CITY OF DEMOREST, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
December 31, 2020

CITY OF DEMOREST, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

December 8, 2021

To the Mayor and City Council
CITY OF DEMOREST
Demorest, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, component units, and the aggregate remaining fund information of the CITY OF DEMOREST, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the CITY OF DEMOREST'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, each major fund, and the aggregate remaining fund information of the CITY OF DEMOREST, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The CITY OF DEMOREST has omitted the 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

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

The supplementary information identified above is the responsibility of management and was derived from and relates 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 supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2021 on our consideration of the CITY OF DEMOREST's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF DEMOREST's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

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

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	$ 80,729	$ 537,314	$ 618,043	$ 127,058
Investments	-	408,694	408,694	-
Receivables (net of allowance for uncollectibles)	216,478	615,019	831,497	-
Prepaid items	19,345	29,852	49,197	-
Restricted assets:				
Cash	820,329	879,184	1,699,513	-
Non-current assets:				
Capital assets:				
Capital assets not being depreciated	15,548	322,725	338,273	10,000
Capital assets being depreciated	2,994,858	37,215,300	40,210,158	342,387
Less: accumulated depreciation	(1,305,627)	(12,311,938)	(13,617,565)	(247,154)
Capital assets, net of depreciation	1,704,779	25,226,087	26,930,866	105,233
TOTAL ASSETS	2,841,660	27,696,150	30,537,810	232,291
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	188,614	174,105	362,719	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	188,614	174,105	362,719	-
TOTAL ASSETS & DEFERRED OUTFLOWS	3,030,274	27,870,255	30,900,529	232,291
LIABILITIES				
Accounts payable	40,864	315,653	356,517	363
Accrued interest payable	-	32,095	32,095	-
Other accrued items	12,479	9,981	22,460	-
Customer Deposits	-	364,772	364,772	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences payable	-	60,268	60,268	-
Notes from direct borrowings	-	266,021	266,021	-
Revenue bonds payable	-	245,000	245,000	-
Due in more than one year:				
Compensated absences payable	86,421	-	86,421	-
Notes from direct borrowings	-	3,057,787	3,057,787	-
Revenue bonds payable	-	6,109,270	6,109,270	-
Net pension liability	470,475	434,284	904,759	-
TOTAL LIABILITIES	610,239	10,895,131	11,505,370	363
TOTAL LIABILITIES & DEFERRED INFLOWS	610,239	10,895,131	11,505,370	
NET POSITION				
Net investment in capital assets	1,704,779	15,368,709	17,073,488	105,232
Restricted for:				
Capital outlay projects	790,881	-	790,881	-
Debt service	-	879,184	879,184	-
Cemetery	63,866	-	63,866	-
Unrestricted	(139,491)	727,231	587,740	126,696
TOTAL NET POSITION	$ 2,420,035	$ 16,975,124	$ 19,395,159	$ 231,928

The accompanying notes are an integral part of this statement.

