

CITY OF FORSYTH, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

INTRODUCTORY SECTION

CITY OF FORSYTH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

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CITY OF FORSYTH, GEORGIA

LIST OF PRINCIPAL OFFICIALS DECEMBER 31, 2019

MAYOR

Eric S. Wilson

CITY COUNCIL MEMBERS

Mike Dodd
Greg Goolsby
Chris Hewett
John Howard
Melvin Lawrence
Julius Stroud

CITY MANAGER

Janice Hall

CITY CLERK

Regina Ivie

POLICE CHIEF

Eddie Harris

FIRE CHIEF

David Herndon

ELECTRIC DEPARTMENT HEAD

Johnny Hodges

GARBAGE DEPARTMENT HEAD

Steve Butler

ECONOMIC DEVELOPMENT/ DOWNTOWN DEVELOPMENT AUTHORITY

Tammie Pierson

BETTER HOMETOWN DIRECTOR

Gilda Stansberry

MUNICIPAL COURT JUDGE

J. Kristi Lovelace

CITY ATTORNEY

C. Robert Melton

CITY AUDITORS

Mauldin & Jenkins, LLC

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of City Council
City of Forsyth, Georgia
Forsyth, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Forsyth, Georgia** (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Hotel/Motel Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 10), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 57), and the Schedule of City Contributions (on page 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated ("O.C.G.A.") §48-8-121, and is not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2020, on our consideration of the City'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'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 the City of Forsyth, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
August 26, 2020

CITY OF FORSYTH, GEORGIA
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

As management of the City of Forsyth, Georgia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City's Primary Government activities exceeded its liabilities as of December 31, 2019, by \$30,446,267.
- As of December 31, 2019, total net position consisted of \$16,637,996 net investment in capital assets, \$5,348 restricted for law enforcement, \$898,775 restricted for capital projects, \$61,288 restricted for debt service, and \$12,842,860 unrestricted.
- As of December 31, 2019, the City's governmental funds reported ending fund balance of \$3,389,422, an increase of \$725,062 in comparison with the prior year.
- As of December 31, 2019, the City's General Fund reported ending fund balance of \$2,485,299, an increase of \$448,046 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The statements within the first component are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status in a manner similar to a private-sector business.

The statements within the second component are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These two statements include the statement of net position, and the statement of activities.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

MANAGEMENT'S DISCUSSION & ANALYSIS

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through administrative fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and parks and recreation.

The government-wide financial statements include not only the City government itself (known as the primary government), but also the component unit of the Downtown Development Authority of Forsyth. Financial information for the component unit is reported separately from the financial information presented for the primary government itself. Data for the component unit is presented in a separate column to emphasize that it is legally separate from the City.

Fund Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City maintains four (4) individual governmental funds.

MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental Funds

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and the Hotel/Motel Tax Fund, both of which are considered to be major funds. Data from the other two (2) governmental funds is combined into a single, aggregated presentation. Individual fund data for this non-major governmental fund is provided in the form of both combining statements and individual fund statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Hotel/Motel Tax Fund. A budgetary comparison statement for each fund has been provided to demonstrate compliance with this budget.

Hotel/Motel Tax Fund

The City maintains one Hotel/Motel Tax Fund. This fund is used to account for hotel/motel taxes collected.

Proprietary Fund

The City maintains one proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a proprietary fund to account for the operation of the Combined Utilities Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for this fund and are provided in the form of individual fund statements elsewhere in this report.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$30,425,711 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION & ANALYSIS

A significant portion of the City's net position reflects its investment in capital assets (e.g., land buildings, machinery, equipment, and vehicles); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Law. The City Council establishes other funds to control and manage money for particular purposes.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 4,216,287	\$ 2,991,837	\$ 13,125,051	\$ 4,419,657	\$ 17,341,338	\$ 7,411,494
Capital assets, net of accumulated depreciation	7,642,616	7,551,015	11,427,842	12,126,593	19,070,458	19,677,608
Total assets	\$ 11,858,903	\$ 10,542,852	\$ 24,552,893	\$ 16,546,250	\$ 36,411,796	\$ 27,089,102
Deferred outflows of resources	601,767	364,341	-	-	601,767	364,341
Liabilities						
Current and other	\$ 686,089	\$ 1,480,344	\$ 1,317,242	\$ 1,369,771	\$ 2,003,331	\$ 2,850,115
Long-term liabilities	3,546,890	2,457,081	1,017,075	955,905	4,563,965	3,412,986
Total liabilities	\$ 4,232,979	\$ 3,937,425	\$ 2,334,317	\$ 2,325,676	\$ 6,567,296	\$ 6,263,101
Deferred inflows of resources	-	206,605	-	-	-	206,605
Net position						
Net investment in capital assets	6,324,550	6,217,039	10,313,446	11,099,033	16,637,996	17,316,072
Restricted for:						
Debt service	61,288	56,686	-	-	61,288	56,686
Law enforcement	5,348	4,732	-	-	5,348	4,732
Capital projects	898,775	416,149	-	-	898,775	416,149
Unrestricted	937,730	68,557	11,905,130	3,121,541	12,842,860	3,190,098
Total net position	\$ 8,227,691	\$ 6,763,163	\$ 22,218,576	\$ 14,220,574	\$ 30,446,267	\$ 20,983,737

MANAGEMENT'S DISCUSSION & ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program services:						
Charges for services	\$ 1,358,260	\$ 749,548	\$ 14,457,310	\$ 14,054,511	\$ 15,815,570	\$ 14,804,059
Operating grants and contributions	-	345,678	-	-	-	345,678
Capital grants and contributions	822,283	316,296	-	-	822,283	316,296
General revenues:						
Taxes	2,707,479	2,914,612	-	-	2,707,479	2,914,612
Investment and interest revenues	6,724	4,084	411,277	47,746	418,001	51,830
Other	-	124,636	-	178,583	-	303,219
Total revenues	<u>4,894,746</u>	<u>4,454,854</u>	<u>14,868,587</u>	<u>14,280,840</u>	<u>19,763,333</u>	<u>18,735,694</u>
Expenditures/expenses						
General government:	1,356,347	1,805,038	-	-	1,356,347	1,805,038
Judicial	2,000	-	-	-	2,000	-
Public safety	2,649,908	2,533,783	-	-	2,649,908	2,533,783
Public works	2,119,935	1,136,693	-	-	2,119,935	1,136,693
Housing and development	207,670	-	-	-	207,670	-
Culture and recreation	269,819	130,844	-	-	269,819	130,844
Better Hometown	9,361	233,403	-	-	9,361	233,403
Interest	88,805	81,087	-	-	88,805	81,087
Combined utilities	-	-	11,595,772	11,398,379	11,595,772	11,398,379
Total expenses	<u>6,703,845</u>	<u>5,920,848</u>	<u>11,595,772</u>	<u>11,398,379</u>	<u>18,299,617</u>	<u>17,319,227</u>
Change in net position						
before transfers	(1,809,099)	(1,465,994)	3,272,815	2,882,461	1,463,716	1,416,467
Transfers	2,869,379	2,869,330	(2,869,379)	(2,869,330)	-	-
Change in net position	<u>1,060,280</u>	<u>1,403,336</u>	<u>403,436</u>	<u>13,131</u>	<u>1,463,716</u>	<u>1,416,467</u>
Net position, beginning, as restated						
	<u>7,167,411</u>	<u>5,359,827</u>	<u>21,815,140</u>	<u>14,207,443</u>	<u>28,982,551</u>	<u>19,567,270</u>
Net position, ending	<u>\$ 8,227,691</u>	<u>\$ 6,763,163</u>	<u>\$ 22,218,576</u>	<u>\$ 14,220,574</u>	<u>\$ 30,446,267</u>	<u>\$ 20,983,737</u>

Governmental Funds

Most of the City's basic services are included here, such as public safety, public works, culture, recreation, and general administration. These focus on: 1) cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Such information is useful in assessing Forsyth's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,389,422, an increase of \$725,062 from the prior year, resulting primarily from the transfer from the proprietary fund which amounted to \$2,869,379 during the current year.

