

CITY OF HARLEM, GEORGIA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended December 31, 2021

And Reports of Independent Auditor

CITY OF HARLEM, GEORGIA
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Report of Independent Auditor

To the Honorable Mayor and Members of City Council
City of Harlem, Georgia

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harlem, Georgia (the “City”) as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor’s Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

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

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 as a whole. The combining non-major fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Office Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and the schedules 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 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 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 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 solely 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's internal control over financial reporting and compliance.

Handwritten signature of Cheryl Bekant LLP in black ink.

Augusta, Georgia
June 30, 2022

CITY OF HARLEM, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

As management of the City of Harlem (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year ended December 31, 2021 by approximately \$18.6 million. Of that amount, \$9.1 million (unrestricted net position) may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's total net position increased by approximately \$2.2 million for the year ended December 31, 2021.
- As of December 31, 2021, the City's governmental funds reported combined ending fund balances of approximately \$3.6 million, an increase of approximately \$392,000 in comparison with the prior year.
- Effective July 1, 2021, the City entered into an intergovernmental agreement with Columbia County to sell its municipal water distribution and wastewater collection and treatment systems for \$7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents information on all of 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. The statement of net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e., roads, drainage improvements, and storm drains, etc.), to assess the overall health or financial condition of the City. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the statement of net position and the statement of activities, the City is divided into three categories of activities:

Governmental Activities – Most of the City's basic services are reported in this category including the police, fire, transportation, culture and recreation, and general administration. Property taxes, sales taxes, insurance premium taxes, and franchise fees finance most of these activities.

Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's water and sewer system is reported in this category.

CITY OF HARLEM, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Component Units – The Urban Redevelopment Authority (the “URA”) serves to promote the development of certain City property in accordance with the Urban Redevelopment Plan adopted by the City. Although legally separate from the City, the City appoints a voting majority of the members of the URA.

Reporting the City's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental Funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in the funds at year-end are those available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions.

The relationships or difference between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is detailed in a reconciliation following the fund financial statements. The City maintains eight individual governmental funds.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the American Rescue Plan (“ARP”) Fund, the Special Purpose Local Option Sales Tax (“SPLOST”) 2017-2022 Fund, the Local Maintenance and Improvement Grant (“LMIG”) Fund, and the non-major funds. The General Fund, the ARP Fund, the SPLOST 2017-2022 Fund, and the LMIG Fund are considered to be major funds.

Proprietary Funds – The City charges customers for the services it provides (water and sewer service), whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the statement of net position and statement of activities. In fact, the City's enterprise fund (a component of the proprietary fund) is identical to the business-type activities that are reported in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

As noted earlier, 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 exceeded liabilities and deferred inflows by approximately \$18.6 million at the close of the current fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position (49%) is unrestricted, which represents the net position of the City which is not restricted for any project or other purpose. Another large portion of the City's net position (44%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

Summary of Net Position
December 31, 2021

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,572,342	\$ 3,618,152	\$ 7,505,588	\$ 1,666,727	\$ 12,077,930	\$ 5,284,879
Capital assets	9,947,943	9,135,481	-	6,794,284	9,947,943	15,929,765
Total Assets	14,520,285	12,753,633	7,505,588	8,461,011	22,025,873	21,214,644
Deferred outflows of resources	93,618	127,181	-	190,773	93,618	317,954
Long-term liabilities outstanding	1,756,000	2,109,000	-	997,038	1,756,000	3,106,038
Other liabilities	1,403,595	896,798	-	1,093,421	1,403,595	1,990,219
Total Liabilities	3,159,595	3,005,798	-	2,090,459	3,159,595	5,096,257
Deferred inflows of resources	350,435	1,638	-	2,457	350,435	4,095
Net Position:						
Net investment in capital assets	8,192,267	7,026,481	-	5,797,598	8,192,267	12,824,079
Restricted	1,289,860	1,123,635	-	-	1,289,860	1,123,635
Unrestricted	1,621,746	1,723,262	7,505,588	761,270	9,127,334	2,484,532
Total Net Position	\$ 11,103,873	\$ 9,873,378	\$ 7,505,588	\$ 6,558,868	\$ 18,609,461	\$ 16,432,246

Governmental Activities

The City's governmental revenues increased by approximately 26% (\$958,000) when compared to 2020.

The most significant governmental expense for the City was in 2021 was public works. Public works expenses totaled approximately \$870,000, an increase of approximately 33% from 2020. Another significant governmental expense in 2021 was public safety which consists of operations of the Public Safety Department. Public safety expenses totaled approximately \$793,000 in 2021. These expenses were offset to some extent by revenues from fines and forfeitures which totaled approximately \$97,000.

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-Type Activities

Revenues from the City's business-type activities were approximately \$2 million for the year ended December 31, 2021, an increase of 2% over 2020. This increase is due to sale of the water and sewer system to Columbia County during 2021. Expenses for the City's business-type activities were approximately \$1.1 million, a decrease of approximately 43% over 2020. This decrease is due to the sale and discontinued operations of the water and sewer system in July 2021.

Governmental and business-type activities increased the City's net position by approximately \$2,177,000. A summary of this increase is as follows:

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 753,436	\$ 694,542	\$ 1,281,714	\$ 2,021,933	\$ 2,035,150	\$ 2,716,475
Operating grants	66,474	-	-	-	66,474	-
Capital grants/contributions	824,236	595,058	-	-	824,236	595,058
General Revenues:						
Taxes	1,585,571	1,395,610	-	-	1,585,571	1,395,610
Sales tax	785,111	750,667	-	-	785,111	750,667
Other	645,941	267,028	1,106,860	(12,453)	1,752,801	254,575
Total Revenues	<u>4,660,769</u>	<u>3,702,905</u>	<u>2,388,574</u>	<u>2,009,480</u>	<u>7,049,343</u>	<u>5,712,385</u>
Expenses:						
General government	774,993	615,604	-	-	774,993	615,604
Municipal court	62,633	63,988	-	-	62,633	63,988
Public safety	792,654	834,780	-	-	792,654	834,780
Sanitation	357,794	328,891	-	-	357,794	328,891
Fire	401,625	284,961	-	-	401,625	284,961
Public works	870,120	653,443	-	-	870,120	653,443
Community development	262,626	319,561	-	-	262,626	319,561
Health and welfare	46,948	49,222	-	-	46,948	49,222
Culture and recreation	151,856	129,906	-	-	151,856	129,906
Interest and bond issuance costs	39,852	61,684	-	-	39,852	61,684
Water and sewer	-	-	1,111,027	1,941,536	1,111,027	1,941,536
Total Expenses	<u>3,761,101</u>	<u>3,342,040</u>	<u>1,111,027</u>	<u>1,941,536</u>	<u>4,872,128</u>	<u>5,283,576</u>
Surplus (Deficiency)	<u>899,668</u>	<u>360,865</u>	<u>1,277,547</u>	<u>67,944</u>	<u>2,177,215</u>	<u>428,809</u>
Transfers	<u>330,827</u>	<u>-</u>	<u>(330,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,230,495	360,865	946,720	67,944	2,177,215	428,809
Net position, beginning	<u>9,873,378</u>	<u>9,512,513</u>	<u>6,558,868</u>	<u>6,490,924</u>	<u>16,432,246</u>	<u>16,003,437</u>
Net position, ending	<u>\$ 11,103,873</u>	<u>\$ 9,873,378</u>	<u>\$ 7,505,588</u>	<u>\$ 6,558,868</u>	<u>\$ 18,609,461</u>	<u>\$ 16,432,246</u>

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2021, the City had \$9.9 million (net of accumulated depreciation) of capital assets. This investment in capital assets includes police and fire equipment, park facilities, roads, and drains. Major capital asset additions were infrastructure consisting of roadways totaling approximately \$581,000, vehicles and equipment totaling approximately \$371,000, buildings and building improvements totaling approximately \$383,000, and land totaling approximately \$131,000.

Capital Assets at Year-End

	Governmental Activities	Business-Type Activities	Total
Land	\$ 625,531	\$ -	\$ 625,531
Construction in progress	-	-	-
Buildings and improvements	6,639,593	-	6,639,593
Vehicle and equipment	2,388,345	-	2,388,345
Infrastructure	8,319,685	-	8,319,685
	<u>17,973,154</u>	<u>-</u>	<u>17,973,154</u>
Less accumulated depreciation	<u>(8,025,211)</u>	<u>-</u>	<u>(8,025,211)</u>
	<u><u>\$ 9,947,943</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,947,943</u></u>

See the notes to financial statements for more detailed information on the capital asset activity.

