 | 53,855 | 1,080 | 54,935 |
| 2026 | 19,537 | 27 | 19,564 |
| 2027 | 10,077 | - | 10,077 |
| 2028 | 10,077 | - | 10,077 |
| Total | <u>\$ 145,753</u> | <u>\$ 3,834</u> | <u>\$ 149,587</u> |

BUSINESS TYPE ACTIVITIES

As of June 30, 2023, the the long-term debt payable from proprietary fund resources consisted of the items described below.

REVENUE BONDS

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

Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2023, are as follows:

| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|---------------------|-------------------|---------------------|
| 2024 | \$ 230,000 | \$ 89,550 | \$ 319,550 |
| 2025 | 240,000 | 80,350 | 320,350 |
| 2026 | 250,000 | 70,750 | 320,750 |
| 2027 | 250,000 | 63,250 | 313,250 |
| 2028 | 260,000 | 55,750 | 315,750 |
| 2029-2033 | 855,000 | 100,750 | 955,750 |
| Total | <u>\$ 2,085,000</u> | <u>\$ 460,400</u> | <u>\$ 2,545,400</u> |

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTES FROM DIRECT BORROWINGS

In 2015, the City obtained a GEFA construction note payable in the original amount of \$258,100. Upon completion of construction, the total draws on this construction note were \$240,073. Debt payments are due in monthly installments of \$2,320, with an interest rate of 1.52% and final maturity dated June 1, 2027. The note payable was used to finance the improvement and expansion of the City's water system. As of June 30, 2023, the outstanding balance was \$127,490.

The annual debt service requirements to amortize this debt as of June 30, 2023, are as follows:

| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|-------------------|-----------------|-------------------|
| 2024 | \$ 26,081 | \$ 1,757 | \$ 27,838 |
| 2025 | 26,480 | 1,357 | 27,837 |
| 2026 | 26,885 | 952 | 27,837 |
| 2027 | 27,297 | 541 | 27,838 |
| 2028 | 20,747 | 672 | 21,419 |
| Total | <u>\$ 127,490</u> | <u>\$ 5,279</u> | <u>\$ 132,769</u> |

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - LEASES

RIGHT TO USE LEASE ASSETS

Right to use lease asset activity for the City for the period ended June 30, 2023, was as follows:

| | Balance <u>June 30, 2022</u> | Increase | Remeasurement | Decrease | Balance <u>June 30, 2023</u> |
|------------------------------------|---------------------------------|------------------|---------------|-------------|---------------------------------|
| Governmental Activities: | | | | | |
| Lease assets: | | | | | |
| Buildings | \$ - | \$ 114,052 | \$ - | \$ - | \$ 114,052 |
| Total lease assets | <u>-</u> | <u>114,052</u> | <u>-</u> | <u>-</u> | <u>114,052</u> |
| Less accumulated amortization for: | | | | | |
| Buildings | - | (17,108) | - | - | (17,108) |
| Total accumulated amortization | <u>-</u> | <u>(17,108)</u> | <u>-</u> | <u>-</u> | <u>(17,108)</u> |
| Total lease assets, net | <u>\$ -</u> | <u>\$ 96,944</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 96,944</u> |

LEASE LIABILITIES

Long-term lease liability activity for the period ended June 30, 2023, was as follows:

| | Balance <u>June 30, 2022</u> | Increase | Decrease | Balance <u>June 30, 2023</u> | Due within <u>one year</u> | Due in more than <u>one year</u> |
|-------------------------|---------------------------------|-------------------|--------------------|---------------------------------|-------------------------------|-------------------------------------|
| Lease liabilities: | | | | | | |
| Buildings | \$ - | \$ 114,052 | \$ (16,250) | \$ 97,802 | \$ 22,094 | \$ 75,708 |
| Total lease liabilities | <u>\$ -</u> | <u>\$ 114,052</u> | <u>\$ (16,250)</u> | <u>\$ 97,802</u> | <u>\$ 22,094</u> | <u>\$ 75,708</u> |