MANAGEMENT'S DISCUSSION & ANALYSIS

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$2,419,210. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. At the end of the current fiscal year, net investment in capital assets and unrestricted net position were \$10,313,446 and \$11,905,130, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund had a surplus of \$380,621 in revenues over expenditures. The General Fund financial condition became better due to large transfers from the Combined Utilities Fund during the current year. These transfers were necessary due to increasing expenditures in the General Fund.

The 2019 adopted budget was amended during 2020, resulting in several negative variances with the majority being from the general government governing body department. This was the result of increased costs of claims during the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$19,070,458 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, distribution systems, equipment, and construction in progress.

The total net decrease in the City's investment in capital assets for the current fiscal year was 3.1% (an increase of 1.2% for governmental activities and a decrease of 5.8% for business-type activities). Some of the major capital asset events for the current year include the purchase of a vehicles and construction of the new City Hall. Additional information on the City's capital assets can be found in the Note 5.

MANAGEMENT'S DISCUSSION & ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land improvements	\$ 2,661,493	\$ 2,661,493	\$ -	\$ -	\$ 2,661,493	\$ 2,661,493
Distribution system	-	-	27,263,896	27,232,596	27,263,896	27,232,596
Buildings and improvements	2,290,675	2,026,707	5,091,203	5,091,203	7,381,878	7,117,910
Infrastructure	3,197,944	3,255,708	-	-	3,197,944	3,255,708
Machinery and equipment	1,784,397	1,723,847	1,061,281	1,025,222	2,845,678	2,749,069
Vehicles	2,913,806	2,840,905	1,195,613	1,004,627	4,109,419	3,845,532
Land	1,132,693	1,126,698	249,261	249,261	1,381,954	1,375,959
Construction in progress	363,166	68,642	123,886	79,186	487,052	147,828
Total capital assets	14,344,174	13,704,000	34,985,140	34,682,095	49,329,314	48,386,095
Accumulated depreciation	(6,701,558)	(6,152,985)	(23,557,298)	(22,555,502)	(30,258,856)	(28,708,487)
Total capital assets, net	\$ 7,642,616	\$ 7,551,015	\$ 11,427,842	\$ 12,126,593	\$ 19,070,458	\$ 19,677,608

Long-Term Debt

As of December 31, 2019, the City had approximately \$3.2 million in outstanding long-term debt, which does not include interest expense.

Additional information on the City's long-term debt can be found in Note 6 of this report.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
SPLOST bonds and premium	\$ -	\$ 465,000	\$ -	\$ -	\$ -	\$ 465,000
Capital leases	621,214	622,181	211,439	83,767	832,653	705,948
Landfill post-closure costs	745,023	672,648	-	-	745,023	672,648
Notes payable	696,852	711,795	902,957	943,793	1,599,809	1,655,588
	\$ 2,063,089	\$ 2,471,624	\$ 1,114,396	\$ 1,027,560	\$ 3,177,485	\$ 3,499,184

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Forsyth, Georgia's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ms. Janice Hall, P.O. Box 1447, Forsyth, Georgia 31029.

BASIC FINANCIAL STATEMENTS

CITY OF FORSYTH, GEORGIA

STATEMENT OF NET POSITION DECEMBER 31, 2019

ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Forsyth Convention & Visitors Bureau Authority	Downtown Development Authority
	Activities	Activities			
Cash and cash equivalents	\$ 3,145,910	\$ 1,499,962	\$ 4,645,872	\$ 209,448	\$ 8,877
Investments	-	10,515,773	10,515,773	-	-
Accounts receivable, net of allowances					
Claims	492,910	-	492,910	-	-
Taxes	81,484	-	81,484	-	-
Accounts	12,405	577,306	589,711	-	-
Due from other governments	468,290	-	468,290	-	-
Due from primary government	-	-	-	29,409	-
Due from component unit	10,487	222,453	232,940	-	-
Inventories	260	291,961	292,221	-	-
Prepaid expenses	4,541	17,596	22,137	-	-
Capital assets, nondepreciable	1,495,859	373,147	1,869,006	-	129,194
Capital assets, depreciable, net of accumulated depreciation	6,146,757	11,054,695	17,201,452	1,707	175,500
Total assets	11,858,903	24,552,893	36,411,796	240,564	313,571
DEFERRED OUTFLOWS OF RESOURCES					
Pension	601,767	-	601,767	-	-
Total deferred outflows of resources	601,767	-	601,767	-	-
LIABILITIES					
Accounts payable	437,842	707,743	1,145,585	5,535	-
Accrued liabilities	95,786	33,662	129,448	10,487	-
Due to component unit	29,409	-	29,409	-	-
Due to primary government	-	-	-	-	222,453
Due to other governments	4,552	-	4,552	-	-
Customer deposits	-	459,122	459,122	-	-
Other liabilities	-	19,394	19,394	-	-
Capital leases due within one year	61,093	55,498	116,591	-	-
Capital leases due in more than one year	560,121	155,941	716,062	-	-
Notes payable due within one year	15,592	41,823	57,415	-	-
Notes payable due in more than one year	681,260	861,134	1,542,394	-	-
Net pension liability	1,602,301	-	1,602,301	-	-
Landfill post-closure care costs due in less than one year	41,815	-	41,815	-	-
Landfill post-closure care costs due in more than one year	703,208	-	703,208	-	-
Total liabilities	4,232,979	2,334,317	6,567,296	16,022	222,453
NET POSITION					
Net investment in capital assets	6,324,550	10,313,446	16,637,996	1,707	175,500
Restricted for:					
Law enforcement	5,348	-	5,348	-	-
Capital projects	898,775	-	898,775	-	-
Debt service	61,288	-	61,288	61,288	-
Unrestricted	937,730	11,905,130	12,842,860	222,835	(84,382)
Total net position	\$ 8,227,691	\$ 22,218,576	\$ 30,446,267	\$ 285,830	\$ 91,118

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 1,356,347	\$ 672,239	\$ -	\$ -
Judicial	2,000	364,979	-	-
Public safety	2,649,908	-	-	75,979
Public works	2,119,935	321,042	-	685,521
Housing and development	207,670	-	-	-
Culture and recreation	269,819	-	-	45,587
Better Hometown	9,361	-	-	15,196
Interest on long-term debt	88,805	-	-	-
Total governmental activities	6,703,845	1,358,260	-	822,283
Business-type activities:				
Water and sewer	3,542,041	3,619,420	-	-
Electric	8,053,731	10,837,890	-	-
Total business-type activities	11,595,772	14,457,310	-	-
Total primary government	\$ 18,299,617	\$ 15,815,570	\$ -	\$ 822,283
Forsyth Convention and Visitors Bureau Authority				
	\$ 230,454	\$ 229,219	\$ -	\$ -
Downtown Development Authority				
	103,296	14,414	-	-
Total Component Units	\$ 333,750	\$ 243,633	\$ -	\$ -
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Alcoholic beverage excise taxes				
Insurance premium taxes				
Other taxes				
Unrestricted investment earnings				
Transfers				
Total general revenues				
Change in net position				
Net position, beginning of year, as restated				
Net position, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position			Component Units	
Primary Government			Forsyth Convention & Visitors Bureau Authority	Downtown Development Authority
Governmental Activities	Business-type Activities	Total		
\$ (684,108)	\$ -	\$ (684,108)	\$ -	\$ -
362,979	-	362,979	-	-
(2,573,929)	-	(2,573,929)	-	-
(1,113,372)	-	(1,113,372)	-	-
(207,670)	-	-	-	-
(224,232)	-	(224,232)	-	-
5,835	-	5,835	-	-
(88,805)	-	(88,805)	-	-
<u>(4,523,302)</u>	<u>-</u>	<u>(4,315,632)</u>	<u>-</u>	<u>-</u>
-	77,379	77,379	-	-
-	2,784,159	2,784,159	-	-
-	2,861,538	2,861,538	-	-
<u>(4,523,302)</u>	<u>2,861,538</u>	<u>(1,454,094)</u>	<u>-</u>	<u>-</u>
-	-	-	(1,235)	-
-	-	-	-	(88,882)
-	-	-	(1,235)	(88,882)
462,412	-	462,412	-	-
1,124,883	-	1,124,883	-	-
105,572	-	105,572	-	-
202,852	-	202,852	-	-
292,586	-	292,586	-	-
519,174	-	519,174	-	-
6,724	411,277	418,001	-	-
<u>2,869,379</u>	<u>(2,869,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,583,582</u>	<u>(2,458,102)</u>	<u>3,125,480</u>	<u>-</u>	<u>-</u>
1,060,280	403,436	1,463,716	(1,235)	(88,882)
7,167,411	21,815,140	28,982,551	225,777	180,000
<u>\$ 8,227,691</u>	<u>\$ 22,218,576</u>	<u>\$ 30,446,267</u>	<u>\$ 224,542</u>	<u>\$ 91,118</u>

