CITY OF DEMOREST, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

WITH AUDITOR'S OPINION
JANUARY 29, 2021

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

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ED K. BURTON, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Ed K. Burton, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
City of Demorest, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Demorest, Georgia, as of December 31, 2019, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budget Comparison Schedule on Page 37 and the Schedule of Changes in Net Pension Liability & Related Ratios and the Schedule of Contributions on pages 38-39 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 Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

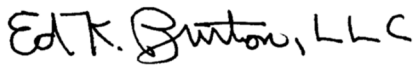
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Demorest, Georgia's basic financial statements. The combining statements on pages 42-43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of projects financed with Special Purpose Local Option Sales Tax on page 44 is presented for purposes of additional analysis as required by Official Code of Georgia Annotated 48-4-121, and is also not a required part of the basic financial statements.

The combining statements and the schedule of projects financed with Special Purpose Local Option Sales Tax are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of projects financed with Special Purpose Local Option Sales Tax are fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 29, 2021 on our consideration of the City of Demorest, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the 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 Demorest, Georgia's internal control over financial reporting and compliance.



Ed K. Burton, LLC
Certified Public Accountants
Lavonia, Georgia
January 29, 2021

CITY OF DEMOREST, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
CURRENT ASSETS:				
Cash and Cash Equivalents	27,818	486,623	$ 514,441	10,774
Restricted Cash and Cash Equivalents	696,426	483,637	1,180,063	
Accounts Receivable (Net)	71,350	587,275	658,625	-
Other Receivables	-	16,170	16,170	
Intergovernmental Receivable	39,769	-	39,769	-
Taxes Receivable	157,926	-	157,926	-
Prepaid Expenses	-	31,445	31,445	-
Due from Component Unit	-	-	-	-
Investments	-	400,000	400,000	-
TOTAL CURRENT ASSETS	993,289	2,005,150	2,998,439	10,774
NONCURRENT ASSETS:				
Capital Assets:			-	
Land, Improvements, and Construction in Progress	223,166	288,756	511,922	10,000
Depreciable Assets, Net	1,452,376	25,429,646	26,882,022	157,011
TOTAL NONCURRENT ASSETS	1,675,542	25,718,402	27,393,944	167,011
TOTAL ASSETS	2,668,831	27,723,552	30,392,383	177,785
DEFERRED OUTFLOW OF RESOURCES				
Pension Related Items	97,242	89,761	187,003	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,766,073	27,813,313	30,579,386	177,785
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
Accounts Payable	24,300	163,361	187,661	-
Accrued Liabilities	33,346	27,704	61,050	-
Accrued Interest	-	34,443	34,443	-
TOTAL CURRENT LIABILITIES	57,646	225,508	283,154	-
NONCURRENT LIABILITIES:				
Customer Deposits Payable	-	318,055	318,055	-
Compensated Absences	81,289	61,992	143,281	-
Notes Payable:				
Due Within One Year	34,185	130,718	164,903	-
Due Beyond One Year	5,611	3,323,809	3,329,420	-
Bonds Payable:				
Due Within One Year	-	240,000	240,000	
Due Beyond One Year	-	6,371,208	6,371,208	
Net Pension Liability, Due Beyond One Year	330,803	305,356	636,159	-
TOTAL NONCURRENT LIABILITIES	451,888	10,751,138	11,203,026	-
DEFERRED INFLOWS OF RESOURCES				
Pension Related Items	9,405	8,681	18,086	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	518,939	10,985,327	11,504,266	-
NET POSITION				
Net Invested in Capital Assets	1,635,746	15,652,667	17,288,413	167,011
Restricted for Capital Projects	673,673	-	673,673	-
Restricted for Cemetary Fund	62,522	-	62,522	-
Restricted for Debt Service	-	483,637	483,637	
Unrestricted Net Position	(124,807)	691,682	566,875	10,774
TOTAL NET POSITION	$ 2,247,134	$ 16,827,986	$ 19,075,120	$ 177,785
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 2,766,073	$ 27,813,313	$ 30,579,386	$ 177,785

The Accompanying Notes Are An Integral Part of These Financial Statements

CITY OF DEMOREST, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary Government								
Governmental Activities								
General Government	$ 312,666	$ 15,326	$ -	220,346	$ (76,994)	$ -	$ (76,994)	$ -
Public Safety:								
Fire	508,081	159	27,524	-	(480,398)	-	(480,398)	-
Police and Courts	929,050	424,300	36,150	-	(468,600)	-	(468,600)	-
Public Works/Streets	191,628	-	-	136,503	(55,125)	-	(55,125)	-
Interest on Long-Term Debt	5,943	-	-	-	(5,943)	-	(5,943)	-
Total Governmental Activities	1,947,368	439,785	63,674	356,849	(1,087,060)	-	(1,087,060)	-
Business-Type Activities								
Water, Sewer and Sanitation	4,519,867	5,335,876	-	-	-	816,009	816,009	-
Total Business-Type Activities	4,519,867	5,335,876	-	-	-	816,009	816,009	-
Total Primary Government	$ 6,467,235	$ 5,775,661	$ 63,674	$ 356,849	(1,087,060)	816,009	(271,051)	-
Component Units								
Downtown Development Authority	7,617	23,389	-	-	-	-	-	15,772
Government Finance Authority	3,507	-	-	-	-	-	-	(3,507)
Total Component Unit	$ 11,124	$ 23,389	$ -	$ -				$ 12,265
General Revenues								
Taxes:								
Property					197,952	-	197,952	-
Intangible and Transfer					3,549	-	3,549	-
Franchise					86,113	-	86,113	-
Beer and Wine					18,111	-	18,111	-
Insurance Premium					138,743	-	138,743	-
Business Taxes					11,635	-	11,635	-
Unrestricted Investment Earnings					13,664	14,913	28,577	-
Miscellaneous					33,393	150	33,543	-
Transfers					1,151,429	(1,151,429)	-	-
Total General Revenues and Transfers					1,654,589	(1,136,366)	518,223	-
Change in Net Position					567,529	(320,357)	247,172	12,265
Net Position - Beginning as Previously Reported					1,719,710	17,138,068	18,857,778	165,520
Prior Period Adjustment					(40,105)	10,275	(29,830)	
Net Position - Beginning as Restated					1,679,605	17,148,343	18,827,948	165,520
Net Position - Ending					$ 2,247,134	$ 16,827,986	$ 19,075,120	$ 177,785