On October 1, 2022, the City entered into a 60 month lease as lessee for the property owned by Casto Brothers, LLC at 1906C Railroad Street. An initial lease liability was recorded in the amount of \$114,052. As of June 30, 2023, the value of the lease liability was \$97,802. The City is required to make yearly payments. The lease has an interest rate of 6%. The net value of the right to use asset as of June 30, 2023 of \$96,944 is included on the lease asset activities table above.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended June 30, 2023 are as follows:

| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|------------------|-----------------|------------------|
| 2024 | \$ 22,094 | \$ 439 | \$ 22,533 |
| 2025 | 22,657 | 327 | 22,984 |
| 2026 | 23,231 | 212 | 23,443 |
| 2027 | 29,820 | 100 | 29,920 |
| Total | <u>\$ 97,802</u> | <u>\$ 1,078</u> | <u>\$ 98,880</u> |

NOTE 9- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2023, is as follows:

| <u>Due To</u> | <u>Due From</u> | | <u>Total</u> |
|----------------------|-----------------------------------|---|---------------------|
| | <u>Water & Sewer Fund</u> | <u>Non-major Solid Waste Fund</u> | |
| General | \$ 2,989,969 | \$ 415,936 | \$ 3,405,905 |
| SPLOST | - | - | - |
| Water and Sewer Fund | - | - | - |
| Solid Waste Fund | 537,860 | - | 537,860 |
| Total | <u>\$ 3,527,829</u> | <u>\$ 415,936</u> | <u>\$ 3,943,765</u> |

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Interfund transfers as of the year ended June 30, 2023 are as follows:

| | Transfers Out | | | | Total |
|---------------------|------------------|-------------------|----------------------------|--------------------|---------------------|
| | General Fund | SPLOST Fund | Nonmajor Debt Service Fund | Water & Sewer Fund | |
| <u>Transfers In</u> | | | | | |
| General Fund | \$ - | \$ - | \$ - | \$ 750,000 | \$ 750,000 |
| Debt Service Fund | 41,143 | 316,903 | - | 27,840 | 385,886 |
| Water & Sewer Fund | - | - | 341,838 | - | 341,838 |
| Total | <u>\$ 41,143</u> | <u>\$ 316,903</u> | <u>\$ 341,838</u> | <u>\$ 777,840</u> | <u>\$ 1,477,724</u> |

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

NOTE 10 - RETIREMENT PLANS

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Employees are eligible to participate in the plan after one year and having at least 1,000 hours of continuous service. The City will match employee contributions up to five percent (5%) of the employee's annual compensation not to exceed \$7,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the City and are not reported in these financial statements. The City contribution for fiscal year 2023 was \$11,582.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the members governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation of defense.

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

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

NOTE 12 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

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

NOTE 13 - LITIGATION

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

NOTE 14 - CERTAIN SIGNIFICANT ESTIMATES

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

NOTE 15 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the twelve (12) county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City did not pay annual dues to the NEGRC for the year ended June 30, 2023; the City's membership dues were assessed and paid by Barrow County, Georgia. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

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

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

NOTE 16 - SEWER CONTRACTS

In 2021, the City purchased 20,528 gallons per day of waste water treatment capacity from the Barrow County Water and Sewer Authority for \$229,500, which has been recorded as capacity held for resale. In 2023, the City purchased an additional 13,750 gallons per day for \$247,500. This asset will be expensed as it is sold to developers and other users. At June 30, 2023, the County has sold 26,500 gallons of the capacity, and the remaining capacity is valued at \$140,000.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 17 - SUBSEQUENT EVENTS

On May 16, 2023, the Council approved the auctioned sale of property held at 330 Jefferson Street, which was finalized in fiscal year 2024. Council intends to assign the proceeds from this sale to be used for infrastructure and other public works repairs and maintenance expenditures.

On August 15, 2023 the Council approved the redemption of the Series 2012 bonds in the amount of \$1,115,000 with a redemption date of September 30, 2023.

