

CITY OF HARLEM, GEORGIA

ANNUAL FINANCIAL REPORT

As of and for the Year Ended December 31, 2022

And Independent Auditor's Reports

CITY OF HARLEM, GEORGIA
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Independent Auditor's Report

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

Report of the Audited Financial Statements

Opinions

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, 2022, 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, 2022, 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

Supplementary Information and State Reporting Section

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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, 2023 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.

Cherry Bekaert LLP

Augusta, Georgia
June 30, 2023

CITY OF HARLEM, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

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, 2022.

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, 2022 by approximately \$19.4 million. Of that amount, \$8.8 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 \$829,000 for the year ended December 31, 2022.
- As of December 31, 2022, the City's governmental funds reported combined ending fund balances of approximately \$10.4 million, an increase of approximately \$6.8 million in comparison with the prior year.
- In fiscal year 2021, the City sold its municipal water distribution and wastewater collection and treatment systems to Columbia County for \$7 million. In fiscal year 2022, the remaining cash funds in the Water and Sewer Fund were transferred to the General Fund.

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 – Prior to July 2021, the City charged a fee to customers to help it cover all or most of the cost of services it provided. The City's water and sewer system is reported in this category. The water and sewer system operations were sold to Columbia County in 2021.

Component Unit – 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.

CITY OF HARLEM, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

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, and the non-major funds. The General Fund, the ARP Fund, and the SPLOST 2017-2022 Fund are considered to be major funds.

Proprietary Funds – Prior to the sale of the water and sewer system in July 2021, the City charged customers for the services it provided (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.

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 \$19.4 million at the close of the current fiscal year.

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the City's net position (45%) 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 (50%) 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, 2022

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 11,653,046	\$ 4,572,342	\$ -	\$ 7,505,588	\$ 11,653,046	\$ 12,077,930
Capital assets	9,699,598	9,947,943	-	-	9,699,598	9,947,943
Total Assets	21,352,644	14,520,285	-	7,505,588	21,352,644	22,025,873
Deferred outflows of resources	98,513	93,618	-	-	98,513	93,618
Long-term liabilities outstanding	-	1,756,000	-	-	-	1,756,000
Other liabilities	1,766,111	1,403,595	-	-	1,766,111	1,403,595
Total Liabilities	1,766,111	3,159,595	-	-	1,766,111	3,159,595
Deferred inflows of resources	246,205	350,435	-	-	246,205	350,435
Net Position:						
Net investment in capital assets	9,699,598	8,192,267	-	-	9,699,598	8,192,267
Restricted	978,456	1,289,860	-	-	978,456	1,289,860
Unrestricted	8,760,787	1,621,746	-	7,505,588	8,760,787	9,127,334
Total Net Position	\$ 19,438,841	\$ 11,103,873	\$ -	\$ 7,505,588	\$ 19,438,841	\$ 18,609,461

Governmental Activities

The City's governmental revenues increased by approximately 6% (\$276,000) when compared to 2021.

The most significant governmental expense for the City in 2022 was public works. Public works expenses totaled approximately \$1.1 million, an increase of approximately 24% from 2021. This increase is due to the public works department absorbing some former water and wastewater treatment system employees after the systems were sold to Columbia County in 2021. Another significant governmental expense in 2022 was public safety which consists of operations of the Public Safety Department. Public safety expenses totaled approximately \$776,000 in 2022. These expenses were offset to some extent by revenues from fines and forfeitures which totaled approximately \$120,000.

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Business-Type Activities

Revenues from the City's business-type activities were approximately \$42,000 for the year ended December 31, 2022, a decrease of 96% over 2021. This decrease 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 \$13,000, a decrease of approximately 99% over 2021. 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 \$809,000. A summary of this increase is as follows:

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 754,919	\$ 753,436	\$ -	\$ 1,281,714	\$ 754,919	\$ 2,035,150
Operating grants	254,082	66,474	-	-	254,082	66,474
Capital grants/contributions	1,047,576	824,236	-	-	1,047,576	824,236
General Revenues:						
Taxes	1,796,510	1,585,571	-	-	1,796,510	1,585,571
Sales tax	865,469	785,111	-	-	865,469	785,111
Other	218,074	645,941	41,529	1,106,860	259,603	1,752,801
Total Revenues	<u>4,936,630</u>	<u>4,660,769</u>	<u>41,529</u>	<u>2,388,574</u>	<u>4,978,159</u>	<u>7,049,343</u>
Expenses:						
General government	711,507	774,993	-	-	711,507	774,993
Municipal court	69,794	62,633	-	-	69,794	62,633
Public safety	775,647	792,654	-	-	775,647	792,654
Sanitation	372,416	357,794	-	-	372,416	357,794
Fire	567,070	401,625	-	-	567,070	401,625
Public works	1,080,465	870,120	-	-	1,080,465	870,120
Community development	283,542	262,626	-	-	283,542	262,626
Health and welfare	72,255	46,948	-	-	72,255	46,948
Culture and recreation	172,919	151,856	-	-	172,919	151,856
Interest and bond issuance costs	29,828	39,852	-	-	29,828	39,852
Water and sewer	-	-	13,336	1,111,027	13,336	1,111,027
Total Expenses	<u>4,135,443</u>	<u>3,761,101</u>	<u>13,336</u>	<u>1,111,027</u>	<u>4,148,779</u>	<u>4,872,128</u>
Surplus	<u>801,187</u>	<u>899,668</u>	<u>28,193</u>	<u>1,277,547</u>	<u>829,380</u>	<u>2,177,215</u>
Transfers	<u>7,533,781</u>	<u>330,827</u>	<u>(7,533,781)</u>	<u>(330,827)</u>	<u>-</u>	<u>-</u>
Change in net position	8,334,968	1,230,495	(7,505,588)	946,720	829,380	2,177,215
Net position, beginning	<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>
Net position, ending	<u>\$ 19,438,841</u>	<u>\$ 11,103,873</u>	<u>\$ -</u>	<u>\$ 7,505,588</u>	<u>\$ 19,438,841</u>	<u>\$ 18,609,461</u>

CITY OF HARLEM, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, the City had \$9.7 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 buildings totaling approximately \$15,500, vehicles and equipment totaling approximately \$148,000, and land and building improvements totaling approximately \$347,000.

Capital Assets at Year-End

	Governmental Activities
Land	\$ 659,237
Buildings and improvements	6,952,165
Vehicle and equipment	2,340,121
Infrastructure	8,276,214
	<hr/>
	18,227,737
Less accumulated depreciation	<hr/> (8,528,139) <hr/>
	<hr/> \$ 9,699,598 <hr/>

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

Debt

At year-end, the City had no outstanding debt. The City paid off the Regions Bank note payable in fiscal year 2022.

General Fund Budgetary Highlights

For the year, actual revenue and expenditures were consistent with the amounts that were budgeted. Actual transfers were more than budgeted due to the transfer of funds from the Water and Sewer Fund.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials consider many factors when setting the fiscal year 2023 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 2023 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Urban Redevelopment Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 11,277,498	\$ -	\$ 11,277,498	\$ 55,150
Receivables, net:				
Taxes	125,954	-	125,954	-
Accounts	179,474	-	179,474	-
Prepaid expenses	70,120	-	70,120	-
Capital Assets:				
Land	659,237	-	659,237	-
Depreciable, net of accumulated depreciation	9,040,361	-	9,040,361	-
Assets held for sale	-	-	-	200,050
Total Assets	21,352,644	-	21,352,644	255,200
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	98,513	-	98,513	-
Total Deferred Outflows of Resources Related to Pension	98,513	-	98,513	-
LIABILITIES				
Current Liabilities:				
Accounts payable	172,448	-	172,448	-
Accrued expenses	43,730	-	43,730	-
Other liabilities	3,838	-	3,838	500
Unearned revenue	1,076,118	-	1,076,118	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	160,978	-	160,978	-
Note payable	-	-	-	184,494
Net pension liability	308,999	-	308,999	-
Total Liabilities	1,766,111	-	1,766,111	184,994
DEFERRED INFLOWS OF RESOURCES				
Investment experience differences	246,205	-	246,205	-
Total Deferred Inflows of Resources Related to Pension	246,205	-	246,205	-
NET POSITION				
Net investment in capital assets	9,699,598	-	9,699,598	-
Restricted for:				
Economic development	109,762	-	109,762	-
Capital Projects	868,694	-	868,694	-
Unrestricted	8,760,787	-	8,760,787	70,206
Total Net Position	\$ 19,438,841	\$ -	\$ 19,438,841	\$ 70,206