CITY OF DEMOREST, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Major Governmental Funds		
	General Fund	SPLOST VI Capital Projects Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	$ 118,336	$ 605,908	$ 724,244
Taxes Receivables, net	157,926	-	157,926
Intergovernmental Receivables	-	39,769	39,769
Other Receivables	71,350	-	71,350
TOTAL ASSETS	$ 347,612	$ 645,677	$ 993,289
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES:			
LIABILITIES			
Accounts Payable	$ 24,300	$ -	$ 24,300
Accrued Liabilities	33,346	-	33,346
TOTAL LIABILITIES	57,646	-	57,646
DEFERRED INFLOW OF RESOURCES			
Deferred Revenue - Property Taxes	12,695	-	12,695
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	70,341	-	70,341
FUND BALANCES:			
Restricted for Capital Projects	27,996	645,677	673,673
Restricted for Cemetary Fund	62,522	-	62,522
Unassigned	186,753	-	186,753
TOTAL FUND BALANCES	277,271	645,677	922,948
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 347,612	$ 645,677	$ 993,289

CITY OF DEMOREST, GEORGIA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

TOTAL GOVERNMENTAL FUND BALANCES		$ 922,948
Amounts Reported for Governmental Activities in the Government-Wide Statement of Net Position Are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Cost	2,860,219	
Less Accumulated Depreciation	(1,184,677)	1,675,542
Certain long-term assets (receivables) are not available to pay current period expenditures and therefore, are reported as deferred revenue in the funds.		
Property Taxes		12,695
Other long-term liabilities (payables) are not available to pay current period expenditures and therefore, are reported as unavailable revenue in the funds.		
Compensated Absences		(81,289)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Notes Payable		(39,796)
Net Pension Liability		(330,803)
The deferred outflows of resources and deferred inflows of resources related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds:		
Deferred Outflows of Resources		97,242
Deferred Inflows of Resources		(9,405)
Net Position of Governmental Activities		$ 2,247,134

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

	Major Governmental Funds		
	General Fund	SPLOST VI Capital Projects Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property	$ 248,994	$ -	$ 248,994
Intangible and Transfer	3,549	-	3,549
Franchise	86,113	-	86,113
Beer and Wine	18,111	-	18,111
Insurance Premiums	138,743	-	138,743
Business Taxes	11,635	-	11,635
Licenses and Permits	15,326	-	15,326
Intergovernmental	199,177	220,346	419,523
Charges for Services	60,159	-	60,159
Fines and Forfeitures	215,520	-	215,520
GCIC	148,780	-	148,780
Investment Earnings	8,493	5,171	13,664
Contributions	1,000	-	1,000
Miscellaneous	33,393	-	33,393
TOTAL REVENUES	1,188,993	225,517	1,414,510
EXPENDITURES			
Current:			
General Government	280,527	-	280,527
Police and Courts	924,157	-	924,157
Fire	651,978	-	651,978
Public Works/Streets	356,606	-	356,606
Debt Service:			
Principal	118,890	33,341	152,231
Interest	4,336	1,607	5,943
TOTAL EXPENDITURES	2,336,494	34,948	2,371,442
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,147,501)	190,569	(956,932)
OTHER FINANCING SOURCES AND USES			
Proceeds from Long-Term Debt	102,000	-	102,000
Transfers In	1,177,394	-	1,177,394
Transfers Out	-	(25,965)	(25,965)
TOTAL OTHER FINANCING SOURCES AND USES	1,279,394	(25,965)	1,253,429
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES	131,893	164,604	296,497
FUND BALANCE - BEGINNING AS PREVIOUSLY REPORTED	185,483	481,073	666,556
Prior Period Adjustment	(40,105)	-	(40,105)
FUND BALANCE - BEGINNING AS RESTATED	145,378	481,073	626,451
FUND BALANCES - ENDING	$ 277,271	$ 645,677	$ 922,948

The Accompanying Notes Are An Integral Part of These Financial Statements

CITY OF DEMOREST, 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, 2019

Net Change in Fund Balances - Total Governmental Funds		$ 296,497
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital Outlay	388,458	
Correction to Beginning Capital Outlay	(4,400)	
Depreciation Expense	(113,928)	270,130
Governmental funds do not present revenues (such as deferred property taxes) that are not available to pay current obligations. In contrast, such revenues are reported in the Government-Wide Statement of Activities when earned.		(51,044)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which debt proceeds exceeds principal payments.		
Proceeds from Debt	(102,000)	
Correction to Beginning Note Balance	3,097	
Principal Payments on Debt	152,231	53,328
In the Statement of Activities, operating expenses are measured by the amounts incurred during the year. However, compensated absences are included in the governmental funds only to the extent that they require the expenditure of current financial resources.		(26,294)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions is reported as pension expense. These 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. This is the amount by which cost of benefits earned, net of employee contributions exceeded pension contributions.		
Cost of Benefits Earned, net of Contributions	(21,408)	
Pension Contributions	46,320	24,912
Change in Net Position of Governmental Activities		$ 567,529

CITY OF DEMOREST, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds
	Water, Sewer, & Sanitation
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 486,623
Restricted Cash and Cash Equivalents	483,637
Accounts Receivable, net	587,275
Other Receivables	16,170
Prepaid Expenses	31,445
Investments	400,000
TOTAL CURRENT ASSETS	2,005,150
NONCURRENT ASSETS	
Capital Assets:	
Land, Improvements, and Construction in Progress	288,756
Depreciable Capital Assets, Net	25,429,646
TOTAL NONCURRENT ASSETS	25,718,402
TOTAL ASSETS	27,723,552
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Items	89,761
TOTAL DEFERRED OUTFLOWS OF RESOURCES	89,761
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 27,813,313
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	$ 163,361
Accrued Liabilities	27,704
Accrued Interest	34,443
Customer Deposits Payable	318,055
Notes Payable	130,718
Bonds Payable	240,000
TOTAL CURRENT LIABILITIES	914,281
NONCURRENT LIABILITIES	
Compensated Absences	61,992
Notes Payable	3,323,809
Bonds Payable	6,371,208
Net Pension Liability	305,356
TOTAL NONCURRENT LIABILITIES	10,062,365
TOTAL LIABILITIES	10,976,646
DEFERRED INFLOWS OF RESOURCES	
Pension Related Items	8,681
TOTAL DEFERRED INFLOWS OF RESOURCES	8,681
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	10,985,327
NET POSITION:	
Net Invested in Capital Assets	15,652,667
Restricted for Debt Service	483,637
Unrestricted	691,682
TOTAL NET POSITION	16,827,986
TOTAL LIABILITIES AND NET POSITION	$ 27,813,313

