CITY OF ARCADE, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
December 31, 2020

CITY OF ARCADE, GEORGIA

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December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

May 19, 2021

To the Mayor and City Council
CITY OF ARCADE, GEORGIA
Jefferson, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the CITY OF ARCADE, GEORGIA as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the CITY OF ARCADE, GEORGIA, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF ARCADE, GEORGIA's basic financial statements. The accompanying Budgetary Comparison Schedule - Drug Fund and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds which are presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Drug Fund and Schedule of Projects Constructed with Special Sales Tax Proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Drug Fund and Schedule of Projects Constructed with Special Sales Tax Proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2021 on our consideration of the CITY OF ARCADE, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CITY OF ARCADE, GEORGIA's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

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CITY OF ARCADE, GEORGIA
STATEMENT OF NET POSITION
December 31, 2020

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	$ 820,511
Investments	359,171
Receivables	191,173
Capital assets:	
Capital assets not being depreciated	304,708
Capital assets being depreciated	3,915,825
Less: accumulated depreciation	(1,314,077)
Capital assets, net of depreciation	2,906,456
TOTAL ASSETS	4,277,311
LIABILITIES	
Accounts payable	11,239
Other accrued items	8,645
Amount held for developers	65,000
Noncurrent liabilities:	
Due within one year	
Compensated absences payable	7,007
Due in more than one year	
Compensated absences payable	10,510
TOTAL LIABILITIES	102,401
NET POSITION	
Investment in capital assets	2,906,456
Restricted for:	
Capital outlay projects	494,692
Public safety programs	10,951
Unrestricted	762,811
TOTAL NET POSITION	$ 4,174,910

The accompanying notes are an integral part of this statement.

CITY OF ARCADE, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General government	$ 388,550	$ 33,313	$ 551,916	$ -	$ 196,679
Judicial	41,045	-	-	-	(41,045)
Public safety	450,942	170,553	-	-	(280,389)
Public works	273,448	-	29,321	248,542	4,415
Recreation and culture	4,527	-	-	165,704	161,177
Total Governmental Activities	1,158,512	203,866	581,237	414,246	40,837
TOTAL PRIMARY GOVERNMENT	$ 1,158,512	$ 203,866	$ 581,237	$ 414,246	40,837
GENERAL REVENUES					
Motor vehicle taxes					34,473
Insurance premium taxes					144,561
Franchise taxes					64,882
Alcohol beverage taxes					32,440
Total taxes					276,356
Unrestricted investment earnings					2,080
Gain on sale of capital assets					5,699
TOTAL GENERAL REVENUES AND TRANSFERS					284,135
CHANGES IN NET POSITION					324,972
NET POSITION, Beginning					3,849,938
NET POSITION, Ending					$ 4,174,910

The accompanying notes are an integral part of this statement.

CITY OF ARCADE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	GENERAL	SPLOST	DRUG FUND - NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 226,020	$ 583,541	$ 10,951	$ 820,512
Investments	359,171	-	-	359,171
Due from other governments	54,378	77,470	-	131,848
Receivables	59,325	-	-	59,325
Interfund receivables	195,640	-	-	195,640
TOTAL ASSETS	894,534	661,011	10,951	1,566,496
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 894,534	$ 661,011	$ 10,951	$ 1,566,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 11,239	$ -	$ -	$ 11,239
Other accrued items	8,645	-	-	8,645
Interfund payables	-	195,640	-	195,640
Amount held for developers	65,000	-	-	65,000
TOTAL LIABILITIES	84,884	195,640	-	280,524
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	84,884	195,640	-	280,524
FUND BALANCES				
Restricted:				
Capital outlay projects	29,321	465,371	-	494,692
Public safety projects	-	-	10,951	10,951
Committed:				
Capital equipment and infrastructure	377,000	-	-	377,000
Unassigned:	403,329	-	-	403,329
TOTAL FUND BALANCES	809,650	465,371	10,951	1,285,972
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 894,534	$ 661,011	$ 10,951	$ 1,566,496

The accompanying notes are an integral part of this statement.