Debt

At year-end, the City had the following debt outstanding:

	2021	2020
Business-Type:		
Notes payable - GEFA	\$ -	\$ 997,038
Governmental:		
Note payable - Regions Bank	1,756,000	1,953,000
Note payable - Community First National Bank	-	156,000
	<u><u>\$ 1,756,000</u></u>	<u><u>\$ 3,106,038</u></u>

Current-year activity consisted of scheduled principal and interest payments on existing long-term debt offset by a note payable obtained in the current year.

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

General Fund Budgetary Highlights

For the year, actual revenues and expenditures were consistent with the amounts that were budgeted.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider many factors when setting the fiscal year 2022 budget including: property tax rates, expected sales tax, insurance premium tax, and various fees that will be collected. Another factor is the economy. The local economy of the City remains strong. The City continues to experience stable economic conditions and a relatively stable 2022 tax digest will provide consistent tax revenue.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Mayor, City of Harlem at 320 N. Louisville Street, Harlem, Georgia 30814.

CITY OF HARLEM, GEORGIA
STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Urban Redevelopment Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,222,548	\$ 7,505,588	\$ 11,728,136	\$ 55,950
Receivables, net:				
Taxes	116,121	-	116,121	-
Accounts	165,878	-	165,878	-
Prepaid expenses	67,795	-	67,795	-
Capital Assets:				
Land	625,531	-	625,531	-
Construction in process	-	-	-	-
Depreciable, net of accumulated depreciation	9,322,412	-	9,322,412	-
Assets held for sale	-	-	-	200,050
Total Assets	14,520,285	7,505,588	22,025,873	256,000
DEFERRED OUTFLOWS OF RESOURCES				
Changes in assumptions	-	-	-	-
Investment experience differences	-	-	-	-
Contributions to pension plan	93,618	-	93,618	-
Total Deferred Outflows of Resources	93,618	-	93,618	-
LIABILITIES				
Current Liabilities:				
Accounts payable	253,931	-	253,931	-
Accrued expenses	47,567	-	47,567	-
Other liabilities	3,906	-	3,906	500
Unearned revenue	677,057	-	677,057	-
Noncurrent Liabilities:				
Compensated absences	137,440	-	137,440	-
Due within one year	201,000	-	201,000	185,385
Due in more than one year	1,555,000	-	1,555,000	-
Net pension liability	283,694	-	283,694	-
Total Liabilities	3,159,595	-	3,159,595	185,885
DEFERRED INFLOWS OF RESOURCES				
Investment experience differences	350,435	-	350,435	-
Total Deferred Inflows of Resources	350,435	-	350,435	-
NET POSITION				
Net investment in capital assets	8,192,267	-	8,192,267	-
Restricted for:				
Economic development	108,470	-	108,470	-
Capital Projects	1,181,390	-	1,181,390	-
Unrestricted	1,621,746	7,505,588	9,127,334	70,115
Total Net Position	\$ 11,103,873	\$ 7,505,588	\$ 18,609,461	\$ 70,115

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

CITY OF HARLEM, GEORGIA
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit Urban Redevelopment Authority	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		Total
Primary Government								
Functions/Programs:								
Governmental Activities:								
General government	\$ 774,993	\$ 83,527	\$ -	\$ 824,236	\$ 132,770	\$ -	\$ 132,770	\$ -
Municipal court	62,633	96,633	-	-	34,000	-	34,000	-
Public safety	792,654	-	-	-	(792,654)	-	(792,654)	-
Fire	401,625	-	-	-	(401,625)	-	(401,625)	-
Community development	262,626	-	-	-	(262,626)	-	(262,626)	-
Health and welfare	46,948	-	-	-	(46,948)	-	(46,948)	-
Public works (highways and streets)	870,120	-	66,474	-	(803,646)	-	(803,646)	-
Culture and recreation	151,856	30,311	-	-	(121,545)	-	(121,545)	-
Sanitation	357,794	542,965	-	-	185,171	-	185,171	-
Interest and fiscal charges on debt service	39,852	-	-	-	(39,852)	-	(39,852)	-
Total Governmental Activities	3,761,101	753,436	66,474	824,236	(2,116,955)	-	(2,116,955)	-
Business-Type Activities:								
Water	1,111,027	1,281,714	-	-	-	170,687	170,687	-
Total Business-Type Activities	1,111,027	1,281,714	-	-	-	170,687	170,687	-
Total Primary Government	\$ 4,872,128	\$ 2,035,150	\$ 66,474	\$ 824,236	(2,116,955)	170,687	(1,946,268)	-
Component Unit:								
Urban Redevelopment Authority	19,700	\$ -	\$ -	\$ -	-	-	-	(19,700)
General Revenues:								
Property taxes					1,125,662	-	1,125,662	-
Sales taxes					785,111	-	785,111	-
Other taxes					459,909	-	459,909	-
Payments in lieu of taxes					5,643	-	5,643	-
Unrestricted investment earnings					29,313	25,804	55,117	489
Gain on asset disposal					6,139	-	6,139	-
Gain on disposal of discontinued operations					-	1,081,056	1,081,056	-
Other income					604,846	-	604,846	6,600
Total General Revenues					3,016,623	1,106,860	4,123,483	7,089
Transfers					330,827	(330,827)	-	-
Total General Revenues and Transfers					3,347,450	776,033	4,123,483	7,089
Change in Net Position					1,230,495	946,720	2,177,215	(12,611)
Net Position, Beginning of Year					9,873,378	6,558,868	16,432,246	82,726
Net Position, End of Year					\$ 11,103,873	\$ 7,505,588	\$ 18,609,461	\$ 70,115

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

CITY OF HARLEM, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET

DECEMBER 31, 2021

	General	ARP Fund	SPLOST 2017-2022 Fund	LMIG Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,237,605	\$ 629,427	\$ 984,505	\$ 87,773	\$ 283,238	\$ 4,222,548
Taxes receivable	116,121	-	-	-	-	116,121
Accounts receivable	96,038	-	56,244	-	13,596	165,878
Prepaid expenses	67,795	-	-	-	-	67,795
Total Assets	\$ 2,517,559	\$ 629,427	\$ 1,040,749	\$ 87,773	\$ 296,834	\$ 4,572,342
LIABILITIES						
Accounts payable	\$ 143,967	\$ 66,474	\$ -	\$ -	\$ 690	\$ 211,131
Accrued salaries	83,456	-	-	-	-	83,456
Other liabilities	-	-	-	-	-	-
Unearned revenue	2,936	562,953	-	106,057	5,111	677,057
Total Liabilities	230,359	629,427	-	106,057	5,801	971,644
FUND BALANCE						
Non-spendable:						
Prepaid expenditures	67,795	-	-	-	-	67,795
Restricted for:						
Capital projects	-	-	1,040,749	-	149,140	1,189,889
Economic development	-	-	-	-	108,470	108,470
Committed to:						
Museum building repairs	26,189	-	-	-	-	26,189
Capital outlay	-	-	-	-	28,069	28,069
Assigned to:						
Public safety	-	-	-	-	5,354	5,354
Unassigned	2,193,216	-	-	(18,284)	-	2,174,932
Total Fund Balance	2,287,200	-	1,040,749	(18,284)	291,033	3,600,698
Total Liabilities and Fund Balance	\$ 2,517,559	\$ 629,427	\$ 1,040,749	\$ 87,773	\$ 296,834	\$ 4,572,342

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

CITY OF HARLEM, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2021

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

Ending fund balances - Governmental funds	<u>\$ 3,600,698</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds:	
Historical cost of capital assets	17,973,478
Accumulated depreciation	<u>(8,025,535)</u>
	<u>9,947,943</u>
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	93,618
Deferred inflows of resources related to pensions	<u>(350,435)</u>
	<u>(256,817)</u>
Certain liabilities, including notes payable and accrued interest which are not due and payable in the current period are, therefore, not reported in the funds:	
Notes payable	(1,756,000)
Compensated absences	(137,440)
Net pension liability	(283,694)
Accrued interest	<u>(10,817)</u>
	<u>(2,187,951)</u>
Net position of governmental activities	<u><u>\$ 11,103,873</u></u>