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

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET POSITION.... .....PRIMARY GOVERNMENT.....			
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	$ 220,863	$ 5,366	$ 66,726	$ -	$ (148,771)	$ -	$ (148,771)	$ -
Judicial	-	-	-	55,158	55,158	-	55,158	-
Public safety	1,592,399	330,799	16,821	-	(1,244,779)	-	(1,244,779)	-
Public works	272,283	930	234,706	259,815	223,168	-	223,168	-
Housing and development	-	467	-	-	467	-	467	-
Interest	449	-	-	-	(449)	-	(449)	-
Total Governmental Activities	2,085,994	337,562	318,253	314,973	(1,115,206)	-	(1,115,206)	-
BUSINESS-TYPE ACTIVITIES								
Water, Sewer & Sanitation	4,607,953	5,495,254	-	-	-	887,301	887,301	-
Total Business-Type Activities	4,607,953	5,495,254	-	-	-	887,301	887,301	-
TOTAL PRIMARY GOVERNMENT	$ 6,693,947	$ 5,832,816	$ 318,253	$ 314,973	(1,115,206)	887,301	(227,905)	-
COMPONENT UNITS								
Government Finance Authority	3,507	-	-	-	-	-	-	(3,507)
Downtown Development Authority	15,771	20,201	-	-	-	-	-	4,430
TOTAL COMPONENT UNIT	$ 12,264	$ 20,201	$ -	$ -	-	-	-	$ 923
GENERAL REVENUES								
Property taxes					261,926	-	261,926	-
Insurance premium taxes					146,167	-	146,167	-
Franchise taxes					83,815	-	83,815	-
Alcohol beverage taxes					18,700	-	18,700	-
Real estate recording taxes					3,954	-	3,954	-
Other taxes					12,591	-	12,591	-
Total taxes					527,153	-	527,153	-
Unrestricted investment earnings					9,048	10,531	19,579	-
Gain(Loss) on sale of capital assets					1,212	-	1,212	53,222
TRANSFERS					750,694	(750,694)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,288,107	(740,163)	547,944	53,222
CHANGES IN NET POSITION					172,901	147,138	320,039	54,145
NET POSITION, Beginning					2,247,134	16,827,986	19,075,120	177,783
NET POSITION, Ending					$ 2,420,035	$ 16,975,124	$ 19,395,159	$ 231,928

The accompanying notes are an integral part of this statement.

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

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 80,729	$ -	$ 80,729
Receivables (net of allowance for uncollectibles)	171,872	44,606	216,478
Prepaid items	19,345	-	19,345
Cash	72,325	748,003	820,328
TOTAL ASSETS	344,271	792,609	1,136,880
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	30,677	10,187	40,864
Other accrued items	12,479	-	12,479
TOTAL LIABILITIES	43,156	10,187	53,343
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	17,245	-	17,245
TOTAL DEFERRED INFLOWS OF RESOURCES	17,245	-	17,245
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	60,401	10,187	70,588
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	19,345	-	19,345
Restricted:			
Capital outlay projects	8,459	782,422	790,881
Cemetery	63,866	-	63,866
Unassigned	192,200	-	192,200
TOTAL FUND BALANCES	283,870	782,422	1,066,292
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 344,271	$ 792,609	$ 1,136,880

The accompanying notes are an integral part of this statement.

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

Total Fund Balances for Governmental Funds (page 3)		$ 1,066,292
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		1,704,779
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	17,245	
		17,245
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(86,421)	
Net pension liability	(470,475)	
Net deferred inflows(outflows) - pension expense	188,614	
		(368,282)
Rounding		1
Total net position of governmental activities (page 1)		$ 2,420,035

The accompanying notes are an integral part of this statement.

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

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 522,602	$ -	$ 522,602
Intergovernmental	372,412	257,779	630,191
Fines and forfeitures	140,401	-	140,401
Charges for services	131,839	-	131,839
Contributions and donations	1,000	-	1,000
Investment income	9,047	2,036	11,083
Miscellaneous	65,321	-	65,321
TOTAL REVENUES	1,242,622	259,815	1,502,437
EXPENDITURES			
Current Expenditures			
General government	213,539	-	213,539
Public safety	1,474,797	-	1,474,797
Public works	215,953	16,278	232,231
Capital outlay	116,987	33,200	150,187
Debt service			
Principal	24,558	15,238	39,796
Interest	-	449	449
TOTAL EXPENDITURES	2,045,834	65,165	2,110,999
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(803,212)	194,650	(608,562)
OTHER FINANCING SOURCES (USES)			
Sale of county property	1,212	-	1,212
Transfers in	808,599	-	808,599
Transfers out	-	(57,905)	(57,905)
TOTAL OTHER FINANCING SOURCES (USES)	809,811	(57,905)	751,906
NET CHANGE IN FUND BALANCES	6,599	136,745	143,344
FUND BALANCES, Beginning of year	277,271	645,677	922,948
FUND BALANCES, End of year	$ 283,870	$ 782,422	$ 1,066,292

The accompanying notes are an integral part of this statement.