The Accompanying Notes Are An Integral Part of These Financial Statements

CITY OF DEMOREST, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds
	Water, Sewer & Sanitation
OPERATING REVENUES	
Water Sales and Fees	$ 4,458,044
Sewer Fees	575,591
Sanitation Fees	129,858
Miscellaneous Fees	172,383
TOTAL OPERATING REVENUES	5,335,876
OPERATING EXPENSES	
Personnel Services and Benefits	1,189,584
Purchased and Contracted Services	1,353,813
Repairs and Maintenance	461,578
Supplies and Equipment	130,647
Utilities	192,522
Miscellaneous	47,690
Depreciation and Amortization	885,662
TOTAL OPERATING EXPENSES	4,261,496
OPERATING INCOME (LOSS)	1,074,380
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	-
Interest and Investment Revenue	14,913
Miscellaneous Revenue (Expenses)	150
Interest Expense	(258,371)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(243,308)
NET INCOME BEFORE TRANSFERS	831,072
TRANSFERS IN (OUT)	
Transfers In	25,965
Transfers Out	(1,177,394)
NET TRANSFERS	(1,151,429)
CHANGE IN NET POSITION	(320,357)
NET POSITION - BEGINNING AS PREVIOUSLY REPORTED	17,138,068
Prior Period Adjustment	10,275
NET POSITION - BEGINNING AS RESTATED	17,148,343
NET POSITION - ENDING	$ 16,827,986

CITY OF DEMOREST, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities - Enterprise Funds
	Water, Sewer & Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 5,454,631
Payments to Suppliers	(2,155,775)
Payments to or on Behalf of Employees	(1,126,814)
NET CASH PROVIDED FOR OPERATING ACTIVITIES	2,172,042
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	(1,177,394)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(1,177,394)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers From Other Funds	25,965
Principal Payments on Note Payables	(257,005)
Principal Payments on Bonds	(251,938)
Purchases of Capital Assets	(133,055)
Interest Paid	(249,512)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(865,545)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments Purchased	(400,000)
Interest and Other Revenues Earned	15,063
NET CASH USED FOR INVESTING ACTIVITIES	(384,937)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(255,834)
CASH AND CASH EQUIVALENTS - BEGINNING	1,226,094
CASH AND CASH EQUIVALENTS - ENDING	$ 970,260
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 1,074,380
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense & Amortization	884,070
Decrease in Accounts Receivable	139,999
Decrease in Prepaid Expenses	5,970
(Increase) in Deferred Outflows for Pension Items	(32,873)
Increase in Accounts Payable	26,098
Increase in Accrued Liabilities	7,816
Decrease in Customer Deposit Payables	(21,244)
Increase in Compensated Absences	4,796
Increase in Net Pension Liability	100,230
Decrease in Deferred Inflows for Pension Items	(17,200)
Net Cash Provided by Operating Activities	$ 2,172,042

The Accompanying Notes Are An Integral Part of These Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Demorest, Georgia (the "City") was incorporated, under the laws of the State of Georgia, in 1891 and operates under an elected Mayor-Council form of government. The City covers an area of 2.3 square miles and provides the following services to its residents: police protection, fire services, municipal court services, public works, garbage, water and sewer services, and general and administrative services.

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

As required by accounting principles generally accepted in the United States of America and as set forth in the Governmental Accounting Standards Board's Statement No. 14 (GASB 14), the financial statements of the reporting entity include those of the City (the primary government) and its component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies taxes or issues their debt.

The City's component units are presented either as "blended" or discretely presented". If blended, it is reported as if it were a fund of the City throughout the year. It is included at both the government-wide and fund financial reporting levels.

Discretely presented component units are reported only at the government-wide financial reporting level. The component unit columns included on the government-wide financial statements identifies the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit

Demorest Governmental Finance Corporation ("GFC") - The GFC was organized as a non-profit corporation to acquire properties and lease those properties back to the City under terms of an operating lease primarily for the purpose of obtaining additional financing for capital projects. The Mayor and Council serves as the Board of Directors of GFC.

Downtown Development Authority - The Demorest Downtown Development Authority ("DDA") was organized to acquire and improve properties for use in the downtown district. The City appoints all members to the DDA's board and the City provides financial support to the DDA.

Separately issued financial statements have not been prepared for GFC or the DDA. Additional financial information may be obtained from the City.

B. BASIS OF PRESENTATION - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide 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 non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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. The City does not allocate indirect expenses to functions in the statement of activities.

Fund Financial Statements - 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The ***SPLOST VI Capital Projects Fund*** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program VI of the City, in an agreement with Habersham County.

The City reports the following major enterprise funds:

The ***Water, Sewer and Sanitation Fund*** accounts for the operation of the water, sewer and sanitation. Activity is rendered on a user charge basis and the fund includes all revenues from sources applicable to the system's operations and all expenses of the operation. As of January 1, 2019, the City is accounting for sanitation activities as a proprietary fund where as in the past the revenue was recognized as charges for services in the general fund.

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 propriety fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payments are due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, franchise taxes, business taxes, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues in the current year. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not employed by the City.

E. CASH AND INVESTMENTS

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of 3 months or less from the date of acquisition. Cash and cash equivalents are reported on the balance sheets, statements of net position and in cash flow statements.

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of 3 months or less are considered to be cash equivalents. Investments are reported at fair value based on quoted market prices.

F. RECEIVABLES

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year-end.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. INTERFUND RECEIVABLES AND PAYABLES

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

H. INVENTORY

The City's policy is to expense parts as they are purchased; therefore, no inventory is recorded.

I. PREPAID ITEMS

Prepaid items are recognized as expenditures during the benefitting period in governmental funds.

J. CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent that the City's capitalization threshold is met. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset classes of the City. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Depreciation is recorded on general capital assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as capital assets and depreciation is recorded on both the fund basis and the government-wide basis. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized but charged to operations when incurred. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operation.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15 - 40
Software/Intangibles	3 - 23.5
Highway/Streets	10 - 50
Machinery and equipment	3 - 10
Infrastructure	20 - 60

K. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to a maximum of 360 hours for all eligible full-time employees other than public safety employees, who may accumulate up to a maximum of 480 hours, which will be paid to the employees upon separation from service with the City. Accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the government fund that will pay it. Amounts of accumulated vacation pay that are not expected to be liquidated with expendable financial resources are reported as long-term liabilities.

L. LONG-TERM OBLIGATIONS

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

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as expenses when incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The deferred outflow of resources relates to pensions. These amounts are described more fully below.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of deferred inflows of resources which arise under the accrual basis of accounting that relates to pensions and is described below.