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

CITY OF HARLEM, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2021

	General	ARP Fund	SPLOST 2017-2022 Fund	LMIG Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenue:						
Taxes	\$ 1,586,994	\$ -	\$ -	\$ -	\$ -	\$ 1,586,994
Permits and licenses	79,727	-	-	-	-	79,727
Fines and forfeitures	96,633	-	-	-	477	97,110
Intergovernmental revenue	784,088	66,474	532,467	200,000	86,769	1,669,798
Charges for services	552,295	-	-	-	5,762	558,057
Uses of money/property	19,009	-	5,527	1,734	3,043	29,313
Culture and recreation	51,643	-	-	-	-	51,643
Grants	169,895	-	-	-	5,000	174,895
Other	395,744	-	-	-	11,349	407,093
Total Revenue	<u>3,736,028</u>	<u>66,474</u>	<u>537,994</u>	<u>201,734</u>	<u>112,400</u>	<u>4,654,630</u>
Expenditures:						
Current Operating:						
General government	553,476	-	236	66	101,605	655,383
Public safety	629,875	-	-	-	12,075	641,950
Fire	346,094	-	-	-	-	346,094
Public works (highways and streets)	980,206	-	-	-	-	980,206
Health and welfare	110,627	-	-	-	-	110,627
Culture and recreation	150,461	-	-	-	-	150,461
Sanitation	348,551	-	-	-	-	348,551
Community development	217,765	-	-	-	-	217,765
Municipal court	62,633	-	-	-	-	62,633
Capital outlay	-	66,474	-	220,283	112,872	399,629
Debt Service:						
Principal	353,000	-	-	-	-	353,000
Interest	56,546	-	-	-	-	56,546
Total Expenditures	<u>3,809,234</u>	<u>66,474</u>	<u>236</u>	<u>220,349</u>	<u>226,552</u>	<u>4,322,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,206)</u>	<u>-</u>	<u>537,758</u>	<u>(18,615)</u>	<u>(114,152)</u>	<u>331,785</u>
Other Financial Sources (Uses):						
Transfers in	242,733	-	-	-	-	242,733
Transfers (out)	-	-	(242,733)	-	-	(242,733)
Sale of general capital assets	60,026	-	-	-	-	60,026
Total Other Financing Sources (Uses)	<u>302,759</u>	<u>-</u>	<u>(242,733)</u>	<u>-</u>	<u>-</u>	<u>60,026</u>
Net change in fund balances	229,553	-	295,025	(18,615)	(114,152)	391,811
Fund balance, beginning of year	2,057,647	-	745,724	331	405,185	3,208,887
Fund balance, end of year	<u>\$ 2,287,200</u>	<u>\$ -</u>	<u>\$ 1,040,749</u>	<u>\$ (18,284)</u>	<u>\$ 291,033</u>	<u>\$ 3,600,698</u>

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

CITY OF HARLEM, GEORGIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

YEAR ENDED DECEMBER 31, 2021

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

Net change in fund balances - total governmental funds \$ 391,811

Governmental funds report capital outlay as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Current year capital outlay, net of transfers	\$ 1,466,631	
Loss on disposal of capital assets	6,139	
Proceeds from sale of capital assets	(60,026)	
Depreciation expense	<u>(600,282)</u>	
		812,462

The issuance of long-term debt (e.g., notes payable) 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 assets. This amount is the net effect of these differences in the treatment of long-term related accounts.

Principal payments on long-term debt	353,000	
Compensated absences	(60,891)	
Accrued interest	<u>5,881</u>	
		297,990

In the fund financials, contributions to pension plans are expensed when paid. In the statement of activities, pension expense is recognized for the change in the City's proportionate share of the collective net pension liability and related deferred inflows and outflows.

		<u>(271,768)</u>
Change in net position of governmental activities		<u><u>\$ 1,230,495</u></u>

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

CITY OF HARLEM, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 1,436,155	\$ 1,472,498	\$ 1,586,994	\$ 114,496
Permits and licenses	133,535	78,350	79,727	1,377
Fines and forfeitures	75,000	96,600	96,633	33
Intergovernmental	680,000	783,610	784,088	478
Charges for services	507,900	514,640	552,295	37,655
Use of money/property	8,650	18,850	19,009	159
Culture and recreation	48,150	51,430	51,643	213
Grants	3,370	169,823	169,895	72
Other	39,650	395,440	395,744	304
Total Revenues	<u>2,932,410</u>	<u>3,581,241</u>	<u>3,736,028</u>	<u>154,787</u>
Expenditures:				
General government	556,237	654,740	553,476	101,264
Public safety	656,947	652,439	629,875	22,564
Fire	314,400	347,445	346,094	1,351
Public works, highways	437,595	1,237,493	980,206	257,287
Health and welfare	55,930	110,804	110,627	177
Culture and recreation	150,450	151,265	150,461	804
Sanitation	325,000	348,580	348,551	29
Community services	324,835	239,235	217,765	21,470
Municipal court	76,695	63,200	62,633	567
Debt Service:				
Principal	226,229	353,001	353,000	1
Interest	50,905	56,626	56,546	80
Total Expenditures	<u>3,175,223</u>	<u>4,214,828</u>	<u>3,809,234</u>	<u>405,594</u>
Revenue over (under) expenditures	<u>(242,813)</u>	<u>(633,587)</u>	<u>(73,206)</u>	<u>560,381</u>
Other Financial Sources:				
Transfers in	242,813	573,560	242,733	(330,827)
Sale of general capital assets	-	60,027	60,026	(1)
Total Other Financial Sources	<u>242,813</u>	<u>633,587</u>	<u>302,759</u>	<u>(330,828)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	229,553	<u>\$ 229,553</u>
Fund balance, beginning of year			<u>2,057,647</u>	
Fund balance, end of year			<u>\$ 2,287,200</u>	

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

CITY OF HARLEM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND – WATER AND SEWER FUND

DECEMBER 31, 2021

ASSETS

Cash and cash equivalents \$ 7,505,588

Total Assets 7,505,588

NET POSITION

Unrestricted 7,505,588

Total Net Position \$ 7,505,588

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

CITY OF HARLEM, GEORGIA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND – WATER AND SEWER FUND**

YEAR ENDED DECEMBER 31, 2021

Operating Revenues:	
Water and sewer sales	\$ 965,630
Service charges/penalties	18,778
Other revenues	297,306
Total Operating Revenues	<u>1,281,714</u>
Operating Expenses:	
Salaries and wages	169,978
Insurance and pension cost	151,446
Utilities	43,859
Maintenance and repair	230,628
Chemicals	25,802
Postage and supplies	7,948
Miscellaneous	42,838
County water and sewerage charges	203,411
Depreciation	162,675
Professional fees	40,403
Testing and training	3,925
Vehicle expense	7,813
Total Operating Revenue	<u>1,090,726</u>
Operating Income	<u>190,988</u>
Nonoperating Revenue (Expense):	
Interest income	25,804
Gain on disposal of discontinued operations	750,229
Interest expense	(20,301)
Total Nonoperating Revenue	<u>755,732</u>
Income before transfers and contributions	<u>946,720</u>
Change in net position	946,720
Net position, beginning of year	<u>6,558,868</u>
Net position, end of year	<u>\$ 7,505,588</u>

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

CITY OF HARLEM, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – WATER AND SEWER FUND

YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Cash received from customers and others	\$ 1,069,210
Cash paid for goods and services	(656,611)
Cash paid to or on behalf of employees	(805,064)
Net cash flows from operating activities	<u>(392,465)</u>

Cash flows from capital and related financing activities:

Principal paid on long-term debt	(997,038)
Net transfers from other funds	(20,301)
Net cash flows from capital and related financing activities	<u>(1,017,339)</u>

Cash flows from investing activities:

Purchase of capital assets	(23,300)
Gain from sale of capital assets	750,229
Disposal of water and sewer system	6,654,909
Interest income received	25,804
Net cash flows from investing activities	<u>7,407,642</u>

Net change in cash and cash equivalents	5,997,838
Cash and cash equivalents, beginning of year	1,507,750
Cash and cash equivalents, end of year	<u>\$ 7,505,588</u>

Reconciliation of operating income to net cash from operating activities:

Operating income	\$ 190,988
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	162,675
Net change in assets and liabilities:	
Accounts receivable	134,052
Prepaid expenses	24,925
Accounts payable and accrued expenses	(155,436)
Unearned income and customer deposits	(346,556)
Net pension changes	(403,113)
Net cash flows from operating activities	<u>\$ (392,465)</u>

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

CITY OF HARLEM, GEORGIA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies

The accounting and reporting policies of the City of Harlem, Georgia (“City”) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to state and local governments.