CITY OF ARCADE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2020

Total Fund Balances for Governmental Funds (page 3)		$ 1,285,972
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		2,906,456
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(17,517)	
		(17,517)
Rounding		(1)
Total net position of governmental activities (page 1)		$ 4,174,910

The accompanying notes are an integral part of this statement.

CITY OF ARCADE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

REVENUES	GENERAL	SPLOST	DRUG FUND - NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
Property tax	$ 34,473	$ -	$ -	$ 34,473
Insurance premium tax	144,561	-	-	144,561
Franchise taxes	64,882	-	-	64,882
Alcohol beverage taxes	32,440	-	-	32,440
Licenses and permits	12,835	-	-	12,835
Intergovernmental	581,237	411,199	-	992,436
Charges for services	18,055	-	-	18,055
Fines and forfeitures	169,794	-	-	169,794
Interest income	2,072	3,047	9	5,128
Miscellaneous	3,072	-	110	3,182
TOTAL REVENUES	1,063,421	414,246	119	1,477,786
EXPENDITURES				
Current Expenditures				
General government	337,302	-	-	337,302
Judicial	41,045	-	-	41,045
Public safety	402,235	-	110	402,345
Public works	132,133	45,761	-	177,894
Intergovernmental	82,299	-	-	82,299
Capital outlay	62,677	58,071	-	120,748
TOTAL EXPENDITURES	1,057,691	103,832	110	1,161,633
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	5,730	310,414	9	316,153
OTHER FINANCING SOURCES (USES)				
Sale of city property	5,699	-	-	5,699
TOTAL OTHER FINANCING SOURCES (USES)	5,699	-	-	5,699
NET CHANGE IN FUND BALANCES	11,429	310,414	9	321,852
FUND BALANCES, Beginning of year	798,221	154,957	10,942	964,120
FUND BALANCES, End of year	$ 809,650	$ 465,371	$ 10,951	$ 1,285,972

The accompanying notes are an integral part of this statement.

CITY OF ARCADE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Net change in fund balances (page 5)		$ 321,852
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	120,748	
Depreciation expense	(123,424)	
		(2,676)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(17,517)	
Compensated absences, prior year	23,315	
		5,798
Rounding		(2)
Changes in net position of governmental activities (page 2)		$ 324,972

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;
- Other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. There are no component units.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. There are no business type activities.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has no enterprise funds to report.

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

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

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

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

The City reports the following major governmental funds:

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

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

Additionally, the City reports the following fund type:

> *Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specified purposes.

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

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

(D) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR FUND BALANCE

Deposits and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury and its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; and certificates of deposits of banks insured by FDIC.

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

Receivables and Payables

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

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

Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Streets, bridges and culverts acquired prior to January 1, 1983 are not been reported.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was capitalized during 2020.

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

Asset	Years
Buildings	20-50
Machinery and equipment	5-7
Vehicles	3-5
Infrastructure	50

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

Fund Equity

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

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

- *Nonspendable* - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.
- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Committed* - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another resolution.
- *Assigned* - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's administrator to assign fund balances.
- *Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

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

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

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of December 31, 2020 are as follows:

	Governmental Activities
Net investment in capital assets:	
Cost of capital assets	$ 4,220,533
Accumulated depreciation	(1,314,077)
Net book value	2,906,456
Net investment in capital assets	$ 2,906,456

Management Estimates

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

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports $505,643 of restricted net position, of which $505,643 is restricted by enabling legislation.

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

Restricted:		
General Fund		
Capital outlay projects - For unspent funds from LMIG revenue	$	29,321
SPLOST Fund		
Capital outlay projects - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	$	465,371
Total Major Fund Restrictions		494,692
Nonmajor Funds		
Public Safety programs -		
Drug Fund - For monies restricted for public safety purposes.		10,951
Total Nonmajor Fund Restrictions		10,951
Total Restricted Fund Balance	$	505,643

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Prior to January 1, the department heads submit to the City Council a proposed operating budget for each department for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Council holds a public hearing on the budget.

2. The budget is then revised and adopted or amended by the City Council at a public meeting.

3. The budget may be amended during the year only by formal action of the City Council at a regular meeting.

The budget is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Budget amounts are as originally adopted, or as amended by the Council. Project length budgets are adopted for the capital projects funds. Annual operating budgets are prepared for each enterprise fund for planning, control and evaluation purposes. Budgetary amounts are not formally integrated into proprietary fund general ledgers.