The City has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net position liability are recognized as pension expense over time instead of being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. Changes in actuarial assumption which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual returns on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

N. FUND EQUITY AND NET POSITION

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

Fund Balance

In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY AND NET POSITION (CONTINUED)

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources such as creditors, laws of other governments, or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Demorest's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 120 days of fiscal year end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the City Manager, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds or capital project funds not otherwise classified as non-spendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

Net Position Flow Assumptions – In order to report net position as a restricted-net position and an unrestricted-net position in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use restricted net position first before using unrestricted-net position.

Fund Balance Flow Assumptions - For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Additionally, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY AND NET POSITION (CONTINUED)

Net Position - Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net position reported as net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use of assets either through enabling legislation adopted by the City Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other amounts reported under net position are 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 unrestricted resources as they are needed.

O. MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 31, the City Manager submits to the City Council a proposed operating budget for the year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to December 31, the City Council approves the budget.
4. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

Expenditures may not legally exceed budgeted appropriations at the department level in the General Fund. The enterprise fund adopts a budget at the fund level for management purposes.

NOTE 3 – DEPOSITS AND INVESTMENTS

At December 31, 2019, the City had deposits with financial institutions, including certificates of deposits with maturity dates greater than three months. The amounts classified as investments at December 31, 2019 were as follows:

	Investment	Fair Value	Interest Rate Risk
Business-Type Activities:	Certificates of Deposit	$ 400,000	Maturity - October 2020
Total Investments		$ 400,000	

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The City has not formally adopted an investment policy to address interest rate risk.

Credit Risk – Georgia law and the City's investment policy allow investments in obligation of the State of Georgia and other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The State of Georgia requires financial institutions to pledge securities at 110% of a local government's deposits. At December 31, 2019, all of the deposits of the City were fully collateralized in accordance with state statutes.

Concentration of Credit Risk – The City has no formal polity on the amount the City may invest in any one issuer.

Foreign Currency Risk – The City has no investments denominated in a foreign currency.

NOTE 4 – RECEIVABLES

The City receives property tax assessments from Habersham County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers in December and were due and payable on or before February 3rd. After that date, both penalty and interest are accrued until the taxes are collected. Property taxes attach an enforceable lien on property as of March 3rd. Property taxes are recorded as receivables and revenues in the year they become due.

RECEIVABLES (CONTINUED)

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

	General	SPLOST VI	Water & Sewer
Receivables:			
Accounts	$ 71,350	$ -	$ 2,173,606
Taxes	157,926	-	-
Intergovernmental	-	39,769	-
Other	-	-	16,170
Less Allowance for Uncollectible	-	-	(1,586,331)
Net Total Receivables	$ 229,276	$ 39,769	$ 603,445

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANFERS

During normal operations, the City will occasionally pay for goods and services or transfer monies between the general and enterprise fund (water and sewer). All interfund balances are the result of a time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. As of December 31, 2019, there were no interfund receivables and/or payables between the general fund and the water and sewer fund.

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government wide financial statements if the interfund transfer is within the governmental fund group or business-type group.

In 2019, the interfund transfers from the water and sewer fund to the general fund totaled $1,151,429.

The interfund transfers for the year ended December 31, 2019 were as follows:

	(Transfers Out)		
Transfers In	General Fund	SPLOST VI	Water & Sewer Fund
General Fund	$ -	$ -	$ (1,177,394)
SPLOST VI	-	-	25,965
Water & Sewer Fund	1,177,394	(25,965)	-
	$ 1,177,394	$ (25,965)	$ (1,151,429)

NOTE 6 – CAPITAL ASSETS

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

	12/31/2018	Increases	Decreases	Reclass		12/31/2019
Governmental Activities:						
Capital assets, not being depreciated:						
Land	$ 15,548	$ -	$ -			$ 15,548
Construction in Progress	13,500	194,118	-			207,618
Total assets, not being depreciated	29,048	194,118	-			223,166
Capital assets, being depreciated:						
Buildings	355,774	140,770	-	11,299		507,843
Software/Intangibles	30,742	-	-			30,742
Machinery & Equipment	1,080,511	53,570	(101,357)	(15,800)		1,016,924
Infrastructure	1,081,443		-	101		1,081,544
Total assets, being depreciated	2,548,470	194,340	(101,357)	(4,400)	*	2,637,053
Less accumulated depreciation for:						
Buildings	141,885	8,826	-	1,312		152,023
Software/Intangibles	23,993	5,124		1,625		30,742
Machinery & Equipment	909,090	76,075	(101,357)	(7,464)		876,344
Highways & Streets	97,138	23,903		4,527		125,568
Total accumulated depreciation	1,172,106	113,928	(101,357)	-		1,184,677
Total assets, being depreciated, net	1,376,364	80,412	-	(4,400)	*	1,452,376
Governmental Activities						
Capital Assets, net	$ 1,405,412	$ 274,530	$ -	$ (4,400)	*	$ 1,675,542

*Beginning balances from the prior year audit did not agree with the capital asset balances on the depreciation schedule, so they were adjusted accordingly in the reclass column. No entries were needed at the fund level, but only as it related to the government wide statements. This reconciling difference of $4,400 is included on the reconciliation on page 8.

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

Governmental Activities:

General Government Admin	$ 8,832
Public Safety - Fire	29,329
Public Safety - Police	45,132
Public Works/Streets	30,635
Total Depreciation Expense, Governmental Activities	$ 113,928

CAPITAL ASSETS (CONTINUED)

	12/31/2018	Increases	Decreases	Reclass		12/31/2019
Business-Type Activities:						
Capital assets, not being depreciated:						
Land	$ 288,756	$ -	$ -	$ -		$ 288,756
Total assets, not being depreciated	288,756	-	-	-		288,756
Capital assets, being depreciated:						
Buildings	285,620	-	-	-		285,620
Software/Intangibles	36,448	-	-	-		36,448
Infrastructure	35,878,341	-	-	(2)		35,878,339
Machinery & Equipment	798,320	133,055	(295,324)	2		636,053
Total assets, being depreciated	36,998,729	133,055	(295,324)	-		36,836,460
Less accumulated depreciation for:						
Buildings	47,867	7,428	-	14,853		70,148
Software/Intangibles	6,075	6,075	-	24,299		36,449
Infrastructure	10,112,344	810,502	-	(35,686)		10,887,160
Machinery & Equipment	662,057	60,065	(295,324)	(13,741)		413,057
Total accumulated depreciation	10,828,343	884,070	(295,324)	(10,275)	*	11,406,814
Total assets, being depreciated, net	26,170,386	(751,015)	-	10,275	*	25,429,646
Business-Type Activities Capital Assets, net	$ 26,459,142	$ (751,015)	$ -	$ 10,275	*	$ 25,718,402

*Beginning balances from the prior year audit did not agree with the capital asset balances on the depreciation schedule, so they were adjusted accordingly in the reclass column. There was a prior period adjustment made to correct this error.