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, 2020

Net change in fund balances (page 5)		$ 143,344
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	150,187	
Depreciation expense	(120,950)	
		29,237
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	4,788	
		4,788
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(238)	
		(238)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Principal payments on long-term debt	39,796	
		39,796
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, current year	(86,421)	
Compensated absences, prior year	81,289	
Net pension liability, current year	(470,475)	
Net pension liability, prior year	330,803	
Deferred inflows, prior year	9,405	
		(135,399)
Contributions to the defined benefit pension plan made after pension measurement date are reported in deferred outflows.		
Beginning of year	(97,242)	
End of year	188,614	
		91,372
Rounding		1
Changes in net position of governmental activities (page 2)		$ 172,901

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS WATER, SEWER & SANITATION FUND
ASSETS	
Current Assets	
Cash	$ 537,314
Investments	408,694
Receivables (net of allowance for uncollectibles)	615,019
Prepaid items	29,852
Restricted assets:	
Cash	879,184
TOTAL CURRENT ASSETS	2,470,063
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	322,725
Capital assets being depreciated	37,215,300
Less: accumulated depreciation	(12,311,938)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	25,226,087
TOTAL NONCURRENT ASSETS	25,226,087
TOTAL ASSETS	27,696,150
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	174,105
TOTAL DEFERRED OUTFLOWS OF RESOURCES	174,105
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	27,870,255
LIABILITIES	
Current Liabilities	
Accounts payable	315,653
Accrued interest	32,095
Other accrued items	9,981
Compensated absences payable	60,268
Notes from direct borrowings	266,021
Revenue bonds payable	245,000
TOTAL CURRENT LIABILITIES	929,018
Noncurrent Liabilities	
Customer deposits	364,772
Net pension liability	434,284
Notes from direct borrowings	3,057,787
Revenue bonds payable	6,109,270
TOTAL NONCURRENT LIABILITIES	9,966,113
TOTAL LIABILITIES	10,895,131
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	10,895,131
NET POSITION	
Net investment in capital assets	15,368,709
Restricted for debt service	879,184
Unrestricted	727,231
TOTAL NET POSITION	$ 16,975,124

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS
	WATER, SEWER & SANITATION FUND
OPERATING REVENUES	
Charges for sales and services:	
Charges for services	$ 4,133,668
Other operating revenue	
Sewer sales	557,000
Connection fees	254,200
Other	379,624
Sanitation fees	124,548
Miscellaneous Income	46,214
Total Operating Revenues	5,495,254
OPERATING EXPENSES	
Salaries and benefits	1,204,805
Other services and charges	416,785
Depreciation	905,124
Repairs and maintenance	550,215
Utilities	276,435
Water purchases	1,031,924
Total Operating Expenses	4,385,288
OPERATING INCOME	1,109,966
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	10,531
Interest expense	(222,665)
Total Nonoperating Revenues (Expenses)	(212,134)
INCOME (LOSS) BEFORE TRANSFERS	897,832
Transfer in	57,905
Transfer out	(808,599)
Total of Net Transfers	(750,694)
CHANGE IN NET POSITION	147,138
TOTAL NET POSITION, Beginning of year	16,827,986
TOTAL NET POSITION, End of year	$ 16,975,124

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS
	WATER, SEWER & SANITATION FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 5,530,398
Payments to suppliers	(2,121,474)
Payments to employees	(1,188,351)
Net cash provided by (used in) operating activities	2,220,573
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in (out)	(808,599)
Net Cash provided (used) by non-capital financing activities	(808,599)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(412,808)
Transfers in/out	57,905
Principal payments on debt	(387,657)
Interest paid	(225,013)
Net cash provided by (used in) capital and related financing activities	(967,573)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	10,530
Purchase of investments	(8,693)
Net cash provided by (used in) investing activities	1,837
Net increase (decrease) in cash and cash equivalents	446,238
CASH, Beginning of year	970,260
CASH, End of year	$ 1,416,498
RECONCILIATION OF CASH	
Cash	$ 537,314
Restricted Cash	879,184
Total Cash	$ 1,416,498
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 1,109,966
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	905,124
(Increase) decrease in:	
Accounts receivable	(11,574)
Deferred outflows for pension	(84,344)
Prepaid expenses	1,593
Increase (decrease) in:	
Accounts payable	152,291
Compensated absences	(1,724)
Customer deposits	46,718
Net pension liability	128,928
Other accrued items	(17,724)
Deferred inflows for pension	(8,682)
Due to other governments	1
Net cash provided by (used in) operating activities	$ 2,220,573