Introduction – The City complies with U.S. GAAP pronouncements.

A. Financial reporting entity – basis of presentation

Primary Government – The City was created in 1870. The City provides the following services: public safety, streets and highways, public improvements, culture and recreation, and general and administrative services. The accompanying financial statements present the City’s primary government funds for which the City is financially accountable.

Discretely Presented Component Unit:

Urban Redevelopment Authority – The component unit column in the government-wide financial statements includes the financial data of the Urban Redevelopment Authority (the “URA”). It is reported in a separate column to emphasize that it is legally separate from the City. The URA is governed by a five-member board appointed by the Mayor and City Council. The URA serves to promote the development of certain City property in accordance with the Urban Redevelopment Plan adopted by the City. The URA entered an intergovernmental agreement with the City to convey an option for the URA for the purchase of certain real property. Because the financial statements of the URA include only one fund, the fund level is the same as the government-wide level. Therefore, no fund level financial statements for the URA are included in this report.

No separately issued financial statements are available for the URA.

B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and statement of activities and report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements, if applicable. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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

Separate fund financial statements are provided for governmental funds and proprietary funds. Each major fund is reported in a separate column in the fund financial statements. The combined amounts for these funds are reflected in a single column in the fund balance sheets and statements of revenues, expenditures, and changes in fund balances.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of timing and 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 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Major revenue sources that are susceptible to accrual are property taxes, sales taxes, insurance premium taxes, and intergovernmental revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues, and investment of idle funds. Primary expenditures are for general administration, public safety, public works, streets, recreation, and capital acquisition.

The American Rescue Plan Fund is a special revenue fund used to account for funds received to support the City's response to and recovery from the COVID-19 public health emergency.

Sales Tax 2017-2022 Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City projects.

LMIG Fund is a capital project fund used to account for grant funds received for local maintenance and improvement projects.

The government reports the following non-major governmental funds:

Confiscation Fund is a special revenue fund used to account for funds received from seizures and forfeitures by the Police department.

The Revolving Loan Fund is a special revenue fund originating from a grant from the Community Development Block Grant Employment Incentive Program. The grant was received by the City to provide a direct loan to a local business for equipment which created new positions. The repayment of the loan created the Revolving Loan Fund, the funds of which are available to be loaned to local businesses for the creation of new jobs in the area.

The Technology Fund is a capital projects fund that accounts for the financial resources to be used for the information technology projects specific for the operations of the City's courts.

Sales Tax 2011-2016 Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City projects.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The T-SPLOST Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City infrastructure projects.

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred. On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity; i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

The City reports the following major proprietary fund:

Water and Sewerage Fund is used to account for water and sewer operations as well as construction and maintenance of water and sewerage projects.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. State statutes and the City's official Investment Policy authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, banker's acceptances, money market mutual funds, and direct obligations of the state of Georgia.

As of December 31, 2021, the City did not hold any investments. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures, and changes in fund balance.

2. Receivables and payables

Accounts Receivable – Property tax receivables and revenues for property taxes are reflected in the government-wide statements based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed, including billable services for certain contracts, are recorded as receivables and revenues when they are earned in the government-wide statements. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

3. Inventories and prepaid expenses

Inventories of the general and proprietary funds are accounted for as expenditures at the time of purchase and are not inventoried at year-end due to the amounts being immaterial. Expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods. Reported prepaid expenses are equally offset by a fund balance reserve which indicates they do not constitute “available spendable resources”.

4. Capital assets – primary government

Capital assets, which include land, buildings, and infrastructure assets, are reported in the government-wide financial statements. Capital assets such as vehicles, furniture, and equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets, including vehicles, furniture, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Furniture and fixtures	5-7
General equipment	5-10
Trucks	4-7
Cars	4-5
Computer hardware	3-5
Infrastructure	30
Utility systems	5-40

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

5. 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 that time. Deferred outflows of resources for the City consist of pension contributions made after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

6. Compensated absences and postretirement benefits

The vacation policy of the City provides for the accumulation of up to a certain amount of earned vacation leave with such leave being fully vested when earned. For the City's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded when leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. No accrual has been established for accumulated sick leave of employees since it is the City's policy to record the cost of sick leave only when it is used.

The City has established a single-employer defined benefit other postemployment benefit plan (the "OPEB Plan"). The OPEB Plan states that these retirees shall be entitled after separation from City employment to continue to participate in and be covered by the health insurance plan of the City with the same benefits as those offered to active employees provided that such retiree must have served at least 25 years of employment and pay 13% of the premium associated with such participation, and enroll in a Medicare health insurance plan when the retiree becomes eligible, at which time the retiree will no longer participate in the City's OPEB Plan. The City has determined that the effects of the OPEB Plan are immaterial to the basic financial statements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

8. Unemployment compensation benefits

The City is the reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of regular billings received from the Georgia Unemployment Commission.

9. Net position/fund balance

In the fund financial statements, fund balance represents the difference between current assets and current liabilities. 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:

- *Non-Spendable* – Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form 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 through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.
- *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 of Harlem City Council (the “Council”) through the adoption of a formal policy. Only the 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 policy, authorization to assign fund balance remains with the Council.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance in the general fund only. Negative unassigned fund balances may be reported in all governmental funds.

Flow assumptions

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, the City’s policy is to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the City’s policy is to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Net position/fund balance (continued)

Net position

Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position is classified in the following categories:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.
- *Restricted Net Position* – This category represents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through Constitutional provision enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the City which is not restricted for any project or other purpose. The City first applies unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net positions are available.

10. Use of estimates

The preparation of the basic financial statements in conformance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

E. Stewardship, compliance, and accountability

1. Budgetary information

During the year proceeding the budget year, the City follows the administrative and fiscal procedures below in establishing the budgetary data reflected in the accompanying financial statements of the General Fund:

In October, City Department Heads prepare a tentative budget to be given to the City Manager for review. After the review is completed, the City Manager prepares a preliminary budget to be submitted to the Mayor and City Council. The City Clerk then publishes notice of a public hearing on the proposed budget. The hearing is held a week from the date the notice is published.

After the public hearing has been held, the budget is voted on and approved at the first City Council meeting in December.

Changes in and amendments to the adopted budget are approved during the course of the year, as long as reserves are available to fund these modifications.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Summary of significant accounting policies (continued)

E. Stewardship, compliance and accountability (continued)

1. Budgetary information (continued)

The accompanying statement of revenues, expenditures, and changes in fund balances, budget (budgetary basis) and actual, for the General Fund, presents a comparison of the legally adopted budget with actual operating results on a budgetary basis. The City's budget is prepared using U.S. GAAP. Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is not used by the City.

2. Fund balance deficit

As of December 31, 2021, there were no funds with a deficit fund balance except the LMIG Fund which had a deficit balance of \$18,284.

F. Future accounting pronouncements

Governmental Accounting Standards Board ("GASB") Statement 87, *Leases*, was issued in June 2017. The standard requires lessors to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. This standard will be effective for the year ending December 31, 2022. The City is currently in the process of evaluating the impact of this adoption on the financial statements.

Note 2—Deposits, investments, and investment policies

A. Primary government

For the purpose of the statement of cash flow, the City's reporting entity considers highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amount of cash is a reasonable estimate of fair value. Investment fair values are based on quoted market prices or dealer quotes.

B. Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the City's policy for cash to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2021, the carrying amount of the City's deposits was \$11,540,799 and cash on hand was \$475 which are classified as cash and cash equivalents in the accompanying statement of net position. As of December 31, 2021, all of the deposits of the City were properly insured and collateralized as required by the Official Code of Georgia Annotated ("OCGA") Section 45-8-12(c) and as defined by GASB pronouncements. The City uses the pooled method to collateralize funds, which are held in the name of the City.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 2—Deposits, investments, and investment policies (continued)

C. Investments

The City can invest money subject to its control and jurisdiction in obligations of the United States, bonds or certificates of indebtedness of the state of Georgia, certificates of deposits of banks which have deposits insured by the FDIC, and other legal investments. All investments held by the City are in accordance with this policy.