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

CITY OF HARLEM, GEORGIA
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	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		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Functions/Programs:								
Governmental Activities:								
General government	\$ 711,507	\$ 73,640	\$ -	\$ 1,047,576	\$ 409,709	\$ -	\$ 409,709	\$ -
Municipal court	69,794	120,168	-	-	50,374	-	50,374	-
Public safety	775,647	-	-	-	(775,647)	-	(775,647)	-
Fire	567,070	-	-	-	(567,070)	-	(567,070)	-
Community development	283,542	-	-	-	(283,542)	-	(283,542)	-
Health and welfare	72,255	-	-	-	(72,255)	-	(72,255)	-
Public works (highways and streets)	1,080,465	-	254,082	-	(826,383)	-	(826,383)	-
Culture and recreation	172,919	30,183	-	-	(142,736)	-	(142,736)	-
Sanitation	372,416	530,928	-	-	158,512	-	158,512	-
Interest and fiscal charges on debt service	29,828	-	-	-	(29,828)	-	(29,828)	-
Total Governmental Activities	4,135,443	754,919	254,082	1,047,576	(2,078,866)	-	(2,078,866)	-
Business-Type Activities:								
Water	13,336	-	-	-	-	(13,336)	(13,336)	-
Total Business-Type Activities	13,336	-	-	-	-	(13,336)	(13,336)	-
Total Primary Government	\$ 4,148,779	\$ 754,919	\$ 254,082	\$ 1,047,576	(2,078,866)	(13,336)	(2,092,202)	-
Component Unit:								
Urban Redevelopment Authority	\$ 8,368	\$ -	\$ -	\$ -	-	-	-	(8,368)
General Revenues:								
Property taxes					1,237,597	-	1,237,597	-
Sales taxes					865,469	-	865,469	-
Other taxes					558,913	-	558,913	-
Payments in lieu of taxes					29,527	-	29,527	-
Unrestricted investment earnings					79,261	41,529	120,790	659
Gain (loss) on asset disposal					(28,935)	-	(28,935)	500
Other income					138,221	-	138,221	7,300
Total General Revenues					2,880,053	41,529	2,921,582	8,459
Transfers					7,533,781	(7,533,781)	-	-
Total General Revenues and Transfers					10,413,834	(7,492,252)	2,921,582	8,459
Change in Net Position					8,334,968	(7,505,588)	829,380	91
Net Position, Beginning of Year					11,103,873	7,505,588	18,609,461	70,115
Net Position, End of Year					\$ 19,438,841	\$ -	\$ 19,438,841	\$ 70,206

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

CITY OF HARLEM, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET

DECEMBER 31, 2022

	General	ARP Fund	SPLOST 2017-2022 Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,273,865	\$ 949,640	\$ 544,824	\$ 509,169	\$ 11,277,498
Taxes receivable	125,954	-	-	-	125,954
Accounts receivable	74,023	-	96,783	8,668	179,474
Prepaid expenses	70,120	-	-	-	70,120
Total Assets	\$ 9,543,962	\$ 949,640	\$ 641,607	\$ 517,837	\$ 11,653,046
LIABILITIES					
Accounts payable	\$ 127,580	\$ -	\$ -	\$ -	\$ 127,580
Accrued expenses	92,436	-	-	-	92,436
Unearned revenue	-	941,298	-	134,820	1,076,118
Total Liabilities	220,016	941,298	-	134,820	1,296,134
FUND BALANCE					
Non-Spendable:					
Prepaid expenditures	70,120	-	-	-	70,120
Restricted for:					
Capital projects	-	-	641,607	243,855	885,462
Economic development	-	-	-	109,762	109,762
Committed to:					
Museum building repairs	26,189	-	-	-	26,189
Capital outlay	6,286,766	-	-	20,445	6,307,211
Assigned to:					
Public safety	36,020	-	-	5,441	41,461
Operations	-	8,342	-	-	8,342
Unassigned	2,904,851	-	-	3,514	2,908,365
Total Fund Balance	9,323,946	8,342	641,607	383,017	10,356,912
Total Liabilities and Fund Balance	\$ 9,543,962	\$ 949,640	\$ 641,607	\$ 517,837	\$ 11,653,046

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

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

DECEMBER 31, 2022

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

Ending fund balances - Governmental funds	<u>\$ 10,356,912</u>
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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	18,227,737
Accumulated depreciation	<u>(8,528,139)</u>
	<u>9,699,598</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	98,513
Deferred inflows of resources related to pensions	<u>(246,205)</u>
	<u>(147,692)</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:

Compensated absences	(160,978)
Net pension liability	<u>(308,999)</u>
	<u>(469,977)</u>