CITY OF FORSYTH, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,199,310	\$ 167,006	\$ 779,594	\$ 3,145,910
Accounts receivable, net of allowances				
Claims	492,910	-	-	492,910
Taxes	44,406	37,078	-	81,484
Accounts	12,405	-	-	12,405
Due from other governments	223,980	-	244,310	468,290
Due from other funds	170,123	-	-	170,123
Due from component unit	10,487	-	-	10,487
Inventories	260	-	-	260
Prepaid expenditures	4,541	-	-	4,541
Total assets	<u>\$ 3,158,422</u>	<u>\$ 204,084</u>	<u>\$ 1,023,904</u>	<u>\$ 4,386,410</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 437,842	\$ -	\$ -	\$ 437,842
Accrued liabilities	80,762	-	-	80,762
Due to component unit	-	29,409	-	29,409
Due to other funds	-	170,123	-	170,123
Due to other governments	-	4,552	-	4,552
Total liabilities	<u>518,604</u>	<u>204,084</u>	<u>-</u>	<u>722,688</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	24,077	-	-	24,077
Unavailable revenue - intergovernmental	130,442	-	119,781	250,223
Total deferred inflows of resources	<u>154,519</u>	<u>-</u>	<u>119,781</u>	<u>274,300</u>

(Continued)

CITY OF FORSYTH, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (CONTINUED)				
FUND BALANCES				
Fund balances:				
Nonspendable				
Inventories	\$ 260	\$ -	\$ -	\$ 260
Prepaid expenditures	4,541	-	-	4,541
Restricted				
Law enforcement	-	-	5,348	5,348
Debt service	61,288	-	-	61,288
Capital projects	-	-	898,775	898,775
Unassigned	<u>2,419,210</u>	<u>-</u>	<u>-</u>	<u>2,419,210</u>
Total fund balances	<u>2,485,299</u>	<u>-</u>	<u>904,123</u>	<u>3,389,422</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,158,422</u>	<u>\$ 204,084</u>	<u>\$ 1,023,904</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,642,616
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	274,300
The net pension liability and related deferred outflows and inflows of resources are not financial resources and, therefore, are not reported in the governmental funds.	(1,000,534)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,078,113)</u>
Net position of governmental activities	<u>\$ 8,227,691</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	General Fund	Hotel/Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property taxes	\$ 538,922	\$ -	\$ -	\$ 538,922
Sales taxes	1,124,883	-	-	1,124,883
Insurance premium taxes	292,586	-	-	292,586
Beer, wine and alcohol taxes	202,852	-	-	202,852
Franchises taxes	105,572	-	-	105,572
Other taxes	-	519,174	-	519,174
Licenses and permits	120,581	-	-	120,581
Intergovernmental	62,495	-	759,788	822,283
Fines and forfeitures	364,979	-	-	364,979
Charges for services	321,042	-	-	321,042
Interest revenue	5,896	-	828	6,724
Other revenues	551,658	-	-	551,658
Total revenues	3,691,466	519,174	760,616	4,971,256
Expenditures				
Current:				
General government	1,563,852	-	-	1,563,852
Public safety	2,472,131	-	-	2,472,131
Public works	1,935,814	-	-	1,935,814
Housing and development	-	207,670	-	207,670
Better Hometown	268,578	-	-	268,578
Recreation	70,621	-	-	70,621
Debt service:				
Principal	58,126	-	465,000	523,126
Interest	55,181	-	18,600	73,781
Total expenditures	6,424,303	207,670	483,600	7,115,573
Excess (deficiency) of revenues over (under) expenditures	(2,732,837)	311,504	277,016	(2,144,317)

(Continued)

CITY OF FORSYTH, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses)				
Transfers in	\$ 3,180,883	\$ -	\$ -	\$ 3,180,883
Transfers out	-	(311,504)	-	(311,504)
Total other financing sources (uses)	<u>3,180,883</u>	<u>(311,504)</u>	<u>-</u>	<u>2,869,379</u>
Net change in fund balances	448,046	-	277,016	725,062
Fund balances, beginning of year, as restated	<u>2,037,253</u>	<u>-</u>	<u>627,107</u>	<u>2,664,360</u>
Fund balances, end of year	<u>\$ 2,485,299</u>	<u>\$ -</u>	<u>\$ 904,123</u>	<u>\$ 3,389,422</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 725,062

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 outlay exceeded depreciation expense in the current period. 91,601

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (148,885)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 541,248

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. (148,746)

Change in net position - governmental activities \$ 1,060,280

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$ 543,000	\$ 543,000	\$ 538,922	\$ (4,078)
Sales taxes	950,000	950,000	1,124,883	174,883
Insurance premium taxes	275,500	275,500	292,586	17,086
Beer, wine and alcohol taxes	196,000	196,000	202,852	6,852
Franchises taxes	102,000	102,000	105,572	3,572
Licenses and permits	126,700	126,700	120,581	(6,119)
Intergovernmental	72,000	72,000	62,495	(9,505)
Fines and forfeitures	328,500	328,500	364,979	36,479
Charges for services	305,675	305,675	321,042	15,367
Interest revenue	2,400	2,400	5,896	3,496
Miscellaneous income	123,156	123,156	551,658	428,502
Total revenues	3,024,931	3,024,931	3,691,466	666,535
Expenditures				
Current				
General government:				
Administration	956,178	956,178	924,389	31,789
Governing body	277,301	277,301	580,951	(303,650)
Mayor	13,457	13,457	13,445	12
Elections	11,400	27,400	45,067	(17,667)
Total general government	1,258,336	1,274,336	1,563,852	(289,516)
Public safety:				
Police	1,715,901	1,654,401	1,375,907	278,494
Fire	1,167,410	1,167,410	987,337	180,073
Municipal court	106,134	111,134	108,887	2,247
Total public safety	2,989,445	2,932,945	2,472,131	460,814

(Continued)

CITY OF FORSYTH, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued)				
Public works:				
Streets/sanitation	\$ 1,770,589	\$ 1,770,589	\$ 1,585,060	\$ 185,529
Garage	212,257	212,257	209,066	3,191
Cemetary	150,986	150,986	141,688	9,298
Total public works	<u>2,133,832</u>	<u>2,133,832</u>	<u>1,935,814</u>	<u>198,018</u>
Better Hometown	<u>282,844</u>	<u>288,344</u>	<u>268,578</u>	<u>19,766</u>
Recreation	<u>40,760</u>	<u>80,760</u>	<u>70,621</u>	<u>10,139</u>
Debt service:				
Principal	-	-	58,126	(58,126)
Interest	-	-	55,181	(55,181)
Total debt service	<u>-</u>	<u>-</u>	<u>113,307</u>	<u>(113,307)</u>
Total expenditures	<u>6,705,217</u>	<u>6,710,217</u>	<u>6,424,303</u>	<u>285,914</u>
Deficiency of revenues under expenditures	<u>(3,680,286)</u>	<u>(3,685,286)</u>	<u>(2,732,837)</u>	<u>380,621</u>
Other financing sources (uses)				
Transfers in	<u>3,395,286</u>	<u>3,400,286</u>	<u>3,180,883</u>	<u>219,403</u>
Total other financing sources	<u>3,395,286</u>	<u>3,400,286</u>	<u>3,180,883</u>	<u>219,403</u>
Net change in fund balances	(285,000)	(285,000)	448,046	600,024
Fund balances, beginning of year, as restated	<u>2,037,253</u>	<u>2,037,253</u>	<u>2,037,253</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,752,253</u>	<u>\$ 1,752,253</u>	<u>\$ 2,485,299</u>	<u>\$ 600,024</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Hotel/Motel Tax Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues			
Other taxes	\$ 450,000	\$ 519,174	\$ 69,174
Total revenues	<u>450,000</u>	<u>519,174</u>	<u>69,174</u>
Expenditures			
Current:			
Housing and development	180,000	207,670	(27,670)
Total expenditures	<u>180,000</u>	<u>207,670</u>	<u>(27,670)</u>
Excess of revenues over expenditures	<u>270,000</u>	<u>311,504</u>	<u>41,504</u>
Other financing uses			
Transfers out	(270,000)	(311,504)	(41,504)
Total other financing uses	<u>(270,000)</u>	<u>(311,504)</u>	<u>(41,504)</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF FORSYTH, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2019