Note 3—Property taxes and other receivables

A. Receivables

The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2021 that were levied on September 15, 2021, were due November 15, 2021. The unpaid taxes became a lien 30 days after the due date. Unpaid property taxes received within 60 days of the year-end are recognized and recorded as revenue.

The City receives approximately 2.5% of a 1% local option sales tax on all retail sales within the County. The proceeds of such tax collected each year are used to reduce, on a dollar-for-dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax collections collected during the year ended December 31, 2021 totaled \$784,088.

The City also receives approximately 3% of a 1% Special Purpose Local Option Sales Tax (“SPLOST”) funds to be used as designated and approved after public hearings. The approved expenditures are generally for capital projects in the City. The SPLOST received during the year ended December 31, 2021 totaled \$532,467.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to November 15 and are delinquent after that date.

Receivables as of year-end for the governmental activities and business-type activities, individual major governmental funds, including the applicable allowances for uncollectible accounts, as required by U.S. GAAP are as follows:

Receivables	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 116,121	\$ -	\$ 116,121
Accounts	165,878	124,444	290,322
Gross receivables	281,999	124,444	406,443
Less allowance for uncollectible	-	(124,444)	(124,444)
Net total receivable	<u>\$ 281,999</u>	<u>\$ -</u>	<u>\$ 281,999</u>

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 4—Capital assets

A. General government

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 547,996	\$ 131,422	\$ (53,887)	\$ 625,531
Total capital assets, not being depreciated	<u>547,996</u>	<u>131,422</u>	<u>(53,887)</u>	<u>625,531</u>
Capital assets, being depreciated:				
Infrastructure	7,738,855	581,153	-	8,320,008
Buildings and improvements	6,256,966	382,627	-	6,639,593
Vehicles and equipment	2,052,207	371,429	(35,290)	2,388,346
Total capital assets, being depreciated	<u>16,048,028</u>	<u>1,335,209</u>	<u>(35,290)</u>	<u>17,347,947</u>
Less accumulated depreciation:				
Infrastructure	(4,155,002)	(270,045)	-	(4,425,047)
Buildings and improvements	(1,879,784)	(170,913)	-	(2,050,697)
Vehicles and equipment	(1,425,757)	(159,324)	35,290	(1,549,791)
Total accumulated depreciation	<u>(7,460,543)</u>	<u>(600,282)</u>	<u>35,290</u>	<u>(8,025,535)</u>
Total capital assets, being depreciated	<u>8,587,485</u>	<u>734,927</u>	<u>-</u>	<u>9,322,412</u>
Governmental activities capital assets, net	<u>\$ 9,135,481</u>	<u>\$ 866,349</u>	<u>\$ (53,887)</u>	<u>\$ 9,947,943</u>

Depreciation expense for the year ended December 31, 2021 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 63,937
Public safety	150,704
Fire	50,393
Community services	38,903
Sanitation	9,243
Public works	279,749
Museum	1,395
Community development	5,958
Total depreciation expense - governmental activities	<u>\$ 600,282</u>

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 4—Capital assets (continued)

B. Proprietary fund

A summary of changes in business-type activities capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 40,277	\$ -	\$ (40,277)	\$ -
Construction in progress	440,163	23,300	(463,463)	-
Total capital assets, not being depreciated	<u>480,440</u>	<u>23,300</u>	<u>(503,740)</u>	<u>-</u>
Capital assets, being depreciated				
Building	110,460	-	(110,460)	-
Vehicles and equipment	784,062	-	(784,062)	-
Utility systems	12,701,610	-	(12,701,610)	-
Total capital assets, being depreciated	<u>13,596,132</u>	<u>-</u>	<u>(13,596,132)</u>	<u>-</u>
Less accumulated depreciation:				
Building	(27,617)	(2,301)	29,918	-
Vehicles and equipment	(493,985)	(23,806)	517,791	-
Utility systems	(6,760,686)	(136,567)	6,897,253	-
Total accumulated depreciation	<u>(7,282,288)</u>	<u>(162,674)</u>	<u>7,444,962</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>6,313,844</u>	<u>(162,674)</u>	<u>(6,151,170)</u>	<u>-</u>
Capital assets, net	<u>\$ 6,794,284</u>	<u>\$ (139,374)</u>	<u>\$ (6,654,910)</u>	<u>\$ -</u>

C. Discretely presented component unit

A summary of changes in the Urban Redevelopment Authority capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Urban Redevelopment Authority				
Assets held for sale	\$ 210,062	\$ 25,000	\$ (35,012)	\$ 200,050
Total capital assets	<u>\$ 210,062</u>	<u>\$ 25,000</u>	<u>\$ (35,012)</u>	<u>\$ 200,050</u>

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 5—Long-term debt

The following is a summary of the changes in noncurrent liabilities reported in the statement of net position for the year ended December 31, 2021:

	Balance	2021		Balance	Due Within One Year
	January 1, 2021	Additions	Reductions	December 31, 2021	
Governmental activities:					
Notes payable from direct borrowings	\$ 1,953,000	\$ -	\$ 197,000	\$ 1,756,000	\$ 201,000
Community First National Bank lease purchase from direct borrowings	156,000	-	156,000	-	-
Compensated absences	76,549	137,440	76,549	137,440	137,440
Net pension liability	394,286	-	110,592	283,694	-
Governmental activities long-term liabilities	<u>\$ 2,579,835</u>	<u>\$ 137,440</u>	<u>\$ 540,141</u>	<u>\$ 2,177,134</u>	<u>\$ 338,440</u>
Business-type activities:					
2005 GEFA loan from direct borrowings	\$ 997,038	\$ -	\$ 997,038	\$ -	\$ -
Compensated absences	63,218	-	63,218	-	-
Net pension liability	591,429	-	591,429	-	-
Business-type activities long-term liabilities	<u>\$ 1,651,685</u>	<u>\$ -</u>	<u>\$ 1,651,685</u>	<u>\$ -</u>	<u>\$ -</u>
Discretely presented component unit:					
Urban Redevelopment Authority					
Cadence Bank line of credit	\$ 61,119	\$ 483	\$ 61,602	\$ -	\$ -
First State Bank line of credit	124,755	61,602	972	185,385	185,385
Discretely presented component unit long-term liabilities	<u>\$ 185,874</u>	<u>\$ 62,085</u>	<u>\$ 62,574</u>	<u>\$ 185,385</u>	<u>\$ 185,385</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 5—Long-term debt (continued)

A. Governmental activities debt

1. Notes payable

In August 2011, the City received a 20-year, direct borrowing note from BB&T Bank for renovations to the Public Safety Facility as well as the addition of a new fire station, secured by the property financed. The interest rate on the loan is 4.71%. During the year ended December 31, 2016, the City refinanced the loan through an installment sale agreement with the Georgia Municipal Association; the interest of which was subsequently transferred to a bank. The loan is secured by the property financed and is due in varying installments of principal and interest, at a fixed rate of 2.44%, through 2029. In the event of default all unpaid amounts shall become immediately due and payable.

Annual debt service requirements as of December 31, 2021 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ 201,000	\$ 40,896	\$ 241,896
2023	206,000	35,868	241,868
2024	211,000	30,808	241,808
2025	217,000	25,429	242,429
2026	222,000	20,006	242,006
2027-2029	699,000	26,211	725,211
	<u>\$ 1,756,000</u>	<u>\$ 179,218</u>	<u>\$ 1,935,218</u>

In May 2019, the City financed the purchase of computers for police cars through direct borrowings from KS State Bank. The loan is secured by the equipment financed. The interest rate on the loan is 13.37%. The loan is due in varying installments of principal and interest through 2023. In the event of default all unpaid amounts shall become immediately due and payable. The loan was paid off during the year ended December 31, 2020.