Net position of governmental activities	<u><u>\$ 19,438,841</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

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

YEAR ENDED DECEMBER 31, 2022

	General	ARP Fund	SPLOST 2017-2022 Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenue:					
Taxes	\$ 1,804,420	\$ -	\$ -	\$ -	\$ 1,804,420
Permits and licenses	78,093	-	-	-	78,093
Fines and forfeitures	120,168	-	-	-	120,168
Intergovernmental revenue	857,859	251,082	934,829	112,747	2,156,517
Charges for services	536,194	-	-	5,320	541,514
Interest	55,348	8,342	10,071	5,500	79,261
Culture and recreation	50,995	-	-	-	50,995
Grants	82,149	-	-	-	82,149
Other	75,993	-	-	2,275	78,268
Total Revenue	3,661,219	259,424	944,900	125,842	4,991,385
Expenditures:					
Current Operating:					
General government	651,136	19,018	239	-	670,393
Public safety	625,771	16,651	-	15,574	657,996
Fire	416,898	179,061	-	-	595,959
Public works (highways and streets)	1,130,669	17,763	-	-	1,148,432
Health and welfare	69,479	2,776	-	-	72,255
Culture and recreation	189,125	6,507	-	-	195,632
Sanitation	363,173	-	-	-	363,173
Community development	227,653	7,558	-	-	235,211
Municipal court	68,046	1,748	-	-	69,794
Capital outlay	-	-	17,935	-	17,935
Debt Service:					
Principal	1,756,000	-	-	-	1,756,000
Interest	40,645	-	-	-	40,645
Total Expenditures	5,538,595	251,082	18,174	15,574	5,823,425
Excess (deficiency) of revenues over (under) expenditures	(1,877,376)	8,342	926,726	110,268	(832,040)
Other Financial Sources (Uses):					
Transfers in	8,859,651	-	-	-	8,859,651
Transfers (out)	-	-	(1,325,868)	-	(1,325,868)
Sale of general capital assets	54,471	-	-	-	54,471
Total Other Financing Sources (Uses)	8,914,122	-	(1,325,868)	-	7,588,254
Net change in fund balances	7,036,746	8,342	(399,142)	110,268	6,756,214
Fund balance, beginning of year - as reclassified	2,287,200	-	1,040,749	272,749	3,600,698
Fund balance, end of year	\$ 9,323,946	\$ 8,342	\$ 641,607	\$ 383,017	\$ 10,356,912

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

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, 2022

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

Net change in fund balances - total governmental funds \$ 6,756,214

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	\$ 510,494	
Loss on disposal of capital assets	(28,935)	
Proceeds from sale of capital assets	(80,293)	
Depreciation expense	<u>(649,611)</u>	
		(248,345)

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	1,756,000	
Compensated absences	(23,522)	
Accrued interest	<u>10,817</u>	
		1,743,295

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>83,804</u>
Change in net position of governmental activities		<u><u>\$ 8,334,968</u></u>

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

CITY OF HARLEM, GEORGIA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED DECEMBER 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 1,711,600	\$ 1,762,747	\$ 1,804,420	\$ 41,673
Permits and licenses	80,500	63,814	78,093	14,279
Fines and forfeitures	100,000	100,000	120,168	20,168
Intergovernmental	800,000	808,623	857,859	49,236
Charges for services	541,550	535,050	536,194	1,144
Use of money/property	32,000	32,000	55,348	23,348
Culture and recreation	59,200	49,730	50,995	1,265
Grants	3,500	56,120	82,149	26,029
Other	42,820	37,935	75,993	38,058
Total Revenues	<u>3,371,170</u>	<u>3,446,019</u>	<u>3,661,219</u>	<u>215,200</u>
Expenditures:				
General government	583,425	651,348	651,136	212
Public safety	736,100	689,562	625,771	63,791
Fire	340,200	419,841	416,898	2,943
Public works, highways	714,000	1,131,565	1,130,669	896
Health and welfare	57,930	69,530	69,479	51
Culture and recreation	198,050	189,398	189,125	273
Sanitation	364,200	363,180	363,173	7
Community services	300,150	227,788	227,653	135
Municipal court	77,115	68,220	68,046	174
Debt Service:				
Principal	201,000	1,756,000	1,756,000	-
Interest	41,000	41,000	40,645	355
Total Expenditures	<u>3,613,170</u>	<u>5,607,432</u>	<u>5,538,595</u>	<u>68,837</u>
Revenue over (under) expenditures	<u>(242,000)</u>	<u>(2,161,413)</u>	<u>(1,877,376)</u>	<u>284,037</u>
Other Financial Sources:				
Transfers in	242,000	2,106,943	8,859,651	6,752,708
Sale of general capital assets	-	54,470	54,471	1
Total Other Financial Sources	<u>242,000</u>	<u>2,161,413</u>	<u>8,914,122</u>	<u>6,752,709</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	7,036,746	<u>\$ 7,036,746</u>
Fund balance, beginning of year			<u>2,287,200</u>	
Fund balance, end of year			<u>\$ 9,323,946</u>	