The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of May 19, 2021 all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $820,512 and the bank balance was $830,987.

In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority does not have a formal policy related to this risk. At December 31, 2020, $333,541 of the Authority's deposits were not properly insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Statutes require collateral pledged in the amount of 110% of deposits.

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

> Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately.
>
> Under the *pooled method*, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposit with such depository as set forth in code Section 45-8-13.1.

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

INVESTMENTS

A hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs requiring that the most observable inputs be used when available was establish. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 process, such as quoted prices for similar assets, quoted prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 assets are not actively traded, and their values can only be estimated using a combination of complex market prices, mathematical models, and subjective assumptions.

As of December 31, 2020, the only assets that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 of the valuation hierarchy. As of December 31, 2020, the only assets measured at fair value on recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 or Level 2 of the valuation hierarchy.

INVESTMENTS: At December 31, 2020, the City had the following investments:

		Investment Maturities (in Years)	
Investment Type	Fair Value	FMV Level 1/ Less Than 1	Rating (1)
GA Fund 1	$ 359,171	$ 359,171	AAAm
Maximum Investment		100%	

(1) Standards & Poors

The Local Government Investment Pool, "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is managed by the Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share. The City has no investment policy that would further limit its investment choices.

Investments are carried at fair value. Unrealized gain is recognized as income.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the City to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC. State law allows investments in bonds, debentures, notes or other evidences of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At December 31, 2020, the ratings of its investments are shown above.

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

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST
Receivables:		
Franchise Tax	$ 59,325	$ -
Intergovernmental	54,378	77,470
Total Gross Receivables	113,703	77,470
Less: Allowance for Uncollectibles	-	-
Total Net Receivables	$ 113,703	$ 77,470

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 295,170	$ -	$ -	$ -	$ 295,170
Construction in progress	748,968	77,431	-	(816,861)	9,538
Total non-depreciable capital assets	1,044,138	77,431	-	(816,861)	304,708
Depreciable Assets:					
Buildings and improvements	2,287,942	-	-	816,861	3,104,802
Machinery and equipment	300,257	5,863	-	-	306,120
Vehicles	228,908	37,454	-	-	266,362
Infrastructure	238,541	-	-	-	238,541
Total depreciable capital assets	3,055,648	43,317	-	816,861	3,915,825
Less Accumulated Depreciation for:					
Buildings and improvements	792,475	62,636	-	-	855,111
Machinery and equipment	232,333	20,958	-	-	253,291
Vehicles	159,527	35,059	-	-	194,586
Infrastructure	6,318	4,771	-	-	11,089
Total accumulated depreciation	1,190,653	123,424	-	-	1,314,077
Total depreciable capital assets, net	1,864,995	(80,107)	-	-	2,601,748
Governmental activities capital assets, net	$ 2,909,133	$ (2,676)	$ -	$ -	$ 2,906,456

Additions to governmental activities capital assets for the year ending December 31, 2020, consist of the following:

Capital Outlay	$ 120,748
Total	$ 120,748
Non-depreciable capital assets additions	$ 77,431
Depreciable capital assets additions	43,317
Total	$ 120,748

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

Governmental Activities:	
General Government	$ 55,175
Public Safety	47,870
Public Works	15,852
Recreation and Culture	4,527
Total depreciation expense-governmental activities	$ 123,424

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to December 31, 2020, and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

Project	Project Authorization	Expended to Date	Contracts in Progress	Authorized Not Obligated	Funding Source
Mayor's Park Phase 1	$ 612,840	$ 9,538	$ -	$ 603,302	SPLOST
Total Governmental Activities:	$ 612,840	$ 9,538	$ -	$ 603,302	

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Compensated absences	$ 23,316	$ 16,896	$ (22,695)	$ 17,517	$ 7,007	$ 10,510
Total Governmental activities long-term liabilities	$ 23,316	$ 16,896	$ (22,695)	$ 17,517	$ 7,007	$ 10,510

NOTE 8 - CONTINGENT LIABILITIES / RISK MANAGEMENT

The City receives grants from various granting agencies, which are subject to audit and adjustment by these agencies. The City is not aware of any adjustments or expenditures, which may be disallowed and restitution, if any, is not determinable at this time.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City.