In May 2019, the City entered into a direct borrowing lease purchase agreement with Ford Motor Credit Company to purchase vehicles for the police department. The loan is secured by the vehicles financed. The interest rate is 7.75%. The payments are due in two annual installments of \$42,141 through 2021. In the event of default, all unpaid amounts shall become immediately due and payable. The loan was paid off during the year ended December 31, 2020.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 5—Long-term debt (continued)

A. Governmental activities debt (continued)

1. Notes payable (continued)

In April 2020, the City financed the purchase of equipment for the fire department through direct borrowings from Community First National Bank. The loan is secured by the equipment financed. The interest rate on the loan is 10%. The loan is due in varying installments of principal and interest through 2025. In the event of default, all unpaid amounts shall become immediately due and payable. The loan was paid off during the year ended December 31, 2021.

B. Business-type activities debt

1. Notes payable

In 2005, the City applied for and received a construction loan from GEFA for improvements to the water and sewer system. The direct borrowings, which have an interest rate of 4.2%, consist of 240 installments of \$12,109. In June 2020 the City was notified of the alleviation of interest for the time period of July 1, 2020 through December 31, 2020 and no principal being due or payable during this same time period. The payments of principal and interest recommenced on January 1, 2021. The maturity date of the loan was extended six months to March 1, 2029. The loan was paid off during the year ended December 31, 2021.

C. Discretely presented component unit

1. Lines of credit

The URA had a line of credit with a commercial bank with an available credit limit of \$250,000, which had a maturity date of December 20, 2022. Amounts outstanding under the line bore interest at 5.25%. The line of credit was due and payable in full on demand. \$-0- was outstanding under the line of credit at December 31, 2021. This line of credit was guaranteed by the City. The line of credit was paid in full and terminated during the year ended December 31, 2021.

The URA has a line of credit with a commercial bank with an available credit limit of \$250,000, which matures on October 26, 2022. Amounts outstanding under the line bear interest at 3.50%. The line of credit is due and payable in full on demand. \$185,385 was outstanding under the line of credit at December 31, 2021. The unused amount of the line of credit at December 31, 2021 was \$64,615.

Note 6—Interfund receivables/transfers

The SPLOST 2017-2022 transferred \$242,733 to the General Fund for the payment of a Regions loan on a building for which the cost was included in the SPLOST 2017-2022 budget; however, the General Fund obtained debt to construct the building prior to the collection of SPLOST funds; therefore, the SPLOST funds are being transferred to the General Fund to reimburse the General Fund for prior years' capital outlay as stated in the SPLOST Intergovernmental Agreement with Columbia County.

Interfund receivables and payables result from timing differences related to charges for services or reimbursable expenses. The City expects to repay these interfund balances within one year.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 7—Risk management

The City carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the City.

A. Risk pool

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

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to the pools' attorneys, claims adjusters, and any agent or independent contractor of the pools. In addition, the City must 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 claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

The fund is to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs 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.

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the City's insurance coverage.

Note 8—Pension plan

A. Plan description

The City Council approved the adoption of a defined benefit pension plan, the City of Harlem Retirement Plan (the "Plan"), covering all full-time employees in 1987, and closed entry to the Plan to new participants as of December 17, 2012. The Plan is administered by the Georgia Municipal Employees Benefit System ("GMEBS"), a statewide, agent multiple-employer, defined benefit pension plan that acts as a common investment and administrative agent for cities in the state of Georgia. GMEBS handles all administrative and investment functions relative to the Plan. All full-time City employees prior to December 17, 2012, were eligible to participate in the Plan after one year of service. Benefits vest after 10 years of service. City employees may retire at age 55 under the early retirement provisions if they have completed 10 years of service. Normal retirement is at age 60. Benefits are payable for life in an amount of covered compensation plus 2% of Participant Final Average Earnings, multiplied by years of service. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the GMEBS Pension Trust and Adoption Agreement executed by the City. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street SW, Atlanta, Georgia 30303.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 8—Pension plan (continued)

B. Plan membership

As of July 1, 2021, the Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefits	20
Inactive Plan members entitled to, but not receiving benefits	21
Active Plan members	14
	55

C. 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 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 the Plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2021, the City's contribution rate was 32.62% of annual covered payroll. City contributions to the Plan were \$149,453 for the year ended December 31, 2021.

D. Net pension liability

The City's net pension liability was measured as of March 31, 2021, which would make it applicable to the fiscal year beginning January 1, 2021 and ending December 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021.

E. Actuarial assumptions

The methods and assumptions used in the July 1, 2021 valuation were approved by the Board in December 2019 based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted in November and December 2019. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustment	1.70%

Mortality rates for the valuation period were based on the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The long-term expected rate of return on 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 target asset allocation percentage and by adding expected inflation.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 8—Pension plan (continued)

E. Actuarial assumptions (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of March 31, 2020 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%	7.05%
Domestic fixed income	20%	1.15%
Real estate	10%	4.50%
Global fixed income	5%	1.25%
	<u>100%</u>	

F. Discount rate

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

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

	<u>1% Decrease (6.375%)</u>	<u>Current Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
City's net pension liability	\$ 622,182	\$ 283,694	\$ (1,885)

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 8—Pension plan (continued)

G. Changes in the net pension liability

The changes in the components of the net pension liability for the City for the year ended December 31, 2021 were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at March 31, 2020	<u>\$ 2,701,827</u>	<u>\$ 1,716,112</u>	<u>\$ 985,715</u>
Changes for the year:			
Service cost	30,182	-	30,182
Interest	197,186	-	197,186
Differences between expected and actual experience	2,321	-	2,321
Contributions – employer	-	158,112	(158,112)
Net investment income	-	783,819	(783,819)
Benefit payments, including refunds of employee contributions	(116,589)	(116,589)	-
Administrative expense	-	(10,221)	10,221
Net changes	<u>113,100</u>	<u>815,121</u>	<u>(702,021)</u>
Balances at March 31, 2021	<u>\$ 2,814,927</u>	<u>\$ 2,531,233</u>	<u>\$ 283,694</u>

The required schedule of changes in the City's net pension liability and related ratios on page 40 presents multiyear trend information about whether the value of Plan assets are increasing or decreasing over time relative to the total pension liability.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 8—Pension plan (continued)

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

For the year ended December 31, 2021, the City recognized pension expense of \$18,108. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual pension plan experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	350,435
Employer contributions subsequent to the measurement date	93,618	-
	<u>\$ 93,618</u>	<u>\$ 350,435</u>

City contributions subsequent to the measurement date of \$93,618 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	
2022	\$ (78,010)
2023	(63,883)
2024	(77,323)
2025	(131,219)
	<u>\$ (350,435)</u>

Note 9—Georgia Firefighters’ Pension Fund

Certain employees of the Fire Department are covered by The Georgia Firefighters’ Pension Fund (“GFPP”). The GFPP was established by the Georgia General Assembly in 1995 for the purpose of providing retirement benefits for qualified firefighters. The GFPP is a cost-sharing, multiple-employer defined benefit pension plan as defined in the GASB Statement 68, *Accounting and Financial Reporting for Pensions*.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 9—Georgia Firefighters’ Pension Fund (continued)

Any person employed as a firefighter or enrolled as a volunteer firefighter within the state of Georgia or any regular employee of the GPF is eligible for membership in the GPF. The various fire departments located within the state of Georgia, as employers of the members of GPF, do not make contributions to the fund. The state of Georgia provides non-employer contributions to the GPF through the collection of insurance premiums tax. Since the City does not contribute directly to the GPF, management has determined the related impact on the financial statements to be immaterial. GPF issues a publicly available financial report that can be obtained at <http://gpf.org/about/annualreports/>.

Note 10—Other retirement plans

In 2011, the City Council approved the adoption of “The Georgia Municipal Association 457(b) Deferred Compensation Plan” (the “457(b) Plan”). The 457(b) Plan allows employees to voluntarily supplement their retirement savings through the deferral of income before it is taxed. All employees of the City are eligible to participate in the 457(b) Plan. The City does not contribute to the 457(b) Plan.

In December 2012, the City Council approved the adoption of “The Georgia Municipal Association 401(a) Defined Contribution Plan” (the “401(a) Plan”). All full-time employees with six months of service hired after December 17, 2012, are eligible to participate in the plan. The City contributes 3% of total compensation to the 401(a) Plan. Additionally, the City will match 100% of contributions to the 457(b) Plan up to 3% of total compensation through contributions to the 401(a) Plan. Matching and nonmatching contributions are 100% vested after a participant has been employed five years and matching contributions remain 0% vested until the participant satisfies the full vesting period. As of December 31, 2021, there were 15 plan participants. For the year ended December 31, 2021, the City made contributions of \$9,715 to the Defined Contribution Plan.