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

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

DECEMBER 31, 2022

ASSETS	
Cash and cash equivalents	\$ -
Total Assets	<u>-</u>
NET POSITION	
Unrestricted	-
Total Net Position	<u>\$ -</u>

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

CITY OF HARLEM, GEORGIA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND – WATER AND SEWER FUND***YEAR ENDED DECEMBER 31, 2022*

Operating Expenses:	
Miscellaneous	\$ 13,336
Total Operating Expenses	<u>13,336</u>
Operating Loss	<u>(13,336)</u>
Nonoperating Revenue:	
Interest income	<u>41,529</u>
Total Nonoperating Revenue	<u>41,529</u>
Income before transfers	<u>28,193</u>
Transfers out	(7,533,781)
Change in net position	(7,505,588)
Net position, beginning of year	<u>7,505,588</u>
Net position, end of year	<u>\$ -</u>

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

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

YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Cash paid for goods and services	\$ (13,336)
Net cash flows from operating activities	<u>(13,336)</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(7,533,781)</u>
Net cash flows from noncapital financing activities	<u>(7,533,781)</u>
Cash flows from investing activities:	
Interest income received	<u>41,529</u>
Net cash flows from investing activities	<u>41,529</u>
Net change in cash and cash equivalents	(7,505,588)
Cash and cash equivalents, beginning of year	<u>7,505,588</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating loss	<u>\$ (13,336)</u>
Net cash flows from operating activities	<u><u>\$ (13,336)</u></u>

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

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022

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.

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.

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

The Technology Fund is a capital projects fund which 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, 2022

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 was used to account for water and sewer operations as well as construction and maintenance of water and sewerage projects. The water and sewer system was sold to Columbia County in 2021.

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, 2022, the City did not hold any investments.

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, 2022

Note 1—Summary of significant accounting policies (continued)

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

3. Prepaid expenses

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

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 assets 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1—Summary of significant accounting policies (continued)

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

6. Unearned revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

7. Compensated absences, pension, and other post-employment 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.

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

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 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.

8. 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.

9. 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.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1—Summary of significant accounting policies (continued)

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

10. 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.

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.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1—Summary of significant accounting policies (continued)

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

10. Net position/fund balance (continued)

- *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.

11. 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 preceding 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.

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, 2022, there were no funds with a deficit fund balance.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1—Summary of significant accounting policies (continued)

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

F. New accounting pronouncements

In fiscal year 2022, the City implemented GASB Statement No. 87, *Leases*. The primary objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This statement increases the usefulness of an entities financial statements by requiring establishing a single model for lease accounting based on the foundational principle that leases are financings of the right-of-use an underlying asset. The adoption of this statement had no material impact to the City's financial statements.

Note 2—Deposits, investments, and investment policies

A. 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, 2022, the carrying amount of the City's deposits was \$11,277,023 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, 2022, 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.

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 2022 that were levied on September 15, 2022, were due November 15, 2022. 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, 2022 totaled \$857,859.

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, 2022 totaled \$934,829.

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.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 3—Property taxes and other receivables (continued)

A. Receivables (continued)

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

<u>Receivables</u>	<u>Governmental Activities</u>
Taxes	\$ 125,954
Accounts	179,474
	<hr/>
Gross receivables	305,428
Less allowance for uncollectible	-
	<hr/>
Net total receivable	<u>\$ 305,428</u>