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

The City is a member of the Georgia Interlocal Risk Management Agency which allows the City to share liability, crime, motor vehicle and property damage risks. Chapter 85, Title 36, of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities - GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of causality and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions and any member of GIRMA against liability or loss.

As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City. The City must participate at all times in at least one fund which is established by GIRMA.

The City retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $1,000 deductible. The basis for estimating the liabilities for unpaid claim is "IBNR" established by an actuary.

During the year ended December 31, 2020, the City did not incur claims. The City has not compiled a record of the claims paid up to the $1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the $1,000) which were outstanding and unpaid at December 31, 2020. No provisions have been made in the financial statements for the year ended December 31, 2020, for any estimate of potential unpaid claims.

The City is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

City management feels the above coverage is adequate. There has not been any significant reduction in coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Balances due to/from other funds at December 31, 2020, consist of the following:

Due to General Fund from SPLOST for capital purchase	$ 195,640
Total Due from Other Funds	$ 195,640

NOTE 10 - TRANSFERS OUT

There were no transfers among funds during the year ended December 31, 2020.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

The City established a SIMPLE IRA plan for employees. The plan is a defined contribution plan established under section 408(p) of the Internal Revenue Code. This plan was established by the authority of the City Council and may be amended by action of the City Council. City employees make voluntary contributions and the City matches up to 3% of the employee's salary. Auto Owners Insurance Company serves as custodian of the SIMPLE IRA and contributions can not exceed $12,000 for each participant for any calendar year. The City's contribution for 2020 was $9,389 and employee contributions were $24,815.

NOTE 12 - NORTHEAST GEORGIA REGIONAL COMMISSION

Under Georgia law, the City in conjunction with other cities and counties in the area are members of the Northeast Georgia Regional Commission (NEGRC) and is required to pay annual dues there to. During the year ended December 31, 2020, the City paid no dues. Membership in the NEGRC is required by the official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NEGRC in Georgia. The NEGRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an NEGRC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
305 Research Dr.
Athens, Georgia 30503-1720

NOTE 13 - CONTINGENCIES

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern". The spread of this virus (COVID-19) appeared in the United States and began to cause some operational disruptions in the first quarter of calendar year 2020. While this disruption is currently expected to be temporary, there is considerable uncertainty regarding the potential duration of the virus. Therefore, while management expects this matter could negatively impact operating results, the total financial impact and duration cannot be reasonably estimated at this time.

CITY OF ARCADE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2020
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 798,221	$ 798,221	$ 798,221	$ -
RESOURCES (INFLOWS)				
Property tax	56,000	56,000	34,473	(21,527)
Insurance premium taxes	130,000	130,000	144,561	14,561
Franchise taxes	68,000	68,000	64,882	(3,118)
Alcohol beverage taxes	22,000	22,000	32,440	10,440
Licenses and permits	7,000	7,000	12,835	5,835
Intergovernmental	375,000	489,000	581,237	92,237
Charges for services	12,000	12,000	18,055	6,055
Fines and forfeitures	240,000	240,000	169,794	(70,206)
Interest income	13,000	13,000	2,072	(10,928)
Miscellaneous	6,100	6,100	3,072	(3,028)
Sale of county property	-	-	5,699	5,699
Total Resources (Inflows)	929,100	1,043,100	1,069,120	26,020
AMOUNTS AVAILABLE FOR APPROPRIATION	1,727,321	1,841,321	1,867,341	26,020
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Administration	305,616	337,616	337,302	314
Other general government	3,000	3,000	2,148	852
Total General Government	308,616	340,616	339,450	1,166
Judicial				
Municipal court	62,575	48,575	41,045	7,530
Total Judicial	62,575	48,575	41,045	7,530
Public Safety				
Police	394,649	440,649	439,688	961
Total Public Safety	394,649	440,649	439,688	961
Public Works				
Highways and streets	23,000	99,000	98,093	907
Maintenance and shop	120,497	120,695	120,054	641
Total Public Works	143,497	219,695	218,147	1,548
Recreation and Culture				
Parks	-	20,000	19,361	639
Total Recreation and Culture	-	20,000	19,361	639
TOTAL CHARGES TO APPROPRIATIONS	909,337	1,069,535	1,057,691	11,844
CHANGE IN FUND BALANCE	19,763	(26,435)	11,429	37,864
FUND BALANCE, End of year	$ 817,984	$ 771,786	$ 809,650	$ 37,864