CITY OF STATHAM, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2023
(Required Supplementary Information)

| | BUDGET AMOUNTS | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|---------------------|---------------------|---------------------|---|
| | ORIGINAL | FINAL | | |
| FUND BALANCE, Beginning of year | \$ 3,116,242 | \$ 3,116,242 | \$ 3,116,242 | \$ - |
| RESOURCES (INFLOWS) | | | | |
| Taxes | 1,501,480 | 1,589,623 | 1,690,020 | 100,397 |
| Licenses and permits | 133,125 | 167,125 | 163,034 | (4,091) |
| Intergovernmental | 2,300 | 3,300 | 5,462 | 2,162 |
| Fines and forfeitures | 145,000 | 222,500 | 357,567 | 135,067 |
| Charges for services | 50,521 | 50,521 | 35,664 | (14,857) |
| Contributions and donations | - | - | 2,722 | 2,722 |
| Investment income | 169 | 169 | 14,295 | 14,126 |
| Miscellaneous | 8,300 | 8,300 | 3,038 | (5,262) |
| Sale of county property | 2,000 | 2,000 | 1,258 | (742) |
| Capital lease issued | - | 114,000 | 114,051 | 51 |
| Transfers in | 820,295 | 820,295 | 750,000 | (70,295) |
| Total Resources (Inflows) | <u>2,663,190</u> | <u>2,977,833</u> | <u>3,137,111</u> | <u>159,278</u> |
| AMOUNTS AVAILABLE FOR APPROPRIATION | <u>5,779,432</u> | <u>6,094,075</u> | <u>6,253,353</u> | <u>159,278</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | | |
| Current Expenditures | | | | |
| General Government | | | | |
| Mayor and council | 93,667 | 89,667 | 87,063 | 2,604 |
| Elections | 1,800 | 1,800 | 1,775 | 25 |
| City Hall | 433,448 | 383,948 | 377,036 | 6,912 |
| Accounting | 36,100 | 54,100 | 53,872 | 228 |
| Total General Government | <u>565,015</u> | <u>529,515</u> | <u>519,746</u> | <u>9,769</u> |
| Judicial | | | | |
| Superior court | 58,850 | 68,850 | 67,940 | 910 |
| Total Judicial | <u>58,850</u> | <u>68,850</u> | <u>67,940</u> | <u>910</u> |
| Public Safety | | | | |
| Police | 1,233,862 | 1,489,505 | 1,455,320 | 34,185 |
| Total Public Safety | <u>1,233,862</u> | <u>1,489,505</u> | <u>1,455,320</u> | <u>34,185</u> |
| Public Works | | | | |
| Public works administration | 374,590 | 374,590 | 311,586 | 63,004 |
| Public works | 167,000 | 167,000 | 148,269 | 18,731 |
| Total Public Works | <u>541,590</u> | <u>541,590</u> | <u>459,855</u> | <u>81,735</u> |
| Public Health and Welfare | | | | |
| Community center | 22,980 | 40,980 | 40,747 | 233 |
| Total Public Health and Welfare | <u>22,980</u> | <u>40,980</u> | <u>40,747</u> | <u>233</u> |
| Culture and Recreation | | | | |
| Library | 70,500 | 71,500 | 71,445 | 55 |
| Other recreation and culture | 36,750 | 14,250 | 2,427 | 11,823 |
| Total Culture and Recreation | <u>107,250</u> | <u>85,750</u> | <u>73,872</u> | <u>11,878</u> |
| Housing and development | | | | |
| Building inspection | 35,000 | 100,000 | 97,169 | 2,831 |
| Planning and zoning | 27,500 | 50,500 | 27,472 | 23,028 |
| Total Housing and Development | <u>62,500</u> | <u>150,500</u> | <u>124,641</u> | <u>25,859</u> |
| Transfers out | 71,143 | 71,143 | 41,143 | 30,000 |
| TOTAL CHARGES TO APPROPRIATIONS | <u>2,663,190</u> | <u>2,977,833</u> | <u>2,783,264</u> | <u>190,195</u> |
| CHANGE IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>353,847</u> | <u>353,847</u> |
| FUND BALANCE, End of year | <u>\$ 3,116,242</u> | <u>\$ 3,116,242</u> | <u>\$ 3,470,089</u> | <u>\$ 353,847</u> |