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	\$ 625,531	\$ 50,000	\$ (16,294)	\$ 659,237
Total capital assets, not being depreciated	<hr/> 625,531	<hr/> 50,000	<hr/> (16,294)	<hr/> 659,237
Capital assets, being depreciated:				
Infrastructure	8,320,008	-	(43,794)	8,276,214
Buildings and improvements	6,639,593	312,572	-	6,952,165
Vehicles and equipment	2,388,346	147,922	(196,147)	2,340,121
Total capital assets, being depreciated	<hr/> 17,347,947	<hr/> 460,494	<hr/> (239,941)	<hr/> 17,568,500
Less accumulated depreciation:				
Infrastructure	(4,425,047)	(283,490)	18,613	(4,689,924)
Buildings and improvements	(2,050,697)	(192,872)	-	(2,243,569)
Vehicles and equipment	(1,549,791)	(173,249)	128,394	(1,594,646)
Total accumulated depreciation	<hr/> (8,025,535)	<hr/> (649,611)	<hr/> 147,007	<hr/> (8,528,139)
Total capital assets, being depreciated	<hr/> 9,322,412	<hr/> (189,117)	<hr/> (92,934)	<hr/> 9,040,361
Governmental activities capital assets, net	<u>\$ 9,947,943</u>	<u>\$ (139,117)</u>	<u>\$ (109,228)</u>	<u>\$ 9,699,598</u>

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 4—Capital assets (continued)

A. General government (continued)

Depreciation expense for the year ended December 31, 2022 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 88,531
Public safety	136,052
Fire	56,111
Community services	42,373
Sanitation	9,243
Public works	307,470
Museum	3,873
Community development	5,958
Total depreciation expense - governmental activities	<u>\$ 649,611</u>

B. 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	\$ 200,050	\$ 21,000	\$ (21,000)	\$ 200,050
Total capital assets	<u>\$ 200,050</u>	<u>\$ 21,000</u>	<u>\$ (21,000)</u>	<u>\$ 200,050</u>

Note 5—Long-term liabilities

The following is a summary of the changes in noncurrent liabilities reported in the statement of net position for the year ended December 31, 2022:

	<u>Balance January 1, 2022</u>	<u>2022</u>		<u>Balance December 31, 2022</u>	<u>Due Within One Year</u>
		<u>Additions</u>	<u>Reductions</u>		
Governmental activities:					
Notes payable from direct borrowings	\$ 1,756,000	\$ -	\$ 1,756,000	\$ -	\$ -
Compensated absences	137,440	160,962	137,440	160,962	160,962
Net pension liability	283,694	25,305		308,999	-
Governmental activities long-term liabilities	<u>\$ 2,177,134</u>	<u>\$ 186,267</u>	<u>\$ 1,893,440</u>	<u>\$ 469,961</u>	<u>\$ 160,962</u>
Discretely presented component unit:					
Urban Redevelopment Authority					
First State Bank line of credit	\$ 185,385	\$ 300	\$ 1,191	\$ 184,494	\$ 184,494
Discretely presented component unit long-term liabilities	<u>\$ 185,385</u>	<u>\$ 300</u>	<u>\$ 1,191</u>	<u>\$ 184,494</u>	<u>\$ 184,494</u>

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

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 5—Long-term liabilities

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. The loan was paid off during the year ended December 31, 2022.

B. Discretely presented component unit

1. Lines of credit

The URA has a line of credit with a commercial bank with an available credit limit of \$250,000, which matures on October 24, 2024. Amounts outstanding under the line bear interest at 4.50%. The line of credit is due and payable in full on demand. \$184,494 was outstanding under the line of credit at December 31, 2022. The unused amount of the line of credit at December 31, 2022 was \$65,506.

Note 6—Interfund receivables/transfers

The SPLOST 2017-2022 transferred \$1,325,868 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.

The Water & Sewer Fund transferred \$7,533,781 to the General Fund. The funds transferred were related to the sale of the municipal water distribution and wastewater collection and treatment systems to Columbia County, Georgia in 2021.

Interfund receivables and payables result from timing differences related to charges for services or reimbursable expenses. At December 31, 2022, there were no interfund balances.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022

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, 2022, the City's contribution rate was 32.62% of annual covered payroll. City contributions to the Plan were \$140,305 for the year ended December 31, 2022.