	Major Enterprise Fund Combined Utilities Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,499,962
Investments	10,515,773
Accounts receivable, net of allowances	577,306
Due from component unit	222,453
Inventories	291,961
Prepaid expenses	17,596
Total current assets	13,125,051
NON-CURRENT ASSETS	
Capital assets:	
Capital assets, nondepreciable	373,147
Capital assets, depreciable, net of accumulated depreciation	11,054,695
Total capital assets	11,427,842
Total non-current assets	11,427,842
Total assets	24,552,893
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	707,743
Accrued liabilities	33,662
Customer deposits payable	459,122
Notes payable, current portion	41,823
Capital lease payable, current portion	55,498
Other liabilities	19,394
Total current liabilities	1,317,242
NON-CURRENT LIABILITIES	
Notes payable, net of current portion	861,134
Capital lease payable, net of current portion	155,941
Total non-current liabilities	1,017,075
Total liabilities	2,334,317
NET POSITION	
Net investment in capital assets	10,313,446
Unrestricted	11,905,130
Total net position	\$ 22,218,576

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	Major Enterprise Fund Combined Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water and sewer sales	\$ 3,619,420
Electric sales	10,567,315
Miscellaneous	270,575
Total operating revenues	14,457,310
OPERATING EXPENSES	
Personnel services	545,229
Purchase of utilities	7,261,571
Material and supplies	916,601
Repairs and maintenance	171,096
Depreciation	1,001,796
Management fees	1,244,741
Miscellaneous	429,527
Total operating expenses	11,570,561
Operating income	2,886,749
NON-OPERATING INCOME (EXPENSES)	
Interest income	411,277
Interest expense	(25,211)
Total non-operating income, net	386,066
Income before transfers	3,272,815
TRANSFERS	
Transfers out	(2,869,379)
Total transfers	(2,869,379)
Change in net position	403,436
NET POSITION, beginning of year, as restated	21,815,140
NET POSITION, end of year	\$ 22,218,576

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Major Enterprise Fund Combined Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 14,776,560
Payments to suppliers and service providers	(9,942,984)
Payments to employees	(538,460)
	<hr/>
Net cash provided by operating activities	4,295,116
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(2,869,379)
	<hr/>
Net cash used in noncapital financing activities	(2,869,379)
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of property and equipment	(303,045)
Proceeds from bonds	190,985
Principal paid on bonds	(104,149)
Interest paid	(25,211)
	<hr/>
Net cash used in capital and related financing activities	(241,420)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(459,398)
Interest on investments	411,277
	<hr/>
Net cash used in investing activities	(48,121)
	<hr/>
Increase in cash and cash equivalents	1,136,196
Cash and cash equivalents:	
Beginning of year	2,825,575
Reconciling item: Reclassed cash to investments during fiscal year 2019	(2,461,809)
	<hr/>
Beginning of year, as reclassified	363,766
End of year	\$ 1,499,962
	<hr/>
Classified as:	
Cash and cash equivalents	\$ 1,499,962
	<hr/>
	\$ 1,499,962
	<hr/>

(Continued)

CITY OF FORSYTH, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	<u>Major Enterprise Fund Combined Utilities Fund</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,886,749
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,001,796
(Increase) decrease in assets	
Accounts receivable	319,250
Inventories	101,757
Due from other governments	240,345
Due from component unit	(222,453)
Prepaid expenses	45,867
Increase (decrease) in liabilities	
Accrued liabilities	(6,723)
Accounts payable	(59,859)
Customer deposits payable	13,492
Other liabilities	(25,105)
Net cash provided by operating activities	<u>\$ 4,295,116</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2019**

	<u>Municipal Court</u>
ASSETS	
Cash and cash equivalents	\$ 40,188
Total assets	<u>\$ 40,188</u>
LIABILITIES	
Due to others	\$ 40,188
Total liabilities	<u>\$ 40,188</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FORSYTH, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Forsyth, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements present the government and its component units, an entity for which the government is considered to be financial accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units

The **Downtown Development Authority of Forsyth (the “DDA”)** – The DDA was utilized to issue bonds related to the purchase and establishment of the cable system for the City of Forsyth. The governing board is appointed by the City Council. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The DDA does not issue separate component unit financial statements.

The City of Forsyth Convention and Visitors Bureau Authority (the “Authority”) – The City Council appoints all of the members of the Authority's board. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The Authority does not issue separate component unit financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information on all non-fiduciary activities of the primary government and its component units. 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 the 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) 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 or other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and investment income 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 City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 required to be accounted for in another fund.

The **Hotel/Motel Tax Fund** is used to account for hotel/motel taxes collected.

The City reports the following major proprietary fund:

The **Combined Utilities Fund** accounts for the activities of the government's electric, water and sewer systems.

The City reports the following fiduciary fund:

The **Municipal Court Fund** accounts for the activities of the government's municipal court collected funds.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The government's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several supplemental budgetary appropriations throughout the year.

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventory and Prepaid Items

Inventory of supplies in proprietary funds is valued at cost. Prepaid expenses are accounted for using the consumption method. A prepaid item is recognized when a cash expenditure is made for goods or services that were purchased for consumption, but not consumed as of December 31. At the fund reporting level, an equal amount of fund balance is nonspendable, as this amount is not available for general appropriation.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

All trade and property tax receivables are presented net of an allowance for uncollectibles. Trade accounts receivables in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as "advances". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements.

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

<u>Asset</u>	<u>Years</u>
Buildings	40
Land improvements	10
Public domain infrastructure	40
System infrastructure	30
Vehicles	5
Furniture, fixtures, and equipment	5

K. Compensated Absences

In accordance with the government's policy, employees are entitled to annual vacation and sick leave. The annual vacation benefits do not accrue and cannot be carried forward to subsequent periods. The annual sick leave benefits can accumulate up to three years equivalent but the accumulated sick leave will not be paid when employees leave the City's employment. Accordingly, there is no liability for unpaid accumulated vacation or sick leave.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures when incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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

M. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. 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 amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager or the City Clerk to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned 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 funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. The net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

N. Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. All four items relate to the City's Retirement Plan, which are reported in the government-wide and proprietary fund Statements of Net Position. Experience differences result from periodic studies by the City's actuary, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience differences are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. Changes in actuarial assumptions, which adjust the net pension liability, are also recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The net difference between projected an actual earnings on pension plan investments is deferred and amortized against pension expense over a five-year period, resulting in recognition as deferred outflows of resources. Additionally, any contributions made by the City to the pension plan, before year-end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the two items, *unavailable revenue*, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from: 1) property taxes, and 2) intergovernmental revenues and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the City of Forsyth Retirement Plan (the "Retirement Plan") and additions to/deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the respective plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Reclassification

Certain prior year amounts in cash have been reclassified investments to conform to the current year presentation.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Accrued interest payable	\$ (15,024)
Notes payable	(696,852)
Capital leases	(621,214)
Post-closure costs	<u>(745,023)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (2,078,113)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 697,938
Depreciation expense	<u>(606,337)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 91,601</u>

Another element of that reconciliation explains that “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.” The details of this difference are as follows:

Accrued interest	\$ (15,024)
Net pension liability and related deferred outflows and inflows of resources	<u>(133,722)</u>
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (148,746)</u>

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this difference are as follows:

Principal repayments:	
Revenue bonds	\$ 465,000
Note payable	14,943
Capital leases	<u>61,305</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 541,248</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2019, are summarized as follows:

Amount as presented on the entity wide statements of net assets:	
Cash and cash equivalents	\$ 4,645,872
Investments	10,515,773
Amounts as presented on the fiduciary statement of net assets:	
Cash and cash equivalents - Agency Fund	40,188
Component Units - cash and cash equivalents	218,325
Total	\$ 15,420,158
Cash deposited with financial institutions	\$ 4,904,385
Investments in the Municipal Competitive Trust	10,515,773
Total	\$ 15,420,158

Credit Risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. It is the City's policy to limit its investments to those allowed and authorized by state law. As of December 31, 2019, the City's investments in the Municipal Competitive Trust were rated between AA+ - AAA.