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF STATHAM, GEORGIA
ARPA FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023
(Required Supplementary Information)

| | BUDGET AMOUNTS | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--------------------------------------|------------------|------------------|-----------------|---|
| | ORIGINAL | FINAL | | |
| FUND BALANCE, Beginning of year | \$ 143 | \$ 143 | \$ 143 | \$ - |
| RESOURCES (INFLOWS) | | | | |
| Investment income | <u>1,060,294</u> | <u>1,060,294</u> | <u>7,723</u> | <u>(1,052,571)</u> |
| Total Resources (Inflows) | <u>1,060,294</u> | <u>1,060,294</u> | <u>7,723</u> | <u>(1,052,571)</u> |
| AMOUNTS AVAILABLE FOR APPROPRIATION | <u>1,060,437</u> | <u>1,060,437</u> | <u>7,866</u> | <u>(1,052,571)</u> |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | | |
| Current Expenditures | | | | |
| Public works | <u>1,060,294</u> | <u>1,060,294</u> | <u>-</u> | <u>1,060,294</u> |
| TOTAL CHARGES TO APPROPRIATIONS | <u>1,060,294</u> | <u>1,060,294</u> | <u>-</u> | <u>1,060,294</u> |
| CHANGE IN FUND BALANCE | <u>-</u> | <u>-</u> | <u>7,723</u> | <u>7,723</u> |
| FUND BALANCE, End of year | <u>\$ 143</u> | <u>\$ 143</u> | <u>\$ 7,866</u> | <u>\$ 7,723</u> |

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

**CITY OF STATHAM, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023**

| | BUDGET AMOUNTS | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--------------------------------------|----------------|---------|---------|---|
| | ORIGINAL | FINAL | | |
| FUND BALANCE, Beginning of year | \$ - | \$ - | \$ - | \$ - |
| RESOURCES (INFLOWS) | | | | |
| Financed purchase proceeds | - | 50,383 | 50,383 | - |
| Transfer in | 385,886 | 385,886 | 385,886 | - |
| Total Resources (Inflows) | 385,886 | 436,269 | 436,269 | - |
| AMOUNTS AVAILABLE FOR APPROPRIATION | 385,886 | 436,269 | 436,269 | - |
| CHARGES TO APPROPRIATIONS (OUTFLOWS) | | | | |
| Current Expenditures | | | | |
| Public works | 41,143 | 94,431 | 94,431 | - |
| Transfers out | 344,743 | 341,838 | 341,838 | - |
| TOTAL CHARGES TO APPROPRIATIONS | 385,886 | 436,269 | 436,269 | - |
| FUND BALANCE, End of year | \$ - | \$ - | \$ - | \$ - |

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

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

CITY OF STATHAM, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2023

| PROJECT | ORIGINAL ESTIMATED COSTS | CURRENT ESTIMATED COSTS | PRIOR YEARS | EXPENDITURES | | |
|--|--------------------------------|-------------------------------|---------------------|---------------------------|---------------------|-------------------|
| | | | | ADJUSTMENT PRIOR YEARS | PRIOR YEARS | CURRENT YEAR |
| Barrow County - 2006 SPLOST (1) | | | | | | |
| Road Improvements | \$ 600,000 | \$ 476,925 | \$ 476,925 | \$ - | \$ 476,925 | \$ - |
| Subtotal - 2008 SPLOST | <u>600,000</u> | <u>476,925</u> | <u>476,925</u> | <u>-</u> | <u>476,925</u> | <u>-</u> |
| Barrow County - 2012 SPLOST (1) | | | | | | |
| Water & Sewer System Improvements, Facilities and Equipment | 1,405,980 | 1,297,324 | 1,620,885 | (323,561) | 1,297,324 | - |
| Subtotal - 2012 SPLOST | <u>1,405,980</u> | <u>1,297,324</u> | <u>1,620,885</u> | <u>(323,561)</u> | <u>1,297,324</u> | <u>-</u> |
| Barrow County - 2018 SPLOST | | | | | | |
| Water & Sewer System Improvements, Facilities and Equipment | 854,691 | 967,814 | - | 323,561 | 323,561 | 316,903 |
| Road, Street, Curb, and Sidewalk Projects | 854,691 | 967,814 | - | - | - | - |
| Subtotal - 2018 SPLOST | <u>1,709,382</u> | <u>1,935,628</u> | <u>-</u> | <u>323,561</u> | <u>323,561</u> | <u>316,903</u> |
| Barrow County - 2023 SPLOST | | | | | | |
| Water & Sewer System Improvements, Facilities and Equipment | 3,373,000 | 3,373,000 | - | - | - | - |
| Stormwater Capital Improvements and Equipment | 1,500,000 | 1,500,000 | - | - | - | - |
| Road, Street, Curb, and Sidewalk Projects | 1,500,000 | 1,500,000 | - | - | - | - |
| | <u>6,373,000</u> | <u>6,373,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Totals | <u>\$ 10,088,362</u> | <u>\$ 10,082,877</u> | <u>\$ 2,097,810</u> | <u>\$ -</u> | <u>\$ 2,097,810</u> | <u>\$ 316,903</u> |