D. Net pension liability

The City's net pension liability was measured as of March 31, 2022, which would make it applicable to the fiscal year beginning January 1, 2022 and ending December 31, 2022. 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, 2022

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%	6.55%
International equity	20%	7.30%
Domestic fixed income	20%	0.40%
Real estate	10%	3.65%
Global fixed income	5%	0.50%
	<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 determine 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	\$ 662,000	\$ 308,999	\$ 10,351

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022 were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at March 31, 2021	<u>\$ 2,814,927</u>	<u>\$ 2,531,233</u>	<u>\$ 283,694</u>
Changes for the year:			
Service cost	32,143	-	32,143
Interest	205,322	-	205,322
Differences between expected and actual experience	78,788	-	78,788
Contributions – employer	-	147,166	(147,166)
Net investment income	-	154,295	(154,295)
Benefit payments, including refunds of employee contributions	(126,075)	(126,075)	-
Administrative expense	-	(10,513)	10,513
Net changes	<u>190,178</u>	<u>164,873</u>	<u>25,305</u>
Balances at March 31, 2022	<u>\$ 3,005,105</u>	<u>\$ 2,696,106</u>	<u>\$ 308,999</u>

The required schedule of changes in the City’s net pension liability and related ratios on page 37 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, 2022

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, 2022, the City recognized pension expense of \$83,820. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	246,205
Employer contributions subsequent to the measurement date	98,513	-
	<u>\$ 98,513</u>	<u>\$ 246,205</u>

City contributions subsequent to the measurement date of \$98,513 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, 2023. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	
2023	\$ (57,327)
2024	(70,768)
2025	(124,665)
2026	6,555
	<u>\$ (246,205)</u>

Note 9—Georgia Firefighters’ Pension Fund

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

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

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022, there were 16 plan participants. For the year ended December 31, 2022, the City made contributions of \$21,476 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, 2022, the City paid \$4,446 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 2022, the City received \$5,702 for the 2021 assessment year and \$23,825 for prior years from the Harlem Housing Authority as payment in lieu of taxes.

Note 13—Commitments and contingencies

A. Commitments

The City guarantees the URA’s line of credit as discussed in Note 5. No additional outstanding commitments existed for the City as of December 31, 2022.

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.

CITY OF HARLEM, GEORGIA
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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. Landfill services fees were \$24,553 and there were no maintenance costs for the year ended December 31, 2022.

Note 15—Beginning Fund Balance Reclassification

The beginning (January 1, 2022) fund balance of the City has been reclassified as follows:

	LMIG Fund	Non-Major Governmental Funds
Total fund balance, December 31, 2021, as previously reported	\$ (18,284)	\$ 291,033
Reclassification of major fund to non-major fund	18,284	(18,284)
Total fund balance, January 1, 2022, as reclassified	<u>\$ -</u>	<u>\$ 272,749</u>

Note 16—Subsequent events

The City has evaluated subsequent events June 30, 2023, 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, 2022.

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

DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability:							
Service cost	\$ 32,143	\$ 30,182	\$ 35,636	\$ 39,252	\$ 41,081	\$ 52,796	\$ 57,426
Interest on total pension liability	205,322	197,186	191,053	181,878	167,511	165,691	154,267
Differences between expected and actual experience	78,788	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	(126,075)	(116,589)	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Net Change in Total Pension Liability	190,178	113,100	131,789	127,103	226,320	(31,453)	198,286
Total pension liability - beginning	2,814,927	2,701,827	2,570,038	2,442,935	2,216,615	2,248,068	2,049,782
Total Pension Liability - Ending (a)	<u>\$ 3,005,105</u>	<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	\$ 147,166	\$ 158,112	\$ 162,578	\$ 152,731	\$ 159,294	\$ 155,680	\$ 152,944
Net investment income	154,295	783,819	(132,166)	63,040	188,091	167,063	5,352
Benefit payments, including refunds of employee contributions	(126,075)	(116,589)	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Administrative expense	(10,513)	(10,221)	(11,244)	(10,684)	(10,685)	(11,072)	(8,025)
Net Change in Fiduciary Net Position	164,873	815,121	(97,423)	90,803	226,340	91,425	31,799
Plan fiduciary net position - beginning	2,531,233	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>\$ 2,696,106</u>	<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>\$ 308,999</u>	<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	89.72%	89.92%	63.52%	70.56%	70.52%	67.51%	62.50%
Covered-employee payroll	<u>\$ 379,208</u>	<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	81.49%	66.69%	228.28%	161.01%	138.66%	138.95%	125.70%

***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, 2022

	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 140,305	\$ 149,453	\$ 160,998	\$ 163,105	\$ 149,273	\$ 162,634	\$ 153,362
Contributions in relation to the actuarially determined contribution	(140,305)	(149,453)	(160,998)	(163,105)	(149,273)	(162,634)	(153,362)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 379,208	\$ 425,406	\$ 431,794	\$ 469,860	\$ 519,400	\$ 518,351	\$ 670,477
Contributions as a percentage of covered-employee payroll	37.00%	35.13%	37.29%	34.71%	28.74%	31.38%	22.87%