Interest Rate Risk. 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.

As of December 31, 2019, the City had the following investments:

Investment	Weighted Average Maturities	Fair Value
Municipal Competitive Trust (Interm. Ext. Mat.)	2.89 years	\$ 7,082,117
Municipal Competitive Trust (Intermediate)	113 days	1,493,413
Municipal Competitive Trust (Short-Term)	47 days	1,940,243
		\$ 10,515,773

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City's only investments that are required to be disclosed in the fair value hierarchy are its holdings in the Municipal Competitive Trust, which are considered to be Level 2 investments. These investments are valued using comparative observable input market data, including, but not limited to: benchmark yields or yield curves; historic sector, security, or issuer relative pricing; observed or reported trades of like assets broker dealer quotes; or quantitative pricing models using any or all of these market data.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of December 31, 2019, the City did not have any deposits which were uninsured and under collateralized as defined by GASB pronouncements.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 4. RECEIVABLES

Receivables as of December 31, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Hotel/Motel Tax Fund</u>	<u>Combined Utility Fund</u>	<u>Total</u>
Receivables:				
Taxes	\$ 44,406	\$ 37,078	\$ -	\$ 81,484
Claims	492,910	-	-	492,910
Accounts	26,404	-	626,306	652,710
Gross receivables	563,720	37,078	626,306	1,227,104
Less allowance for uncollectibles	13,999	-	49,000	62,999
Net total receivables	<u>\$ 549,721</u>	<u>\$ 37,078</u>	<u>\$ 577,306</u>	<u>\$ 1,164,105</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES (CONTINUED)

Property Taxes

Property taxes were levied on behalf of the City by Monroe County on December 20, 2019, (levy date) based upon property values assessed as of January 1, 2019. Property taxes levied by 2019 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended December 31, 2019, and collected by February 29, 2020, are recognized as revenues in the year ended December 31, 2019. Net receivables estimated to be collected subsequent to February 29, 2020 are deferred as of December 31, 2019, and recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are revaluated annually.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended December 31, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 1,126,698	\$ 5,995	\$ -	\$ -	\$ 1,132,693
Construction in progress	68,642	294,524	-	-	363,166
Total	<u>1,195,340</u>	<u>300,519</u>	<u>-</u>	<u>-</u>	<u>1,495,859</u>
Capital assets, being depreciated:					
Buildings	2,026,707	263,968	-	-	2,290,675
Infrastructure	3,255,708	-	(57,764)	-	3,197,944
Land improvements	2,661,493	-	-	-	2,661,493
Furniture, fixtures and equipment	1,723,847	60,550	-	-	1,784,397
Vehicles	2,840,905	72,901	-	-	2,913,806
Total	<u>12,508,660</u>	<u>397,419</u>	<u>(57,764)</u>	<u>-</u>	<u>12,848,315</u>
Less accumulated depreciation for:					
Buildings	1,067,440	59,878	-	-	1,127,318
Infrastructure	671,784	162,303	(57,764)	-	776,323
Land improvements	1,206,917	114,276	-	-	1,321,193
Furniture, fixtures and equipment	1,245,252	127,179	-	-	1,372,431
Vehicles	1,961,592	142,701	-	-	2,104,293
Total	<u>6,152,985</u>	<u>606,337</u>	<u>(57,764)</u>	<u>-</u>	<u>6,701,558</u>
Total assets, being depreciated, net	<u>6,355,675</u>	<u>(208,918)</u>	<u>-</u>	<u>-</u>	<u>6,146,757</u>
Governmental activities capital assets, net	<u>\$ 7,551,015</u>	<u>\$ 91,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,642,616</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 249,261	\$ -	\$ -	\$ -	\$ 249,261
Construction in progress	79,186	44,700	-	-	123,886
Total	<u>328,447</u>	<u>44,700</u>	<u>-</u>	<u>-</u>	<u>373,147</u>
Capital assets, being depreciated:					
Buildings	5,091,203	-	-	-	5,091,203
Distribution system	27,232,596	31,300	-	-	27,263,896
Machinery and equipment	1,025,222	36,059	-	-	1,061,281
Vehicles	1,004,627	190,986	-	-	1,195,613
Total	<u>34,353,648</u>	<u>258,345</u>	<u>-</u>	<u>-</u>	<u>34,611,993</u>
Less accumulated depreciation for:					
Buildings	5,031,364	2,364	-	-	5,033,728
Distribution system	15,665,462	958,888	-	-	16,624,350
Machinery and equipment	973,736	13,066	-	-	986,802
Vehicles	884,940	27,478	-	-	912,418
Total	<u>22,555,502</u>	<u>1,001,796</u>	<u>-</u>	<u>-</u>	<u>23,557,298</u>
Total assets, being depreciated, net	<u>11,798,146</u>	<u>(743,451)</u>	<u>-</u>	<u>-</u>	<u>11,054,695</u>
Business-type activities capital assets, net	<u>\$ 12,126,593</u>	<u>\$ (698,751)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,427,842</u>

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

Governmental activities

General government	\$ 73,645
Judicial	2,000
Public safety	202,253
Public works	327,196
Culture and recreation	1,243
	<u>1,243</u>

Total depreciation expense - governmental activities \$ 606,337

Business-type activities

Electric	\$ 55,499
Water and Sewer	946,297
	<u>946,297</u>

Total depreciation expense - business-type activities \$ 1,001,796

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

Discretely Presently Component Unit

Capital asset activity for the Downtown Development Authority for the fiscal year ended December 31, 2019, is as follows:

	(As restated) Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Construction in progress	\$ -	\$ 129,194	\$ -	\$ -	\$ 129,194
Total	<u>-</u>	<u>129,194</u>	<u>-</u>	<u>-</u>	<u>129,194</u>
Capital assets, being depreciated:					
Buildings	180,000	-	-	-	180,000
Total	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,000</u>
Less accumulated depreciation for:					
Buildings	-	4,500	-	-	4,500
Total	<u>-</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
Total assets, being depreciated, net	<u>180,000</u>	<u>(4,500)</u>	<u>-</u>	<u>-</u>	<u>175,500</u>
Business-type activities capital assets, net	<u>\$ 180,000</u>	<u>\$ 124,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,694</u>

NOTE 6. LONG-TERM DEBT

Bonds Payable

In 2012, the City, in conjunction with City of Culloden and Monroe County, issued bonds of \$12,650,000 in anticipation of receiving Special Purpose Local Option Sales Tax ("SPLOST") proceeds starting in 2014. The City is responsible for \$2,160,000 of the total amount of the bonds. The bonds consist of 15 semi-annual payments of varying amounts in accordance with the bond ordinance. The annual interest rate was 3.00% through December 1, 2015 and then increased to 4.00% for the remainder of the bond terms. At issuance of the bond, the City received a premium of \$307,776, which is being amortized at a rate of \$51,296 per year over the life of the bond. The bond was paid off during the current year.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Intergovernmental Payable

In 2019, the City entered into an intergovernmental agreement with Monroe County related to the SPLOST revenue bonds issued for a total \$16,780,000 in anticipation of receiving SPLOST proceeds starting in 2020. The City is responsible for \$2,175,000 (12.96%) of the total amount of the bonds as the City draws down the funds to be used on SPLOST approved expenditures. The bonds consist of 12 semi-annual payments of varying amounts in accordance with the intergovernmental agreement. The annual interest rate varies from 3.00% to 4.00%. As of December 31, 2019, the City had not drawn down any of the funds from the intergovernmental agreement.