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2020

	DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENT FINANCE AUTHORITY	TOTAL COMPONENT UNITS
ASSETS			
Cash	$ 127,058	$ -	$ 127,058
Restricted assets:			
Capital assets:			
Capital assets not being depreciated	-	10,000	10,000
Capital assets being depreciated	131,288	211,099	342,387
Less: accumulated depreciation	(81,643)	(165,511)	(247,154)
Capital assets, net of depreciation	49,645	55,588	105,233
TOTAL ASSETS	176,703	55,588	232,291
LIABILITIES			
Accounts payable	363	-	363
TOTAL LIABILITIES	363	-	363
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	363	-	363
NET POSITION			
Net invested in capital assets	49,644	55,588	105,232
Unrestricted	126,696	-	126,696
TOTAL NET POSITION	$ 176,340	$ 55,588	$ 231,928

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

FUNCTIONS/PROGRAMS	EXPENSES	.....PROGRAM REVENUES..... CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	....NET (EXPENSE) AND CHANGES IN NET POSITION.... DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENT FINANCE AUTHORITY	TOTAL COMPONENT UNITS
COMPONENT UNITS							
GOVERNMENTAL ACTIVITIES							
Downtown Development Authority	$ 15,771	$ 20,201	$ -	-	$ (4,430)	$ -	$ 4,430
Civic Center	3,507	-	-	-	-	3,507	(3,507)
TOTAL COMPONENT UNITS	$ 19,278	$ 20,201	$ -	$ -	(4,430)	3,507	923
GENERAL REVENUES							
Gain on sale of capital assets					53,222	-	53,222
TOTAL GENERAL REVENUES					53,222	-	53,222
CHANGES IN NET POSITION					57,652	(3,507)	54,145
NET POSITION, Beginning					118,688	59,095	177,783
NET POSITION, Ending					$ 176,340	$ 55,588	$ 231,928

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Brief descriptions of discretely presented component units follow:

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 the GFC.

DOWNTOWN DEVELOPMENT AUTHORITY: The Demorest Downtown Development Authority ("DDA") was organized to acquire and improve properties for the 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 the GFC or the DDA. Additional financial information may be obtained from the City.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and any component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) 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.

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.

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

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed with the exception of federal and state grant revenue, which has a 12 month availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The *SPLOST Fund 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 proprietary fund:

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 a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Receivables and Payables

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

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

All receivables are shown net of an allowance of uncollectibles. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of services provided prior to the year end.

Inventories and Prepaid Items

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

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

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, culverts, 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. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, or the appraised value at the time of the donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2020.

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

Buildings & Improvements	15 - 40 years
Software/Intangibles	3 - 23.5 years
Highway/Streets	10 - 50 years
Machinery and Equipment	3 - 10 years
Infrastructure	20 - 60 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City may have two types of deferred inflows of resources. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes.

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 pension 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 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 assumptions which adjust the net pension expense over the expected remaining 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.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum vacation accrual is limited to 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.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type 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.

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

Nonspendable - Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes. 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 includes 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 committed may be determined within 120 days of fiscal year end.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. 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 - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

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

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

Net Investment in Capital Assets

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

	Governmental Activities	Business-Type Activities	Component Unit
Net investment in capital assets:			
Cost of capital assets	$ 3,010,406	$ 37,538,025	$ 352,387
Accumulated depreciation	(1,305,627)	(12,311,938)	(247,155)
Net book value	1,704,779	25,226,087	105,232
Capital leases related debt	-	-	-
Accounts payable related to capital assets	-	(179,300)	-
Revenue bonds related to capital assets	-	(6,354,270)	-
Notes from direct borrowings related to capital assets	-	(3,323,808)	-
Net investment in capital assets	$ 1,704,779	$ 15,368,709	$ 105,232

Management Estimates

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

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports $854,747 of restricted net position, of which $782,422 is restricted by enabling legislation.