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF ARCADE, GEORGIA
BUDGETARY COMPARISON SCHEDULE
DRUG FUND - NONMAJOR GOVERNMENTAL FUND
For the Year Ended December 31, 2020
SUPPLEMENTAL INFORMATION

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 10,942	$ 10,942	$ 10,942	$ -
RESOURCES (INFLOWS)				
Interest income	-	-	9	9
Miscellaneous	-	110	110	-
Total Resources (Inflows)	-	110	119	9
AMOUNTS AVAILABLE FOR APPROPRIATION	10,942	11,052	11,061	9
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
Public Safety				
Police	-	110	110	-
Total Public Safety	-	110	110	-
TOTAL CHARGES TO APPROPRIATIONS	-	110	110	-
CHANGE IN FUND BALANCE	-	-	9	9
FUND BALANCE, End of year	$ 10,942	$ 10,942	$ 10,951	$ 9

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF ARCADE, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended December 31, 2020

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Jackson County, Georgia SPLOST #5 - Commenced July 1, 2011				
Public Safety Complex	$ 875,410	$ 875,410	$ 801,623	$ -
Parks and Recreation	125,081	125,071	248,120	-
Roads, Streets, and Bridges	250,162	250,162	464,511 (1)	-
Totals	$ 1,250,653	$ 1,250,643	$ 1,514,254	$ -

(1): Prior year costs reduced by $48,862 to reflect interfund transfers of resources between SPLOST Funds in 2019.

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Jackson County, Georgia SPLOST #6 - Commenced July 1, 2017				
Roads, Streets and Sidewalks	$ 905,760	$ 1,003,484	$ 160,550	$ 45,761
Park Improvements Incl. Land Acquisition	377,400	377,400	448,739	58,071
Land Acquisition - Community Center	226,440	226,440	166,320	-
Totals	$ 1,509,600	$ 1,607,324	$ 775,609	$ 103,832

CITY OF ARCADE, GEORGIA
Reconciliation of Expenditures for SPLOST
For the Year Ended December 31, 2020

Statement of Revenues, Expenditures and Changes in Fund Balance (page 5)

	Expenditures	$ 103,832
Subtotal		$ 103,832
Expenditures reported on SPLOST schedule below		**$ 103,832**

Schedule of Projects Constructed With Special Purpose Local Option Sales Tax (page 25)

	SPLOST #5	$ -
	SPLOST #6	103,832
Total		**$ 103,832**

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

May 19, 2021

To the Mayor and City Council
CITY OF ARCADE, GEORGIA
JEFFERSON, GEORGIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the CITY OF ARCADE, GEORGIA, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the CITY OF ARCADE, GEORGIA's basic financial statements and have issued our report thereon dated May 19, 2021.

Internal Control Over Financial Reporting

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

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

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

We did identify certain deficiencies in internal control, described below that we consider to be significant deficiencies.

2020-01

Statement of Condition:

During fieldwork, we noted from North East Georgia Bank cash confirmation that the SPLOST 6 bank account was not set up as public funds with North East Georgia Bank, and no collateral was provided for balances above $250,000. The SPLOST 6 bank account had a $583,541 balance as December 31, 2020, resulting in a total of $333,541 not collateralized.

Criteria:

The safety of public funds should be the foremost objective in public fund management. Collateralization of public deposits through the pledging of appropriate securities or other instruments by depositories is an important safeguard for such deposits.

Effect of Condition:

The risk of loss of assets.

Cause of Condition:

Lack of attention.

Recommendation:

We recommend that the City ensure that all funds over $250,000 are reviewed with the bank to ensure they are set up as public funds.

Response:

All funds over $250,000 have been set up as public funds at NEGB.

Compliance and Other Matters

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

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

Purpose of this Report

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

Bates, Carter & Co., LLP