Notes Payable

In 2005, the City obtained a note payable totaling \$862,080 from the United States Department of Agriculture for cost reimbursements associated with the construction of the Public Safety Building. The note consists of 478 monthly payments in the amount of \$3,742 and a final payment in the amount of \$2,646. The annual interest rate is 4.25%.

Annual debt service requirements to maturity for the notes payable are as follows:

Year	Principal	Interest
2020	\$ 15,592	\$ 29,312
2021	16,268	28,229
2022	16,973	27,506
2023	17,709	26,752
2024	18,476	25,965
2025 – 2029	105,109	116,778
2030 – 2034	129,946	91,318
2035 – 2039	160,652	35,281
2040 – 2044	198,615	25,905
2045	17,512	178
Total	\$ 696,852	\$ 407,224

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Other Long-Term Debt

In 2016, the City entered into a loan agreement with the Georgia Environmental Facilities Authority (“GEFA”) for environmental facilities construction. The note is a construction line of credit agreement with a rate of 2.39% for \$1,000,000. As of December 31, 2019, the City had no unused line of credit related to this note. The City’s line of credit outstanding at December 31, 2019, is as follows:

Purpose	Original Amount	Interest Rate	Due Date	Amount
GEFA Loan – 2016L05WS	\$ 1,000,000	2.39%	7/1/2037	\$ 902,957
				902,957
		Less current maturities:		(41,823)
				\$ 861,134

The City’s outstanding note from direct borrowings related to business-type activities of \$902,957 is secured by the City’s revenue raising power. The City covenants and agrees that it shall, to the extent necessary, levy an annual ad valorem tax on all taxable property within the City as necessary to produce revenues that will be sufficient to fulfill the City’s obligations of this note. The outstanding note from direct borrowings contains a provision that in an event of default, the lender may declare the outstanding principal and accrued interest immediately due and may terminate its remaining commitment (if any) to make further advances of the loan.

Annual debt service requirements to maturity for the construction line of credit are as follows:

Year	Principal	Interest
2020	\$ 41,823	\$ 21,124
2021	42,833	20,114
2022	43,868	19,079
2023	44,928	18,019
2024	46,014	16,933
2025 – 2029	247,295	67,441
2030 – 2034	278,651	36,085
2035 – 2037	157,545	5,070
Total	\$ 902,957	\$ 203,865

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Capital Leases

Also, in 2015, the City entered into a capital lease agreement with PNC Financial to purchase a fire truck. The amount financed was \$715,265, due in annual installments of \$64,521, including interest at 3.92%, for 15 years ending in 2030. In 2016, the City entered into a capital lease to purchase a bucket truck from ALTEC Capital Services. The lease is for \$164,764 and is due in annual installments of \$30,014. In 2019, the City entered into a capital lease to purchase a bucket truck from ALTEC Capital Services. The lease is for \$190,985 and is due in annual installments of \$36,399.

Year Ending July 31,	Governmental Activities	Business-type Activities
2020	\$ 87,816	\$ 66,413
2021	87,816	66,413
2022	81,992	36,399
2023	64,521	36,399
2024	64,521	36,400
2025 – 2029	322,604	-
2030	64,521	-
Total minimum lease payments	773,791	242,024
Less amount representing interest	(152,577)	(30,585)
Present value of future minimum lease payments	621,214	211,439
Less current maturities	(61,093)	(55,498)
	\$ 560,121	\$ 155,941

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019 is as follows:

	(As restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 465,000	\$ -	\$ (465,000)	\$ -	\$ -
Notes payable - USDA	711,795	-	(14,943)	696,852	15,592
Capital leases	682,519	-	(61,305)	621,214	61,093
Landfill post-closure costs	672,648	72,375	-	745,023	41,815
Net pension liability	1,178,155	833,976	(409,830)	1,602,301	-
Governmental activities Long-term liabilities	<u>\$ 3,710,117</u>	<u>\$ 906,351</u>	<u>\$ (951,078)</u>	<u>\$ 3,665,390</u>	<u>\$ 118,500</u>
Business-type activities					
Notes payable	943,793	-	(40,836)	902,957	41,823
Capital leases	83,767	190,985	(63,313)	211,439	55,498
Business-type activities Long-term liabilities	<u>\$ 1,027,560</u>	<u>\$ 190,985</u>	<u>\$ (104,149)</u>	<u>\$ 1,114,396</u>	<u>\$ 97,321</u>

For the governmental activities, compensated absences, and post-closure landfill costs are generally liquidated by the General fund.

Closure/Post-closure Care Costs

Effective December 2000, the City of Forsyth Old Brent Road Landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the City must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. Engineering studies estimate post-closure costs of approximately \$745,023 over the remaining 15-year period. These costs are based on what it would cost to perform all post-closure care in 1993, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this post-closure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City's defined benefit pension plan, the City of Forsyth Retirement Plan (the "Plan"), provides retirement, disability, and death benefits to plan members and beneficiaries. The Plan is administered through the Georgia Municipal Employees Benefit System ("GMEBS"), an agent multiple employer pension plan administered by the Georgia Municipal Association. The benefit provisions and all other requirements are established by City ordinance. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Plan Membership. As of July 1, 2019, pension plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	71
Terminated plan members entitled to, but not receiving benefits	38
Active plan members	<u>66</u>
Total beneficiaries	<u><u>175</u></u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. City contributions to the Plan were \$273,474, which is 10.1% of covered payroll for the year ended December 31, 2019. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method. Plan members are not permitted to contribute to the Plan.

B. Net Pension Liability of the City

The City's net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, with updated procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Return	7.50%
Salary increases	2.75% plus service based merit increases
Inflation	2.75%
Cost of living adjustments	0.00%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010 – June 30, 2014.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	45%	6.40%
International equity	20%	7.40%
Real estate	10%	5.10%
Global fixed income	5%	3.03%
Domestic fixed income	20%	1.75%
Cash	0%	
Total	<u>100%</u>	

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	\$ 6,622,057	\$ 5,443,902	\$ 1,178,155
<i>Changes for the year:</i>			
Service cost	102,510	-	102,510
Interest	489,784	-	489,784
Differences between expected and actual experience	216,432	-	216,432
Assumption changes	-	-	-
Contributions - employer	-	216,253	(216,253)
Contributions - employee	-	-	-
Net investment income	-	193,577	(193,577)
Benefit payments, including refunds of employee contributions	(388,234)	(388,234)	-
Administrative expense	-	(25,250)	25,250
Other	-	-	-
<i>Net changes</i>	420,492	(3,654)	424,146
Ending Balance	\$ 7,042,549	\$ 5,440,248	\$ 1,602,301

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 2,395,975	\$ 1,602,301	\$ 926,824

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2019, and the current sharing pattern of costs between employer and employee.

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$401,474. At December 31, 2019, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 341,786	\$ -
Changes in assumptions	49,440	-
Net difference between projected and actual earnings on pension plan investments	5,435	-
City contributions subsequent to the measurement date	205,106	-
Total	\$ 601,767	\$ -

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

City contributions subsequent to the measurement date of \$205,106, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2020	\$ 188,067
2021	118,709
2022	48,421
2023	41,464
Total	<u>\$ 396,661</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no interfund balances as of December 31, 2019.

<u>Receivable Fund</u>	<u>Payable Fund</u>	
	<u>Hotel/Motel Tax Fund</u>	<u>Total</u>
General Fund	\$ 170,123	\$ 170,123
Total	<u>\$ 170,123</u>	<u>\$ 170,123</u>

The composition of interfund transfers as of December 31, 2019, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>		
	<u>Hotel/Motel Tax Fund</u>	<u>Combined Utilities Fund</u>	<u>Total</u>
General Fund	\$ 311,504	\$ 2,869,379	\$ 3,180,883
Total	<u>\$ 311,504</u>	<u>\$ 2,869,379</u>	<u>\$ 3,180,883</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 9. BUDGET COMPLIANCE

Expenditures in Excess of Appropriations

The following departments had actual expenditures in excess of appropriations for the year ended December 31, 2019:

<u>Department</u>	<u>Excess</u>
General Fund	
General government	
Governing body	\$ 303,650
Elections	17,667
Debt service	
Principal	58,126
Interest	55,181

NOTE 10. HOTEL/MOTEL LODGING TAX

The City has levied a lodging tax. For the fiscal year ended December 31, 2019, \$519,174 of hotel/motel tax was collected. Of the total collected, 60% was used for the promotion of tourism in the General Fund for \$311,504 and 40% was used for the promotion of tourism in the Convention and Visitors Board for \$207,670.