Note 11—Joint venture

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Commission (“RC”) and is required to pay annual dues thereto. During the year ended December 31, 2021, the City paid \$3,066 in such dues and service charges. Membership in a RC is required by the OCGA Section 50-8-34 that provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: CSRA Regional Commission, 3626 Walton Way Ext. #300, Augusta, GA 30909.

Note 12—Housing authority

The Housing Authority of Harlem, Georgia (the “Housing Authority”), is considered a related organization based in accordance with U.S. GAAP. Pursuant to OCGA 8-3-4, the Housing Authority is a separate legal entity from the City. Further, pursuant to OCGA 8-3-50, the City appoints a voting majority of the Housing Authority members. However, the City is not able to impose its will upon the Housing Authority nor does a financial benefit/burden relationship exist between them. In 2021, the City received \$5,643 for the 2020 assessment year from the Harlem Housing Authority as payment in lieu of taxes.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 13—Commitments and contingencies

A. Commitments

The City guarantees one of the URA's lines of credit as discussed in Note 5. No additional outstanding commitments existed for the City as of December 31, 2021.

B. Contingencies

The City is subject to various legal proceedings covering a wide range of matters that arise in the ordinary course of its activities.

Note 14—Landfill post-closure cost

The City contracts with a disposal company to dispose of its solid waste materials collected. In prior years the City maintained a landfill; however, it was closed during 2016. The state of Georgia requires the City to perform certain maintenance and monitoring functions at the closed landfill and to make periodic reports to the appropriate agencies. The estimated liability for post-closure cost is undeterminable; however, the City believes the maintenance cost is immaterial. However, changes in the post-closure care may occur for increases or decreases in cost due to inflation or deflation, changes in technology, changes to post-closure care requirements, and changes in the extent of environmental remediation required by law. If at such time the post-closure care cost is determined and is a material liability, appropriate disclosure will be reflected in the financial statements. Maintenance costs \$297 and landfill services fees were \$18,827 for the year ended December 31, 2021.

Note 15—Sale of Water Distribution and Wastewater Collection System

Effective July 1, 2021, the City entered into an intergovernmental agreement with Columbia County to sell its municipal water distribution and wastewater collection and treatment systems. In connection with the agreement, on July 1, 2021, the City transferred the assets and liabilities comprising its water and wastewater systems to the County. As a result of the sale, the City recognized a gain of approximately \$750,000, which is included in proprietary fund nonoperating revenue. The City's 2021 expenses related to the water and sewer system operations totaled approximately \$1.1 million and operating revenues totaled approximately \$1.3 million.

Note 16—Subsequent events

The City has evaluated subsequent events June 30, 2022, the date which the financial statements were available to be issued. As of this date, there were no material subsequent events requiring adjustment to or disclosure in the financial statements for the year ended December 31, 2021.

CITY OF HARLEM, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability:						
Service cost	\$ 30,182	\$ 35,636	\$ 39,252	\$ 41,081	\$ 52,796	\$ 57,426
Interest on total pension liability	197,186	191,053	181,878	167,511	165,691	154,267
Differences between expected and actual experience	2,321	(8,189)	20,257	76,315	(29,694)	105,065
Changes of assumptions	-	29,880	-	51,773	-	-
Benefit payments, including refunds of employee contributions	(116,589)	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Net Change in Total Pension Liability	113,100	131,789	127,103	226,320	(31,453)	198,286
Total pension liability - beginning	2,701,827	2,570,038	2,442,935	2,216,615	2,248,068	2,049,782
Total Pension Liability - Ending (a)	<u>\$ 2,814,927</u>	<u>\$ 2,701,827</u>	<u>\$ 2,570,038</u>	<u>\$ 2,442,935</u>	<u>\$ 2,216,615</u>	<u>\$ 2,248,068</u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 158,112	\$ 162,578	\$ 152,731	\$ 159,294	\$ 155,680	\$ 152,944
Net investment income	783,819	(132,166)	63,040	188,091	167,063	5,352
Benefit payments, including refunds of employee contributions	(116,589)	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Administrative expense	(10,221)	(11,244)	(10,684)	(10,685)	(11,072)	(8,025)
Net Change in Fiduciary Net Position	815,121	(97,423)	90,803	226,340	91,425	31,799
Plan fiduciary net position - beginning	1,716,112	1,813,535	1,722,732	1,496,392	1,404,967	1,373,168
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,531,233</u>	<u>\$ 1,716,112</u>	<u>\$ 1,813,535</u>	<u>\$ 1,722,732</u>	<u>\$ 1,496,392</u>	<u>\$ 1,404,967</u>
Net Pension Liability (a) - (b)	<u>\$ 283,694</u>	<u>\$ 985,715</u>	<u>\$ 756,503</u>	<u>\$ 720,203</u>	<u>\$ 720,223</u>	<u>\$ 843,101</u>
Plan fiduciary net position as a percentage of the total pension liability	89.92%	63.52%	70.56%	70.52%	67.51%	62.50%
Covered-employee payroll	<u>\$ 425,406</u>	<u>\$ 431,794</u>	<u>\$ 469,860</u>	<u>\$ 519,400</u>	<u>\$ 518,351</u>	<u>\$ 670,477</u>
City's net pension liability as a percentage of covered-employee payroll	66.69%	228.28%	161.0%	138.7%	138.9%	125.7%

***NOTE: This schedule will present 10 years of information once it is accumulated.**

CITY OF HARLEM, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTION

DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 160,998	\$ 163,105	\$ 149,273	\$ 162,634	\$ 153,362	\$ 152,944
Contributions in relation to the actuarially determined contribution	(160,998)	(163,105)	(149,273)	(162,634)	(153,362)	(152,944)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 431,794	\$ 469,860	\$ 519,400	\$ 518,351	\$ 670,477	670,477
Contributions as a percentage of covered-employee payroll	37.29%	34.71%	28.74%	31.38%	22.87%	22.81%

***NOTE: This schedule will present 10 years of information once it is accumulated.**

CITY OF HARLEM, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

Note 1—Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1 of the year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for the remaining unfunded liability
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net investment rate of return	7.375%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustments	1.70%

There were no changes in the methods or assumptions from the prior valuation.

CITY OF HARLEM, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	Special Revenue Funds		Capital Project Funds			Combined Totals
	Confiscation Fund	Revolving Loan Fund	Technology Fund	T-SPLOST Fund	SPLOST 2011-2016 Fund	
ASSETS						
Cash and cash equivalents	\$ 10,465	\$ 108,470	\$ 28,069	\$ 135,544	\$ 690	\$ 283,238
Accounts receivable	-	-	-	13,596	-	13,596
Total Assets	<u>\$ 10,465</u>	<u>\$ 108,470</u>	<u>\$ 28,069</u>	<u>\$ 149,140</u>	<u>\$ 690</u>	<u>\$ 296,834</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 690	\$ 690
Unearned revenue	5,111	-	-	-	-	5,111
Total Liabilities	<u>5,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>	<u>5,801</u>
FUND BALANCE						
Restricted for:						
Capital projects	-	-	-	149,140	-	149,140
Economic development	-	108,470	-	-	-	108,470
Committed to:						
Capital outlay	-	-	28,069	-	-	28,069
Assigned:						
Public safety	5,354	-	-	-	-	5,354
Total Fund Balance	<u>5,354</u>	<u>108,470</u>	<u>28,069</u>	<u>149,140</u>	<u>-</u>	<u>291,033</u>
Total Liabilities and Fund Balance	<u>\$ 10,465</u>	<u>\$ 108,470</u>	<u>\$ 28,069</u>	<u>\$ 149,140</u>	<u>\$ 690</u>	<u>\$ 296,834</u>

CITY OF HARLEM, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED DECEMBER 31, 2021