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

Restricted:		
General Fund		
Capital outlay projects - For unspent funds from LMIG revenue	$	8,459
Cemetery - For unspent funds for cemetery maintenance		63,866
		72,325
SPLOST Fund		
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum		782,422
Total Restricted Fund Balance	$	854,747

NOTE 3 - 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 revision that alter the total expenditures of any department must be approved by the 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.

Budgeting Policy

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to December 31 of each year, the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Project, Special Revenue, and Proprietary Funds are adopted in a basis consistent with generally accepted accounting principles (GAAP).

Basis for Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, other, and capital outlay. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. All unexpended annual appropriations lapse at year end.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Demorest has no recorded encumbrances at December 31, 2020.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

(C) DEFICIT FUND EQUITY

At December 31, 2020, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of December 31, 2020, the City had the following investments, some of which are cash equivalents:

INVESTMENT MATURITIES (in Years)

Investment Type	Fair Market Value Level 1	Less Than 1	Rating (1)
Certificate of Deposit	$ 408,694	$ 408,694	N/A
Total	$ 408,694	$ 408,694	

Cash per Statement of Net Position (page 1)	
Cash	$ 618,043
Restricted cash	1,699,513
Total Cash and Restricted Cash	$ 2,317,556
Investments per Statement of Net Position (page 1)	
Investments	$ 408,694
Restricted Investments	-
Investments as listed above	$ 408,694

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of December 31, 2020, all of the City's deposits were insured or were adequately collateralized with securities held by the pledging financial institution's name.

As of December 31, 2020, the City's bank balance of $2,170,228 was adequately collateralized with securities held by the pledging financial institution's name.

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

> Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.
>
> Under the *pooled method,* a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balance held by any one covered depository under the multibank pooled method.

The City utilized both methods to secure deposits of public funds.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below:

	General Fund	SPLOST Fund	Water, Sewer & Sanitation Fund
Receivables:			
Property Taxes	$ 96,972	$ -	$ -
Accounts	74,900	-	2,210,970
Intergovernmental	-	44,606	-
Total Gross Receivables	171,872	44,606	2,210,970
Less: Allowance for Uncollectibles	-	-	(1,595,951)
Total Net Receivables	$ 171,872	$ 44,606	$ 615,019

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes (General Fund)	$ 17,245	$ -
Total unavailable/ unearned revenue for governmental funds	$ 17,245	$ -

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 15,548	$ -	$ -	$ -	$ 15,548
Construction in progress	207,618	75,135	-	(282,753)	-
Total non-depreciable capital assets	223,166	75,135	-	(282,753)	15,548
Depreciable Assets:					
Software/Intangibles	30,742	-	-	-	30,742
Buildings and improvements	507,843	-	-	-	507,843
Machinery and equipment	1,016,924	75,052	-	-	1,091,976
Infrastructure	1,081,544	-	-	282,753	1,364,297
Total depreciable capital assets	2,637,053	75,052	-	282,753	2,994,858
Less Accumulated Depreciation for:					
Software/Intangibles	(30,742)	-	-	-	(30,742)
Buildings and improvements	(152,023)	(12,345)	-	-	(164,368)
Machinery and equipment	(876,344)	(81,167)	-	-	(957,511)
Infrastructure	(125,568)	(27,438)	-	-	(153,006)
Total accumulated depreciation	(1,184,677)	(120,950)	-	-	(1,305,627)
Total depreciable capital assets, net	1,452,376	(45,898)	-	-	1,689,231
Governmental activities capital assets, net	$ 1,675,542	$ 29,237	$ -	$ -	$ 1,704,779

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

Capital Outlay	$	150,187
Total Additions	$	150,187

Non-depreciable capital assets additions	$	75,135
Depreciable capital assets additions		75,052
Total Additions	$	150,187