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

Business-type Activities:

Water	$ 653,647
Sewer	230,423
Total Depreciation Expense, Business-type Activities	$ 884,070

Discretely Presented Component Units:

	12/31/2018	Increases	Decreases	12/31/2019
Demorest Governmental Finance Corporation				
Capital assets, not being depreciated:				
Land	$ 10,000	$ -	$ -	$ 10,000
Total assets, not being depreciated	10,000	-	-	10,000
Capital assets, being depreciated:				
Buildings	140,276	-	-	140,276
Machinery & Equipment	70,823	-	-	70,823
Total assets, being depreciated	211,099	-	-	211,099
Less accumulated depreciation for:				
Buildings	(87,673)	(3,507)	-	(91,180)
Machinery & Equipment	(70,823)	-	-	(70,823)
Total accumulated depreciation	(158,496)	(3,507)	-	(162,003)
Total assets, being depreciated, net	52,603	(3,507)	-	49,096
Demorest Governmental Finance Corporation Capital Assets, net	$ 62,603	$ (3,507)	$ -	$ 59,096

	12/31/2018	Increases	Decreases	12/31/2019
Demorest Downtown Development Authority				
Capital assets, being depreciated:				
Buildings	$ 191,564	$ -	$ -	$ 191,564
Total assets, being depreciated	191,564	-	-	191,564
Less accumulated depreciation for:				
Buildings	(77,870)	(5,779)	-	(83,649)
Total accumulated depreciation	(77,870)	(5,779)	-	(83,649)
Total assets, being depreciated, net	113,694	(5,779)	-	107,915
Demorest Downtown Development Authority Capital Assets, net	$ 113,694	$ (5,779)	$ -	$ 107,915

NOTE 7 – RESTRICTED ASSETS

The City's restricted assets in the Governmental Activities on December 31, 2019 consisted of the following:

	Cash	Receivables
General Fund		
Capital Outlay	$ 27,996	$ -
Cemetary Fund	62,522	-
SPLOST VI - Capital Projects	605,908	39,769
	$ 696,426	$ 39,769

NOTE 8 – LONG-TERM DEBT

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

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 54,995	$ 26,294	$ -	$ 81,289	$ -
Notes Payable	90,026 *	102,000	(152,231)	39,795	34,185
Net Pension Liability	315,579	15,224	-	330,803	-
Governmental Activities Long-term Liabilities	$ 460,600	$ 143,518	$ (152,231)	$ 451,887	$ 34,185
Business-Type Activities:					
Compensated Absences	$ 57,196	$ 4,796	$ -	$ 61,992	$ -
Notes Payable	3,711,532	-	(257,005)	3,454,527	130,718
Bonds Payable	6,525,000	-	(235,000)	6,290,000	240,000
Unamortized Bond Premium	338,146	-	(16,938)	321,208	-
Net Pension Liability	205,126	100,230	-	305,356	-
Business-Type Activities Long-term Liabilities	$ 10,837,000	$ 105,026	$ (508,943)	$ 10,433,083	$ 370,718

The General Fund typically liquidates its notes payables. The compensated absence and net pension liability obligations are liquidated by the General Fund and the Water and Sewer Fund. The Water and Sewer Fund typically liquidates the notes payables and bond payables. * The beginning balance of the notes payable was incorrect by $3,097. This difference is reflected on the reconciliation on page 8.

Discretely Presented Component Unit

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

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Due Within One Year
Component Unit:					
Downtown Development Authority					
Notes Payable	$ 12,977	$ -	$ (12,977)	$ -	$ -
Total Downtown Development Authority Long-term Liabilities	$ 12,977	$ -	$ (12,977)	$ -	$ -

Governmental Activities

Note Payables

In 2019, the City had a general obligation tax anticipation note from United Community Bank for improvements to the fire station and municipal building. The total amount of the note was $115,149, which included the existing balance on the loan for the fire truck. The interest rate was 4.50%. As of December 31, 2019, this loan was paid in full.

LONG-TERM DEBT (CONTINUED)

The City has a loan with South State Bank that was used to purchase five Dodge Charger Police vehicles in 2016. The note payable balance is $39,795 at December 31, 2019. The note is due in monthly installments of $2,912, including interest at 2.75%.

The debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Total
2020	$ 34,185	$ 763	$ 34,948
2021	5,610	40	5,650
Total	$ 39,795	$ 803	$ 40,598

Business-Type Activities

Bonds Payable

In 2016, the City issued 2016 Series Revenue Bonds in the amount of $7,115,000 bearing a variable interest rate from 1.85% to 4.00% per annum. The proceeds from the bonds were used for the purpose of a current refunding of the aggregate remaining $7,095,690 in debt from the outstanding series 1993, 1996A, 1996B, and 2014 bonds. The refunding transaction resulted in an aggregate debt service savings of $1,056,287 and an economic loss (net present value of the aggregate debt service savings) of $129,678. The economic loss was the result of the new debt issuance having a shorter maturity than the debt which was refunded.

The balance of the new debt is payable in forty-eight biannual payments with the first payment due on May 1, 2016. The debt service requirements to maturity are as follows:

Year Ending December 31	Principal	Interest	Total
2020	$ 240,000	$ 206,656	$ 446,656
2021	245,000	201,856	446,856
2022	250,000	196,956	446,956
2023	250,000	191,956	441,956
2024	255,000	187,330	442,330
2025-2029	1,380,000	841,128	2,221,128
2030-2034	1,660,000	559,540	2,219,540
2035-2039	2,010,000	209,566	2,219,566
Total	$ 6,290,000	$ 2,594,988	$ 8,884,988

Interest rate for the debt is as follows:

Year Ending December 31	Interest Rate
2020-2022	2.00%
2023-2024	1.85%
2025-2026	2.10%
2027-2036	4.00%
2037-2039	3.25%

LONG-TERM DEBT (CONTINUED)

Bonds Payable Sinking Fund and Reserve Requirements

As part of the issuance of the 2016 series bonds, the City is required to maintain a debt reserve fund and a sinking fund for the payment of the principal and interest on the bonds. The debt reserve requirement for the bonds is an amount equal to the least of (1)10% of the original principal amount of the 2016 series bonds, (2) the maximum annual debt service on the Series 2016 bonds payable in any sinking fund year, or (3) 125% of average annual debt service on the Series 2016 bonds payable in any sinking fund year. In lieu of setting aside funds to meet the debt reserve requirements, the City has obtained a surety bond in order to meet the requirements of the debt reserve account.