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			<u>Total Non-Major Governmental Funds</u>
	<u>Confiscation Fund</u>	<u>Revolving Loan Fund</u>	<u>Technology Fund</u>	<u>T-SPLOST Fund</u>	<u>SPLOST 2011-2016 Fund</u>	
Revenue:						
Fines and forfeitures	\$ 477	\$ -	\$ -	\$ -	\$ -	\$ 477
Intergovernmental revenue	-	-	-	86,769	-	86,769
Charges for services	-	-	5,762	-	-	5,762
Uses of money/property	85	742	220	1,465	531	3,043
Grants	-	-	-	5,000	-	5,000
Other	11,349	-	-	-	-	11,349
Total Revenue	<u>11,911</u>	<u>742</u>	<u>5,982</u>	<u>93,234</u>	<u>531</u>	<u>112,400</u>
Expenditures:						
Current Operating:						
General government	-	-	-	98,992	2,613	101,605
Public safety	11,959	-	116	-	-	12,075
Capital outlay	-	-	-	-	112,872	112,872
Total Expenditures	<u>11,959</u>	<u>-</u>	<u>116</u>	<u>98,992</u>	<u>115,485</u>	<u>226,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48)</u>	<u>742</u>	<u>5,866</u>	<u>(5,758)</u>	<u>(114,954)</u>	<u>(114,152)</u>
Net change in fund balances	(48)	742	5,866	(5,758)	(114,954)	(114,152)
Fund balance, beginning of year	<u>5,402</u>	<u>107,728</u>	<u>22,203</u>	<u>154,898</u>	<u>114,954</u>	<u>405,185</u>
Fund balance, end of year	<u>\$ 5,354</u>	<u>\$ 108,470</u>	<u>\$ 28,069</u>	<u>\$ 149,140</u>	<u>\$ -</u>	<u>\$ 291,033</u>

Report of Independent Auditor 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 Harlem, Georgia

We have audited 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 of America, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Harlem, Georgia (the “City”), as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated June 30, 2022.

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”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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 combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses as described in 2021-001.

Compliance and Other Matters

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

City of Harlem's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not audited 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia
June 30, 2022

CITY OF HARLEM, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2021

Finding 2021-001

CONDITION:

The City of Harlem, Georgia (the "City") did not prepare its financial statements for the year ended December 31, 2021, or its conversion entries related to converting the fund financial statements to the statement of net position and statement of activities.

During our audit procedures, significant adjustments were posted to the internal financial statements in order for the financial statements to be in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Based upon the City's request, we prepared the conversion entries to convert the fund financial statements to the statement of net position and statement of activities, and other year-end adjustments and reclassifications. Also, during our audit procedures as accounts were reconciled to supporting documentation, we proposed adjustments to correct balance sheet accounts to the supporting schedules.

CAUSE:

The City does not have sufficient resources with the financial statement expertise which would allow the City to internally prepare its conversion entries for the fund financial statements to the government-wide financial statements, in accordance with U.S. GAAP. Historically, due to the cost-benefit analysis made by management of internal control over financial reporting, the City has engaged its auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

The City also has not had sufficient resources in the accounting and finance departments which would allow sufficient time to be spent on reconciling balance sheet accounts for all funds to the supporting documentation on a timely basis.

RECOMMENDATION:

We recommend management consider the cost-benefit analysis of the preparation of its financial statements in accordance with U.S. GAAP. We also recommend management continue the training and supervision of its finance and accounting staff in order to reconcile all balance sheet accounts to supporting documentation on a timely basis.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

Management concurs with the findings. Management reviews the cost benefit of internal control over financial reporting and has determined the most prudent course of action is to engage the auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

CITY OF HARLEM, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2021

Finding 2020-001

CONDITION:

The City of Harlem, Georgia (the “City”) did not prepare its financial statements for the year ended December 31, 2020, or its conversion entries related to converting the fund financial statements to the statement of net position and statement of activities.

During our audit procedures, significant adjustments were posted to the internal financial statements in order for the financial statements to be in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Based upon the City’s request, we prepared the conversion entries to convert the fund financial statements to the statement of net position and statement of activities, and other year-end adjustments and reclassifications. Also, during our audit procedures as accounts were reconciled to supporting documentation, we proposed adjustments to correct balance sheet accounts to the supporting schedules.

The City relies on an external party to maintain the capital assets and calculate depreciation. The City has placed an overreliance on the external party and performed an insufficient review of the depreciation calculation in order to detect material misstatements.

CAUSE:

The City does not have sufficient resources with the financial statement expertise which would allow the City to internally prepare its conversion entries for the fund financial statements to the government-wide financial statements, in accordance with U.S. GAAP. Historically, due to the cost-benefit analysis made by management of internal control over financial reporting, the City has engaged its auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

The City also has not had sufficient resources in the accounting and finance departments which would allow sufficient time to be spent on reconciling balance sheet accounts for all funds to the supporting documentation on a timely basis.

RECOMMENDATION:

We recommend management consider the cost-benefit analysis of the preparation of its financial statements in accordance with U.S. GAAP. We also recommend management continue the training and supervision of its finance and accounting staff in order to reconcile all balance sheet accounts to supporting documentation on a timely basis.

ACTIONS TAKEN OR PLANNED TO CORRECT DEFICIENCIES:

Management concurs with the findings. Management reviews the cost benefit of internal control over financial reporting and has determined the most prudent course of action is to engage the auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

CURRENT STATUS:

Repeat finding at 2021-001.

CITY OF HARLEM, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS (2011-2016)

YEAR ENDED DECEMBER 31, 2021

Project	Original Estimated Cost	Amended Estimated Cost	Prior Years	Current Year	To Date	Percentage of Completion
Tier I						
Vehicles and equipment	\$ 350,000	\$ 325,000	\$ 325,000	\$ -	\$ 325,000	100%
Infrastructure (water and sewer)	718,224	193,224	128,832	-	128,832	67%
Transportation (roads and sidewalks)	200,000	160,000	122,750	61,122	183,872	115%
Public buildings	850,000	1,480,000	1,672,036	-	1,672,036	113%
Recreation	250,000	210,000	185,477	51,750	237,227	113%
Total - Tier I	<u>2,368,224</u>	<u>2,368,224</u>	<u>2,434,095</u>	<u>112,872</u>	<u>2,546,967</u>	
Tier II						
Vehicles and equipment	50,000	50,000	-	-	-	0%
Infrastructure (water and sewer)	610,377	610,377	-	-	-	0%
Public buildings	150,000	150,000	95,892	-	95,892	64%
Total - Tier II	<u>810,377</u>	<u>810,377</u>	<u>95,892</u>	<u>-</u>	<u>95,892</u>	
Tier III						
Infrastructure (water and sewer)	521,749	521,749	-	-	-	0%
Total - Tier III	<u>521,749</u>	<u>521,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Grand Total	<u>\$ 3,700,350</u>	<u>\$ 3,700,350</u>	<u>\$ 2,529,987</u>	<u>\$ 112,872</u>	<u>\$ 2,642,859</u>	

CITY OF HARLEM, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE
LOCAL OPTION SALES TAX PROCEEDS (2017-2022)

YEAR ENDED DECEMBER 31, 2021

Project	Original Estimated Cost	Amended Estimated Cost	Prior Years	Current Year	To Date	Percentage of Completion
Tier I						
Public buildings	\$ 1,942,531	\$ 1,955,481	\$ 881,440	\$ 242,733	* \$ 1,124,173	57%
Total - Tier I	<u>1,942,531</u>	<u>1,955,481</u>	<u>881,440</u>	<u>242,733</u>	<u>1,124,173</u>	
Tier II						
Vehicles and equipment	25,000	25,000	-	-	-	0%
Infrastructure (water and sewer)	25,000	25,000	-	-	-	0%
Transportation (roads and sidewalks)	25,000	25,000	-	-	-	0%
Public buildings	223,755	262,606	-	-	-	0%
Recreation	25,000	25,000	-	-	-	0%
Total - Tier II	<u>323,755</u>	<u>362,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Tier III						
Buildings	283,755	231,954	-	-	-	0%
Transportation (roads and sidewalks)	10,000	10,000	-	-	-	0%
Recreation	10,000	10,000	-	-	-	0%
Vehicles and equipment	10,000	10,000	-	-	-	0%
Infrastructure (water and sewer)	10,000	10,000	-	-	-	0%
Total - Tier III	<u>323,755</u>	<u>271,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Grand Total	<u>\$ 2,590,041</u>	<u>\$ 2,590,041</u>	<u>\$ 881,440</u>	<u>\$ 242,733</u>	<u>\$ 1,124,173</u>	

* Consistent with the Intergovernmental Agreement with Columbia County, the City is reimbursing the General Fund for capital outlay expenditures for a public building which occurred in previous years.