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

Governmental Activities:		
General Government	$	3,707
Public Safety		79,753
Public Works		37,490
Total depreciation expense: Governmental Activities	$	120,950

Capital asset activity for business-type funds for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 288,756	$ -	$ -	$ -	$ 288,756
Construction in progress	-	33,969	-	-	33,969
Total non-depreciable capital assets	288,756	33,969	-	-	322,725
Depreciable Assets:					
Software/Intangibles	36,449	-	-	-	36,449
Buildings and improvements	285,620	-	-	-	285,620
Infrastructure	35,878,339	-	-	-	35,878,339
Machinery and equipment	636,052	378,840	-	-	1,014,892
Total depreciable capital assets	36,836,460	378,840	-	-	37,215,300
Less Accumulated Depreciation for:					
Software/Intangibles	(36,449)	-	-	-	(36,449)
Buildings and improvements	(70,148)	(7,428)	-	-	(77,576)
Infrastructure	(10,887,160)	(810,502)	-	-	(11,697,662)
Machinery and equipment	(413,057)	(87,194)	-	-	(500,251)
Total accumulated depreciation	(11,406,814)	(905,124)	-	-	(12,311,938)
Total depreciable capital assets, net	25,429,646	(526,284)	-	-	24,903,362
Business-type activities capital assets, net	$ 25,718,402	$ (492,315)	$ -	$ -	$ 25,226,087

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:	
Water	$ 674,701
Sewer	230,423
Total depreciation expense: Business-type Activities	$ 905,124

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

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Business-type Activities:					
SR365 Sewer Bore	$ 33,969	$ 33,969	$ -	$ -	TE Grant
Total Business-type Activities	$ 33,969	$ 33,969	$ -	$ -	

Capital asset activity for discretely presented component units for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Demorest Governmental Financial Corporation:					
Non-Depreciable Assets:					
Land and land improvements	$ 10,000	$ -	$ -	$ -	$ 10,000
Total non-depreciable capital assets	10,000	-	-	-	10,000
Depreciable Assets:					
Buildings and improvements	140,276	-	-	-	140,276
Machinery and equipment	70,823	-	-	-	70,823
Total depreciable capital assets	211,099	-	-	-	211,099
Less Accumulated Depreciation for:					
Buildings and improvements	(91,180)	(3,507)	-	-	(94,687)
Machinery and equipment	(70,823)	-	-	-	(70,823)
Total accumulated depreciation	(162,003)	(3,507)	-	-	(165,510)
Total depreciable capital assets, net	49,096	(3,507)	-	-	45,589
Demorest Governmental Financial Corporation Capital assets, net	$ 59,096	$ (3,507)	$ -	$ -	$ 55,589

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Demorest Downtown Development Authority:					
Depreciable Assets:					
Buildings and improvements	$ 191,564	$ -	$ (60,277)	$ -	$ 131,287
Total depreciable capital assets	191,564	-	(60,277)	-	131,287
Less Accumulated Depreciation for:					
Buildings and improvements	(83,649)	(5,779)	7,785	-	(81,643)
Total accumulated depreciation	(83,649)	(5,779)	7,785	-	(81,643)
Total depreciable capital assets, net	107,915	(5,779)	(52,492)	-	49,644
Demorest Governmental Financial Corporation Capital assets, net	$ 107,915	$ (5,779)	$ (52,492)	$ -	$ 49,644

NOTE 7 - LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Notes from direct borrowings	$ 39,795	$ -	$ (39,795)	$ -	$ -	$ -
Compensated absences	81,289	86,421	(81,289)	86,421	-	86,421
Net pension liability	330,803	139,672	-	470,475	-	470,475
Governmental activities long-term liabilities	$ 451,887	$ 226,093	$ (121,084)	$ 556,896	$ -	$ 556,896
Business-type Activities:						
Revenue bonds	$ 6,290,000	$ -	$ (240,000)	$ 6,050,000	$ 245,000	$ 5,805,000
Add: Original issue Premiums	321,208	-	(16,938)	304,270	-	304,270
Total Revenue Bonds	6,611,208	-	(256,938)	6,354,270	245,000	6,109,270
Notes from direct borrowings	3,454,527	-	(130,719)	3,323,808	266,021	3,057,787
Net pension liability	305,356	128,928	-	434,284	-	434,284
Compensated absences	61,992	60,268	(61,992)	60,268	60,268	-
Business-type activities long-term liabilities	$ 10,433,083	$ 189,196	$ (449,649)	$ 10,172,630	$ 571,289	$ 9,601,341