In addition to the bond reserve requirements, the City is also required to maintain a renewal and extension account. Funds shall be deposited into this account until it reaches a balance of $200,000.

In 2019, the sinking fund agreement for the 2016 Series bonds required monthly payments of $37,196 to be made to the sinking fund account for the purpose of making principal and interest payments on the bonds.

Note Payables

The City's water and sewer fund has several Georgia Environmental Finance Authority (GEFA) loans for the construction of various water and sewer system projects. Notes payable outstanding as of December 31, 2019 are as follows:

Loan	Interest Rate	Maturity Dates	Beginning Balance	Additions	Reductions	Ending Balance
DW04008	3.00%	11/1/2029	$ 876,060	$ -	$ (72,727)	$ 803,333
CW09017PF70	3.00%	8/1/2022	53,493	-	(16,347)	37,146
2010E17WS	2.00%	5/1/2023	83,125	-	(20,609)	62,516
2009L23WS	3.81%	6/1/2033	330,200	-	(18,204)	311,996
DW11023	1.63%	8/1/2035	2,368,654	-	(129,118)	2,239,536
Total Notes Payable			$ 3,711,532	$ -	$ (257,005)	$3,454,527

In June 2020, GEFA, directed by Governor Kemp in response to local municipalities impacted by COVID-19, offered loan modifications which provided deferred principal and interest payments for six months beginning July 1, 2020. Accepted loan modifications would extend maturity dates by six months. The City accepted loan modifications for all five of its loans. Thus, the maturity dates for the loans have been extended.

Annual debt service requirements to maturity for the note payables are as follows:

LONG-TERM DEBT (CONTINUED)

Year Ending December 31	Principal	Interest	Total
2020	$ 130,718	$ 36,811	$ 167,529
2021	266,022	69,036	335,058
2022	266,236	62,912	329,148
2023	247,409	57,038	304,447
2024	243,738	51,508	295,246
2025-2029	1,298,628	169,647	1,468,275
2030-2034	891,277	49,191	940,468
2035	110,499	677	111,176
Total	$ 3,454,527	$ 496,820	$ 3,951,347

Debt Reserve Requirements

The 2010 GEFA loan (2010E17WS) obtained for the acquisition of booster pumps and upgrades to water tanks requires monies to be set aside into a debt service reserve account. The reserve is to serve as security of all loans made by funds held or administered by GEFA, equally and ratably. The debt service reserve requirement to secure the loans shall be an amount equal to the lessor of $171,000 or the aggregate outstanding principal and interest of all GEFA loans at the end of the fiscal year of the borrower.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Demorest Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404)688-0472.

The City Council, in its role as Plan Sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. All employees, excluding elected officials, who are full time are eligible to participate in the Plan immediately upon hiring, but will not be vested until 10 years of service. Benefits are provided by the Plan whereby retirees receive 1.50% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service.

DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Plan was amended effective May 2018 to allow the City Manager to retire at age 65 with no service requirement. Vested employees who have reached the age of 65 and have completed 5 years of service are eligible to receive a monthly benefit, payable for life. In addition, vested employees who have reached age 55 with at least ten years of service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits are calculated using an actuarial reserve.

As of July 1, 2019, the date the most recent actuarial valuation, there were 46 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	7
Terminated vested participants not yet receiving benefits	4
Active employees - Vested	13
Active employees - Nonvested	22
Total	46

Funding Policy

The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For fiscal year 2019, the actuarially determined contribution rate was 6.41% of covered payroll. City contributions to the Plan were $89,076 for the year ended December 31, 2019. Employees of the City do not contribute to the plan. For fiscal year 2020, based on July 1, 2019 actuarial valuation, the recommended contribution rate will be 6.95%.

Net Pension Liability of the City

At December 31, 2019, the City reported a liability of $636,159 for its net pension liability. The City's net pension liability was measured as of July 1, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2019 with update procedures performed by the actuary to roll forward to the total pension liability measured as of July 1, 2019.

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	$ 1,740,823	$ 1,220,118	$ 520,705
Changes for the Year:			
Service Cost	49,145	-	49,145
Interest	131,184	-	131,184
Differences Between Expected and Actual Experience	54,949	-	54,949
Contributions - Employer	-	80,809	(80,809)
Net Investment Income	-	43,812	(43,812)
Benefit Payments (Including Refunds of Employee Contributions)	(81,698)	(81,698)	-
Adminstrative Expense	-	(4,797)	4,797
Other	-	-	-
Net Changes	153,580	38,126	115,454
Balances at December 31, 2019	$ 1,894,403	$ 1,258,244	$ 636,159

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

For the year ended December 31, 2019, the City recognized pension expense of $115,491. At December 31, 2019, 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
Differences Between Expected and Actual Experience	$ 101,929	$ (18,086)
Changes of Assumptions	15,255	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,012	-
City Contributions Subsequent to the Measurement	66,807	-
Total	$ 187,003	$ (18,086)

City contributions subsequent to the measurement date of $66,807 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Year Ending December 31:	
2020	$ 24,977
2021	10,969
2022	20,179
2023	26,321
2024	11,814
2025 and Thereafter	7,850
Total	$ 102,110

Actuarial Assumptions

The total pension liability in the March 31, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25% - 7.00%, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

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

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

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

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return *
Fixed Income	30.00%	-0.10%
Domestic large equities	46.20%	8.90%
Domestic small equities	1.30%	13.20%
International developed market equities	12.40%	8.90%
International emerging market equities	5.10%	10.90%
Alternatives	5.00%	12.00%
Totals	100.00%	

* Rates shown are net of 2.75% inflation

Discount Rate – The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.30%, as well as what the City's net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.30%) and 1 percentage point higher (8.30%) than the current rate.

	1% Decrease 6.30%	Discount Rate 7.30%	1% Increase 8.30%
City's share of net pension liability	$ 908,375	$ 636,159	$ 410,847

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2019 and the current sharing pattern of costs between employer and employee.

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

NOTE 10 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC) and is required to pay annual dues thereto. During the year ended December 31, 2019, the City paid $2,247 in such dues. Membership in a GMRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a regional commission. GMRC 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 the GMRC. Separate financial statements may be obtained from the Georgia Mountains Regional Commission, P.O. Box 1720, Gainesville, Georgia 30503.

NOTE 11 – RISK MANAGEMENT

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 carries commercial insurance for these various risks and for worker's compensation. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the last three years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

The City routinely enters into various other contracts and agreements in the ordinary course of business. Such commitments are typically not material to the accompanying financial statements.

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

NOTE 13 – HOTEL/MOTEL OCCUPANCY TAX

The City did not collect any hotel/motel tax during 2019.