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

CITY OF HARLEM, GEORGIA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

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, 2022

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			<u>Combined Totals</u>
	<u>Confiscation Fund</u>	<u>Revolving Loan Fund</u>	<u>LMIG Fund</u>	<u>Technology Fund</u>	<u>T-SPLOST Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 12,000	\$ 109,762	\$ 131,775	\$ 20,445	\$ 235,187	\$ 509,169
Accounts receivable	-	-	-	-	8,668	8,668
Total Assets	<u>\$ 12,000</u>	<u>\$ 109,762</u>	<u>\$ 131,775</u>	<u>\$ 20,445</u>	<u>\$ 243,855</u>	<u>\$ 517,837</u>
LIABILITIES						
Unearned revenue	\$ 6,559	\$ -	\$ 128,261	\$ -	\$ -	\$ 134,820
Total Liabilities	<u>6,559</u>	<u>-</u>	<u>128,261</u>	<u>-</u>	<u>-</u>	<u>134,820</u>
FUND BALANCE						
Restricted for:						
Capital projects	-	-	-	-	243,855	243,855
Economic development	-	109,762	-	-	-	109,762
Committed to:						
Capital outlay	-	-	-	20,445	-	20,445
Assigned:						
Public safety	5,441	-	-	-	-	5,441
Unassigned	-	-	3,514	-	-	3,514
Total Fund Balance	<u>5,441</u>	<u>109,762</u>	<u>3,514</u>	<u>20,445</u>	<u>243,855</u>	<u>383,017</u>
Total Liabilities and Fund Balance	<u>\$ 12,000</u>	<u>\$ 109,762</u>	<u>\$ 131,775</u>	<u>\$ 20,445</u>	<u>\$ 243,855</u>	<u>\$ 517,837</u>

CITY OF HARLEM, GEORGIA

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

YEAR ENDED DECEMBER 31, 2022

	<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>LMIG Fund</u>	<u>Technology Fund</u>	<u>T-SPLOST Fund</u>	
Revenue:						
Intergovernmental revenue	\$ -	\$ -	\$ 20,282	\$ -	\$ 92,465	\$ 112,747
Charges for services	-	-	-	5,320	-	5,320
Uses of money/property	118	1,292	1,516	324	2,250	5,500
Other	2,275	-	-	-	-	2,275
Total Revenue	<u>2,393</u>	<u>1,292</u>	<u>21,798</u>	<u>5,644</u>	<u>94,715</u>	<u>125,842</u>
Expenditures:						
Current Operating:						
Public safety	2,306	-	-	13,268	-	15,574
Total Expenditures	<u>2,306</u>	<u>-</u>	<u>-</u>	<u>13,268</u>	<u>-</u>	<u>15,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87</u>	<u>1,292</u>	<u>21,798</u>	<u>(7,624)</u>	<u>94,715</u>	<u>110,268</u>
Net change in fund balances	87	1,292	21,798	(7,624)	94,715	110,268
Fund balance, beginning of year	5,354	108,470	(18,284)	28,069	149,140	272,749
Fund balance, end of year	<u>\$ 5,441</u>	<u>\$ 109,762</u>	<u>\$ 3,514</u>	<u>\$ 20,445</u>	<u>\$ 243,855</u>	<u>\$ 383,017</u>

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and Members of City Council
City of 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, 2022, 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, 2023.

Report on 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on 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*.

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.

Cherry Bekaert LLP

Augusta, Georgia
June 30, 2023

CITY OF HARLEM, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2022

None noted.

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

YEAR ENDED DECEMBER 31, 2022

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.

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:

Finding is considered resolved.

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

YEAR ENDED DECEMBER 31, 2022

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	183,872	-	183,872	115%
Public buildings	850,000	1,480,000	1,672,036	-	1,672,036	113%
Recreation	250,000	210,000	237,227	-	237,227	113%
Total - Tier I	<u>2,368,224</u>	<u>2,368,224</u>	<u>2,546,967</u>	<u>-</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>\$ 2,642,859</u>	<u>\$ -</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, 2022

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	\$ 1,124,173	\$ 1,325,868	* \$ 2,450,041	125%
Total - Tier I	<u>1,942,531</u>	<u>1,955,481</u>	<u>1,124,173</u>	<u>1,325,868</u>	<u>2,450,041</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>\$ 1,124,173</u>	<u>\$ 1,325,868</u>	<u>\$ 2,450,041</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.