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

| | |
|---------------|--------------------------|
| Expenditures | \$ - |
| Transfers out | 316,903 |
| Total | <u><u>\$ 316,903</u></u> |

(1) The City closed 2006 SPLOST and 2012 SPLOST in FY2023.



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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

February 12, 2024

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Statham, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Statham's basic financial statements and have issued our report thereon dated February 12, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2023-001 to 2023-004 below to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as items 2023-005 to 2023-006 to be significant deficiencies.

2023-001 Statement of Condition: (Re-Issued)

During fieldwork, we noted significant adjustments were necessary to adjust cash balances. In total, aggregate corrections of \$224,052 were recorded to the General Fund cash accounts. We also noted that generated bank reconciliations are inaccurate due to uncleared reconciling transactions in the accounting system; the net aggregate amount of these differences and reconciling items are \$18,737 and \$99,722 in the General Fund and Water & Sewer Fund, respectively.

Criteria:

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

Effect of Condition:

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

Cause of Condition:

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

Recommendation:

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

Response:

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

2023-002 Statement of Condition: (Re-Issued)

The City made numerous and repeated accounting errors, resulting in excessive adjusting journal entries necessary to correct account balances. Aggregate adjustments recorded during audit procedures reduced net income by (\$209,727) and (\$234,322) in the General Fund and Water & Sewer Fund, respectively.

Criteria:

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

Effect of Condition:

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

Cause of Condition:

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

Recommendation:

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

Response:

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

2023-003 Statement of Condition: (Re-Issued)

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

Criteria:

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

Effect of Condition:

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

Cause of Condition:

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

Recommendation:

We recommend the City segregate duties related to the custody, approval, and reporting functions of key operations.

Response:

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

2023-004 Statement of Condition: (Re-Issued)

The City could not provide sufficient supporting documentation for the Customer Deposits balance held in the Water & Sewer utility fund. The Utility Billing Security Deposits Held report does not agree to the general ledger by \$55,744.

Criteria:

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

Effect of Condition:

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

Cause of Condition:

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

Recommendation:

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

Response:

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

2023-005 Statement of Condition: (Re-Issued)

During fieldwork, we noted that current-year accrued payable balances were not properly reflected at year end. Aggregate adjustments of \$134,834 to the General Fund were necessary to correctly record payable balances at year-end.

Criteria:

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

Effect of Condition:

The risk of materially misstating liabilities and expenditures.

Cause of Condition:

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

Recommendation:

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

Response:

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

2023-006 Statement of Condition: (Re-Issued)

During fieldwork, we noted that the City did not record proceeds related to the financed purchases of Police equipment.

Criteria:

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

Effect of Condition:

Capital outlay and related proceeds from debt issuance are understated due to failure to record new debt agreements.

Cause of Condition:

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

Recommendation:

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

Response:

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Statham's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Statham's Response to Findings

The City of Statham's responses to the findings identified in our audit are described above. The City of Statham's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bates, Carter + Co, LLP