NOTE 11. JOINT VENTURES

Under Georgia law, the City in conjunction with other cities and counties in the Middle Georgia area is a member of the Middle Georgia Regional Commission ("MGRC") and is required to pay annual dues thereto. During its year ended June 30, 2019, the City paid \$22,770 in such dues. Membership in an MGRC is required by the Official Code of Georgia Annotated ("O.C.G.A.") §50-8-34 which provides for the organizational structure of the MGRC in Georgia. The MGRC Board membership includes the chief elected official of each county and municipality of the area. O.C.G.A. §50-8-39.0 provides that the member governments are liable for any debts or obligations of an MGRC. Separate financial statements may be obtained from: Middle Georgia Regional Commission; 175 Emery Highway; Macon, Georgia 31217.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RELATED ORGANIZATIONS

The Housing Authority of the City of Forsyth, Georgia is considered a related organization based upon the criteria of GASB Statement 14. The Housing Authority of the City of Forsyth, Georgia is a legally separate entity having a board composed of members appointed originally by the City. The City is not able to impose its will upon the Housing Authority of the City of Forsyth, Georgia, and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Forsyth, Georgia is a related organization.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that impair the City's financial position as of the date of this audit report.

Grants from Governments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia ("MEAG") is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by state law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit unless any such profits inure to the benefit of the public.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Electric Authority of Georgia (Continued)

As of December 31, 2019, the City is an electric utility participant in MEAG and obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the Authority. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on kWh usage. The total payments under these contracts amounted to \$6,654,822 in 2019.

At December 31, 2019, the outstanding debt of MEAG was approximately \$8.34 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately \$76.87 million at December 31, 2019.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has coverage with Travelers' Insurance Company, which the City is fully insured on automobile insurance, general liability employment practices liability, property coverage, and cyber security. These plans have various deductibles the City is responsible of meeting. In addition, the City has joined together with other municipalities in the state as part of the Georgia Firefighters' Cancer Benefit Program and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments. 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 pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment and all expenses incurred for investigation, negotiation or defense. Settled claims in the past three years have not exceeded the coverages.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RESTATEMENT OF ERRORS IN PRIOR YEAR REPORTING

Government-wide Level Restatements

The City has determined that a restatement to beginning net position of governmental activities, beginning net position of business-type activities, and beginning net position of Downtown Development Authority are required as of December 31, 2018.

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Downtown Development Authority</u>
Net position, as previously reported	\$ 6,763,163	\$ 14,220,574	\$ -
Adjustments to beginning net position to reflect corrections of error, net			
Adjustment to include deferred outflows of resources - pension	153,607	-	-
Adjustment to capital leases payable	(60,337)	-	-
Adjustment to General Fund (see below)	435,577	-	-
Adjustment to SPLOST Fund (see below)	(124,599)	-	-
Adjustment to Combined Utilities Fund (see below)	-	7,594,566	-
Adjustment to DDA include capital assets	-	-	180,000
Net position, as restated	<u>\$ 7,167,411</u>	<u>\$ 21,815,140</u>	<u>\$ 180,000</u>

Fund Level Restatements

The City has determined that a restatement was required to the beginning fund balance for the General Fund and SPLOST Fund as of December 31, 2018. In addition, the City has determined a restatement was required to the beginning net position of the Combined Utilities Fund as of December 31, 2018.

	<u>Governmental Funds</u>		<u>Enterprise Fund</u>
	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Major Fund</u>
	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Combined Utilities Fund</u>
Fund balance/net position, as previously reported	\$ 1,732,117	\$ 866,149	\$ 14,220,574
Adjustments to beginning fund balance/net position to reflect corrections of error, net			
To record unreported cash in the General Fund	435,577	-	-
To remove improperly recognized cash in the SPLOST Fund	-	(124,599)	-
To record deferred inflows of resources - unavailable revenues related to claims receivable	(130,441)	-	-
To record deferred inflows of resources - unavailable revenues related to intergovernmental receivable	-	(119,781)	-
To record unreported investments in the Combined Utilities Fund	-	-	7,594,566
Fund balance/net position, as restated	<u>\$ 2,037,253</u>	<u>\$ 621,769</u>	<u>\$ 21,815,140</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FORSYTH, GEORGIA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE FISCAL YEAR ENDED DECEMBER 31,

	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 102,510	\$ 81,022	\$ 96,516	\$ 103,491
Interest on total pension liability	489,784	450,989	438,598	417,009
Differences between expected and actual experience	216,432	358,922	(20,384)	83,950
Changes of assumptions	-	98,880	-	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(388,234)	(373,945)	(335,735)	(316,031)
Net change in total pension liability	420,492	615,868	178,995	288,419
Total pension liability - beginning	6,622,057	6,006,189	5,827,194	5,538,775
Total pension liability - ending (a)	\$ 7,042,549	\$ 6,622,057	\$ 6,006,189	\$ 5,827,194
Plan fiduciary net position				
Contributions - employer	\$ 216,253	\$ 211,201	\$ 211,981	\$ 199,284
Contributions - employee	-	-	-	-
Net investment income	193,577	617,028	570,789	12,908
Benefit payments, including refunds of employee contributions	(388,234)	(373,945)	(335,735)	(316,031)
Administrative expenses	(25,250)	(22,844)	(24,458)	(11,798)
Net change in plan fiduciary net position	(3,654)	431,440	422,577	(115,637)
Plan fiduciary net position - beginning	5,443,902	5,012,462	4,589,885	4,705,522
Plan fiduciary net position - ending (b)	\$ 5,440,248	\$ 5,443,902	\$ 5,012,462	\$ 4,589,885
City's net pension liability (a) - (b)	\$ 1,602,301	\$ 1,178,155	\$ 993,727	\$ 1,237,309
Plan fiduciary net position as a percentage of the total pension liability	77.2%	82.2%	83.5%	78.8%
Covered payroll	\$ 2,367,499	\$ 2,593,409	\$ 1,961,386	\$ 2,216,376
City's net pension liability as a percentage of covered payroll	67.7%	45.4%	50.7%	55.8%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF CITY CONTRIBUTIONS FOR THE FISCAL YEAR ENDED DECEMBER 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 273,474	\$ 204,809	\$ 212,479	\$ 210,591
Contributions in relation to the actuarially determined contribution	<u>273,474</u>	<u>204,809</u>	<u>194,772</u>	<u>228,085</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,707</u>	<u>\$ (17,494)</u>
Covered payroll	\$ 2,701,615	\$ 2,480,454	\$ 2,277,398	\$ 2,088,881
Contributions as a percentage of covered payroll	10.1%	8.3%	8.6%	10.9%

Notes to the Schedule:

Valuation date	July 1, 2019
Cost method	Projected unit credit
Actuarial asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed rate of return on investments	7.50%
Projected salary increases	2.75% plus service based merit increases
Cost of living adjustments	0.00%
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 12 years.

The schedule will present 10 years of information once it is accumulated.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Police Special Purpose Revenue Fund – This fund is used to account for cash received either as a result of a cash confiscation or from the sale of capital assets acquired from law enforcement activity.

Capital Project Fund

SPLOST Fund – This fund is used to account for receipts and disbursements of the 1% special purpose local options sales tax collected for various capital related projects.