Governmental Activities – A prior period adjustment was made to correct overstated deferred revenues as they related to property taxes. This adjustment decreased beginning net position by $40,105.

Business-Type Activities – A prior period adjustment was made to correct accumulated depreciation as it related to capital asset balances from prior years. This adjustment increased net position by $10,275.

NOTE 15 – SUBSEQUENT EVENTS

During March 2020, the City modified operations as a result of the COVID-19 pandemic and in compliance with state and federal recommendations. The City received approximately $33,372 from the Coronavirus Relief Fund as part of the CARES Act to help municipalities. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak all of which are uncertain. Accordingly, the extent to which COVID-19 may impact the financial condition or results of operation cannot be determined.

Subsequent events were evaluated through January 29, 2021, which is the date that the financials are available to be issued. The City does not believe that there are any other subsequent events that need to be disclosed in the financial statements at this time.

CITY OF DEMOREST, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	$ 250,467	$ 250,544	$ 248,994	$ (1,550)
Intangible and Transfer	3,150	3,500	3,549	49
Franchise	86,000	86,100	86,113	13
Beer and Wine	16,250	18,000	18,111	111
Insurance Premium	138,000	138,500	138,743	243
Business Taxes	7,500	11,600	11,635	35
Licenses and Permits	13,000	15,300	15,326	26
Intergovernmental	270,000	169,500	199,177	29,677
Charges for Services	60,000	60,000	60,159	159
Fines and Forfeitures	200,000	307,750	215,520	(92,230)
GCIC	125,000	140,500	148,780	8,280
Investment Earnings	-	-	8,493	8,493
Contributions & Grants	-	-	1,000	1,000
Other Revenues	25,050	25,050	33,393	8,343
TOTAL REVENUES	1,194,417	1,226,344	1,188,993	(37,351)
EXPENDITURES				
Current:				
General Government	333,023	280,000	280,527	(527)
Police and Courts	850,558	995,000	924,157	70,843
Fire	533,327	680,000	651,978	28,022
Public Works/Streets	335,658	355,000	356,606	(1,606)
Debt Service:				
Principal	-	8,700	118,890	(110,190)
Interest	-	4,100	4,336	(236)
TOTAL EXPENDITURES	2,052,566	2,322,800	2,336,494	(13,694)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(858,149)	(1,096,456)	(1,147,501)	(51,045)
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-Term Debt	-	-	102,000	102,000
Transfers In	858,149	1,096,456	1,177,394	80,938
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	858,149	1,096,456	1,279,394	182,938
NET CHANGE IN FUND BALANCES	-	-	131,893	131,893
FUND BALANCES - BEGINNING AS PREVIOUSLY REPORTED	1,790,740	1,790,740	185,483	(1,605,257)
Prior Period Adjustment	-	-	(40,105)	(40,105)
FUND BALANCES - BEGINNING AS RESTATED	1,790,740	1,790,740	145,378	(1,645,362)
FUND BALANCES - ENDING	$ 1,790,740	$ 1,790,740	$ 277,271	$ (1,513,469)

CITY OF DEMOREST, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR YEARS
DECEMBER 31, 2019

	Fiscal Year End 2019	Fiscal Year End 2018	Fiscal Year End 2017	Fiscal Year End 2016
Total Pension Liability				
Service cost	$ 49,145	$ 37,039	$ 31,891	$ 28,231
Interest	131,184	121,581	117,046	107,878
Differences between expected and actual experience	54,949	28,387	(25,132)	40,081
Changes in assumptions	-	21,360	-	-
Changes of benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(81,698)	(72,666)	(57,902)	(57,903)
Net change in total pension liability	$ 153,580	$ 135,701	$ 65,903	$ 118,287
Total pension liability - beginning	1,740,823	1,605,122	1,539,219	1,420,932
Total pension liability - ending (a)	$ 1,894,403	$ 1,740,823	$ 1,605,122	$ 1,539,219
Plan Fiduciary Net Position				
Contributions - Employer	$ 80,809	$ 79,237	$ 73,914	$ 73,223
Contributions - Employee	-	-	-	-
Net investment income	43,812	134,960	120,295	3,112
Benefit payments, including refunds of employee contributions	(81,698)	(72,666)	(57,902)	(57,903)
Administrative expense	(4,797)	(4,522)	(6,447)	(2,885)
Other	-	-	-	-
Net change in Plan Fiduciary Net Position	$ 38,126	$ 137,009	$ 129,860	$ 15,547
Plan Fiduciary Net Position - beginning	1,220,118	1,083,109	953,249	937,702
Plan Fiduciary Net Position - ending (b)	$ 1,258,244	$ 1,220,118	$ 1,083,109	$ 953,249
Net Pension Liability - ending: (a) - (b)	$ 636,159	$ 520,705	$ 522,013	$ 585,970
Plan fiduciary net position as a percent of total pension liability	66.42%	70.09%	67.48%	61.93%
Covered-employee payroll	$ 1,521,755	$ 1,371,318	$ 1,230,120	$ 1,029,526
Net pension liability as a percentage of covered-employee payroll	41.80%	37.97%	42.44%	56.92%

Notes to Schedule:
2015 was the first fiscal year that data was measured in accordance with GASB Statement 68, however only 4 years of data was readily available while preparing this report. Additional years will be displayed as they become available.
Historical information prior to implementation of GASB 67/68 is not required

CITY OF DEMOREST, GEORGIA
SCHEDULE OF CONTRIBUTIONS - PENSIONS
LAST FOUR YEARS
DECEMBER 31, 2019

	Fiscal Year End 2019	Fiscal Year End 2018	Fiscal Year End 2017	Fiscal Year End 2016
Actuarially determined contribution	$ 89,076	$ 78,053	$ 69,541	$ 74,451
Contributions in relation to the actuarilly determined contribution	(89,076)	(78,053)	(69,541)	(74,451)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,521,755	$ 1,371,318	$ 1,029,526	$ 982,610
Contributions as a percentage of covered-employee payroll	5.85%	5.69%	6.75%	7.58%

Notes to Schedule:
2015 was the first fiscal year that data was measured in accordance with GASB Statement 68, however only 4 years of data was readily available while preparing this report. Additional years will be displayed as they become available.
Historical information prior to implementation of GASB 67/68 is not required

CITY OF DEMOREST, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

1. Budgets and Budgetary Accounting

The City of Demorest prepares a budget for all City Funds. The budget shows a comparison of current year revenues and expenditures with the proposed revenues and expenditures of the upcoming year.

The City sets the date of submission of the proposed budget to the governing body. On that date a copy of the proposed budget is placed for public inspection during regular business hours. Also, at this time, a notice is published in the local newspaper stating the time and place of a public hearing on the proposed budget.