CITY OF FORSYTH, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	
	<u>Police Special Purpose Revenue Fund</u>	<u>SPLOST Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,348	\$ 774,246	\$ 779,594
Due from other governments	-	244,310	244,310
Total assets	<u>\$ 5,348</u>	<u>\$ 1,018,556</u>	<u>\$ 1,023,904</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - intergovernmental	\$ -	\$ 119,781	\$ 119,781
Total deferred inflows of resources	<u>-</u>	<u>119,781</u>	<u>119,781</u>
FUND BALANCES			
Restricted			
Law enforcement	5,348	-	5,348
Capital projects	-	898,775	898,775
Total fund balances	<u>5,348</u>	<u>898,775</u>	<u>904,123</u>
Total liabilities and fund balances	<u>\$ 5,348</u>	<u>\$ 1,018,556</u>	<u>\$ 1,023,904</u>

CITY OF FORSYTH, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	
	<u>Police Special Purpose Revenue Fund</u>	<u>SPLOST Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Intergovernmental	\$ -	\$ 759,788	\$ 759,788
Interest revenue	10	818	828
Total revenues	<u>10</u>	<u>760,606</u>	<u>760,616</u>
Expenditures			
Debt service:			
Principal	-	465,000	465,000
Interest	-	18,600	18,600
Total expenditures	<u>-</u>	<u>483,600</u>	<u>483,600</u>
Net change in fund balances	10	277,006	277,016
Fund balances, beginning of year, as restated	<u>5,338</u>	<u>621,769</u>	<u>627,107</u>
Fund balances, end of year	<u>\$ 5,348</u>	<u>\$ 898,775</u>	<u>\$ 904,123</u>

CITY OF FORSYTH, GEORGIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Police Special Purpose Revenue Fund		
	Final Budget	Actual	Variance With Final Budget
Revenues			
Contributions	\$ -	\$ 10	\$ 10
Total revenues	<u>-</u>	<u>10</u>	<u>10</u>
Expenditures			
Current:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	10	10
Fund balances, beginning of year	<u>5,338</u>	<u>5,338</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 5,338</u></u>	<u><u>\$ 5,348</u></u>	<u><u>\$ 10</u></u>

CITY OF FORSYTH, GEORGIA

**SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Water and Sewer Upgrades	\$ 3,220,000	\$ 3,220,000	\$ 2,414,532	\$ -	\$ 2,414,532
Road Improvements	550,000	550,000	288,076	-	288,076
Public Safety Vehicles	470,000	470,000	310,212	-	310,212
City Park Improvements	285,000	285,000	-	-	-
Downtown Improvements	<u>75,000</u>	<u>75,000</u>	<u>10,710</u>	<u>-</u>	<u>10,710</u>
Totals	<u>\$ 4,600,000</u>	<u>\$ 4,600,000</u>	<u>\$ 3,023,530</u>	<u>\$ -</u>	<u>\$ 3,023,530</u>

Reconciliation to the Combining Statement of Revenues, Expenditures and Changes in Fund Balance:

Debt service principal payments	465,000
Debt service interest payments	<u>18,600</u>
Total SPLOST Fund expenditures for the current year	<u>\$ 483,600</u>

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Honorable Mayor and Members
of City Council
City of Forsyth, Georgia
Forsyth, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Forsyth, Georgia (the "City") for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 26, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 – 2019-006 that we consider to be material weaknesses.

Compliance and Other Matters

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

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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.

Mauldin & Jenkins, LLC

Macon, Georgia
August 26, 2020

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

There was not an audit of major federal award programs as of December 31, 2019 due to the total amount expended being less than \$750,000.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 – Proper Recognition of Deferred Inflows of Resources – Unavailable Revenue

Criteria: Generally accepted accounting principles (“GAAP”) requires revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenue recognition in governmental funds must be deferred until the resources are considered to be available to finance expenditures of the fiscal period. Resources are considered to be available only if collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Condition: During the prior year, the City incorrectly recognized revenue resulting in fund balance being overstated in both the General Fund and the SPLOST Fund. The balance should not have been recognized as a revenue considering the balance was not collected within the City’s availability period. Consequently, the respective fund balances were overstated and deferred inflow of resources – unavailable revenues balance were understated as of and for the fiscal year ended December 31, 2018.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the fiscal year ended December 31, 2018.

Effects: A prior period restatement was required to recognize recognize deferred inflows of resources – unavailable revenues and reduce fund balances for the following funds:

- General Fund - \$130,441, and
- SPLOST Fund - \$119,781.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure that deferred inflows of resources and revenue balances were properly reconciled and recorded.

Recommendation: We recommend the City carefully review all accounts receivable and revenues to ensure transactions are reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-002 – Proper Recognition of Cash in the General Fund and SPLOST Fund

Criteria: Internal controls should be in place to ensure that all bank accounts belonging to the City are identified and recorded for financial reporting. Additionally, internal controls should be in place to ensure that all cash and investment receipts and disbursements are recorded in the proper account in the proper period.

Condition: During the prior year, the City did not properly record cash balances for both the General Fund and SPLOST Fund.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the fiscal year ended December 31, 2018.

Effects: Prior period restatements were required to various funds of the City to properly record cash and fund balance as of December 31, 2018. These adjustments were as follows:

- General Fund – an adjustment to increase cash and fund balance by \$435,577, and
- SPLOST Fund – an adjustment to decrease cash and fund balance by \$124,599.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure cash balances were properly reconciled and recorded.

Recommendation: We recommend the City carefully review all cash accounts to ensure transactions are reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-003 – Proper Recognition of Capital Leases Payable

Criteria: GAAP requires long-term obligations to be recorded in the accounting period in which they have occurred.

Condition: During our testing of the City's capital leases, we noted the City's capital leases for governmental activities balance was not properly recognized as of December 31, 2018.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the fiscal year ended December 31, 2018.

Effects: A prior period adjustment to increase capital leases payable and reduce net position in the amount of \$60,337 was required to be recorded at the government-wide level – governmental activities as of December 31, 2018.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure that capital leases payable were properly reconciled and recorded.

Recommendation: We recommend the City carefully review all capital leases payable accounts and related items to ensure transactions are reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-004 – Proper Recognition of Deferred Outflows of Resources for Pension Contributions Subsequent to Measurement Date

Criteria: GAAP requires contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources related to pensions.

Condition: During our testing of the City's pension, we noted the City did not properly recognize the contributions subsequent to measurement as deferred outflows of resources and net position at the government-wide level - governmental activities during the prior year.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the fiscal year ended December 31, 2018.

Effects: A prior period adjustment to increase deferred outflows of resources and net position in the amount of \$153,607 was required to be recorded at the government-wide level – governmental activities as of December 31, 2018.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure that pension related accounts were properly reconciled and recorded.

Recommendation: We recommend the City carefully review all pension related accounts and related items to ensure transactions are reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-005 – Proper Recognition of MEAG Investments in the Combined Utilities Fund

Criteria: GAAP requires investments to be reported at fair value.

Condition: During the prior year, we noted the City did not properly recognize all of the City's MEAG investments as of December 31, 2018.

Context: We addressed the matter with the City to determine the appropriate amounts to record as of and for the fiscal year ended December 31, 2018.

Effects: A prior period adjustment to increase investments and net position in the amount of \$7,594,566 was required to be recorded at both the fund level in the Combined Utilities Fund and at the government-wide level – business type activities as of December 31, 2018.

Cause: There was a lack of appropriate controls implemented at the City during the fiscal year to ensure investment balances were properly reconciled and recorded.

Recommendation: We recommend the City carefully review all investments to ensure transactions are reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

CITY OF FORSYTH, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2019-006 – Proper Recognition of Capital Assets for Downtown Development Authority

Criteria: Internal controls should be in place to ensure amounts reported for capital assets and related items are appropriate and properly valued and recorded in accordance with GAAP.

Condition: During our testing of the Downtown Development Authority's (the "Authority") capital assets, we noted the Authority did not properly recognize a donated building from the City of Forsyth during the fiscal year ended December 31, 2018

Context: We addressed the matter with the Authority to determine the appropriate amounts to record as of and for the fiscal year ended December 31, 2018.

Effects: A prior period adjustment to increase capital assets and net position in the amount of \$180,000 was required to be recorded for the City's discretely presented component unit, Downtown Development Authority, as of December 31, 2018.

Cause: There was a lack of appropriate controls implemented at the Authority during the fiscal year to ensure that capital assets were properly reconciled and recorded.

Recommendation: We recommend the Authority carefully review all capital asset accounts to ensure transactions are reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. We will continue to review and improve policies and procedures in an effort to eliminate error and identify deficiencies from both operational and financial perspectives.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

CITY OF FORSYTH, GEORGIA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.