The budget hearing precedes the formal adoption of the budget by at least one week. The budget is then formally adopted at a public meeting.

Any amendments to the budget are approved by the City Council and adopted by appropriations ordinance. The Mayor recommends changes within the department level; however, changes for each department must be approved by the City Council.

The budget for the General Fund is prepared on the modified accrual basis of accounting, and the budget for the Water and Sewer Fund is prepared on the accrual basis of accounting.

Expenditures may not legally exceed budgeted appropriations at the departmental level in the General Fund. The following exceeded their budget.

	Budget	Actual	Excess Over Budget
General Gov't:	$280,000	$280,627	$ 527
Public Works/Streets	355,000	356,677	1,606
Debt Service:			
Principal	8,700	118,890	110,190
Interest	4,100	4,336	236

The City has established procedures to more accurately monitor budget variances and take appropriate actions to avoid over spending the approved budgets in the future.

2. Pensions

a. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2019, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the year ending December 31, 2019.

b. Methods and Assumptions Used to Determine Contribution Rates

- Actuarial cost method = Projected unit credit
- Amortization method = Closed level dollar for remaining unfunded liability
- Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

Methods and Assumptions Used to Determine Contribution Rates (Continued)

- 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 end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
- Net investment rate of return = 7.30%
- Projected salary increases = 3.25% - 7.00%, including inflation
- Cost of living adjustments = 0.00%
- Retirement age = 65
- Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

c. Changes in Benefits

There were no changes in benefit provisions in the last two fiscal years.

d. Changes of Assumptions

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases.

On March 15, 2018, the Board adopted a new funding policy. Because of this funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the Board's new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 Measurement Date.

CITY OF DEMOREST, GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2019

	DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENT FINANCE AUTHORITY	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 10,774	$ -	$ 10,774
TOTAL CURRENT ASSETS	10,774	-	10,774
NONCURRENT ASSETS			
Capital Assets:			
Land and Improvement	-	10,000	10,000
Depreciable Assets, net of Accumulated Depreciation	107,915	49,096	157,011
TOTAL NONCURRENT ASSETS	107,915	59,096	167,011
TOTAL ASSETS	118,689	59,096	177,785
LIABILITIES			
CURRENT LIABILITIES			
Notes Payable	-	-	-
TOTAL CURRENT LIABILITIES	-	-	-
NONCURRENT LIABILITIES			
Notes Payable	-	-	-
TOTAL NONCURRENT LIABILITIES	-	-	-
TOTAL LIABILITIES	-	-	-
NET POSITION			
Net Invested in Capital Assets	107,915	59,096	167,011
Unrestricted	10,774	-	10,774
TOTAL NET POSITION	$ 118,689	$ 59,096	$ 177,785

CITY OF DEMOREST, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2019

	DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENT FINANCE AUTHORITY	TOTAL
PROGRAM REVENUES			
Rent	$ 23,389	$ -	$ 23,389
TOTAL PROGRAM REVENUES	23,389	-	23,389
EXPENSES			
General Expenses	1,684	-	1,684
Depreciation	5,779	3,507	9,286
Interest	154	-	154
TOTAL EXPENSES	7,617	3,507	11,124
OPERATING INCOME	15,772	(3,507)	12,265
TRANSFERS			
Transfers In (Out)	-	-	-
CHANGE IN NET POSITION	15,772	(3,507)	12,265
			-
NET POSITION - BEGINNING OF YEAR	102,917	62,603	165,520
NET POSITION - END OF YEAR	$ 118,689	$ 59,096	$ 177,785

CITY OF DEMOREST, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures	Estimated Percentage of Completion
SPLOST VI						
Water & Sewer	$ 831,853	$ 831,853	$ 133,686	$ 25,965	$ 159,651	19%
Public Safety	140,000	140,000	89,365	34,948	124,313	89%
Roads, Streets and Bridges	285,000	285,000	27,195	-	27,195	10%
TOTAL SPLOST VI	$ 1,256,853	$ 1,256,853	$ 250,246	$ 60,913	$ 311,159	

Note: The prior year cumulative expenditures shown in the previous audit were incorrect.

ED K. BURTON, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Ed K. Burton, CPA
Alan M. Burton, CPA
T. Scott Slaton, CPA

Members American Institute of CPA's and Georgia Society of CPA's

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 Council
City of Demorest
Demorest, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Demorest, Georgia, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Demorest, Georgia's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Demorest, 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 City of Demorest, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Demorest, 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. We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Demorest, 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 did disclose instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs in 2019-1 and 2019-2.

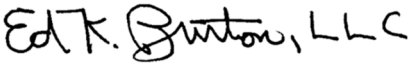
12333 Augusta Rd ◊ P.O. Box 40 ◊ Lavonia, Georgia 30553 ◊ Telephone (706) 460-5750 ◊ Fax (706) 460-5747 ◊ E-mail: info@edkburtonllc.com

City of Demorest, Georgia's Response to Findings

City of Demorest, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Demorest, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Ed K. Burton, LLC
Certified Public Accountants
Lavonia, Georgia
January 29, 2021

CITY OF DEMOREST, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Internal Control over Financial Reporting

No Findings in Current Year

Compliance and Other Matters

2019-1 Budget Requirements

Criteria: Georgia law requires budgets to be adopted at the department level and expenditures spent accordingly.

Condition: Actual expenditures exceeded the legally adopted budget at the department level, particularly as it relates to the debt service.

Effect: Fiscal control and accountability over departmental expenditures may be jeopardized.

Cause: Payments were made on a loan that was borrowed and paid off in the current year, but those payments were not budgeted for the current fiscal year.

Recommendation: The City Council should amend the budget to prevent budgetary deficiencies.

Response: We continue to analyze budgetary financial data periodically and investigate budgetary deficiencies. In the future, we will adopt a budget amendment when appropriate.

CITY OF DEMOREST, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-2 Investment Policy

Criteria: Georgia law limits local governments to certain investments in accordance with Georgia Code Title 36-80-3.

Condition: The City had investments in mutual funds within a brokerage account instead of in accounts that were insured as required.

Effect: Potential loss or decreased value is greater with non-FDIC or uninsured investments.

Cause: Investments were made in non-insured accounts without the proper knowledge of the current law as it relates to local governments.

Recommendation: The City should close any accounts that are not invested in accordance to Georgia Code Title 36-80-3.

Response: The City has already closed this account and will not invest in accounts that are not approved in accordance with Georgia Law.

SECTION 3 – FEDERAL AWARDS FINDINGS
Not applicable. No single audit required.

CITY OF DEMOREST, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Prior Year Findings

There were no findings in the prior year.