The General Fund typically liquidates its notes from direct borrowings. The compensated absence and net pension liability obligations are liquidated by the General Fund and the Water, Sewer and Sanitation Fund. The Water, Sewer, and Sanititation Fund typically liquidates the notes from direct borrowings and bond payables.

BUSINESS TYPE ACTIVITIES

As of December 31, 2020, the the long-term debt payable from proprietary fund resources consisted of the following:

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.

Minimum future annual debt service requirements for the general obligation bonds, as of December 31, 2020, are as follows:

December 31,	Principal	Interest	Total
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	260,000	182,612	442,612
2026-2030	1,425,000	795,904	2,220,904
2031-2035	1,725,000	493,140	2,218,140
2036-2039	1,640,000	138,578	1,778,578
Total	$ 6,050,000	$ 2,388,332	$ 8,438,332

Interest rates for the debt is as follows:

December 31,	Interest Rate
2021-2022	2.00%
2023-2024	1.85%
2025-2026	2.10%
2027-2036	4.00%
2037-2039	3.25%

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.

Beginning in November 2020, the sinking fund agreement for the 2016 Series bonds required monthly payments of $36,464 to be made to the sinking fund account for the purpose of making principal and interest payments on the bonds. The monthly payments were $37,196 from January through October.

NOTES FROM DIRECT BORROWINGS

The City's Water, Sewer, and Sanitation fund has several Georgia Environmental Finance Authority (GEFA) loans for the construction of various water and sewer system projects. Notes from direct borrowings outstanding as of December 31, 2020 are as follows:

Loan	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
DW04008	3.00%	11/1/2029	$ 803,333	$ -	$ (37,182)	$ 766,151
CW09017PF70	3.00%	8/1/2022	37,146	-	(8,360)	28,786
2010E17WS	2.00%	5/1/2023	62,516	-	(10,460)	52,056
2009L23WS	3.81%	6/1/2033	311,996	-	(9,365)	302,631
DW11023	1.63%	8/1/2035	2,239,536	-	(65,352)	2,174,184
Total Notes from Direct Borrowings			$ 3,454,527	$ -	$ (130,719)	$ 3,323,808

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 notes from direct borrowings are as follows:

December 31,	Principal	Interest	Total
2021	$ 266,022	$ 69,036	$ 532,259
2022	266,237	62,912	513,646
2023	247,409	57,038	491,147
2024	243,738	51,508	493,151
2025	249,413	45,834	1,482,953
2026-2035	1,233,540	140,723	1,374,263
2031-2035	817,449	32,997	850,446
Total	$ 3,323,808	$ 460,048	$ 5,737,865

NOTE 8- INTERFUND BALANCES AND ACTIVITY

Interfund transfers as of the year ended December 31, 2020 are as follows:

	Transfers Out		
	SPLOST Fund	Water, Sewer & Sanitation Fund	Total
Transfers In			
General Fund	$ -	$ 808,599	$ 808,599
Water, Sewer & Sanitation Fund	57,905	-	57,905
Total	$ 57,905	$ 808,599	$ 866,504

Transfers are used to supplement operating budgets and fund capital projects.

NOTE 9 - RETIREMENT PLANS

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) 668-0472.

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 highest five years of regular earning multiplied by the total credited years of service.

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 (10) 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.

Participant counts as of July 1, 2020 (the most recent actuarial valuation date) and covered compensation (base on covered earnings for the preceding year) are shown below:

Retirees, beneficiaries and disables receiving benefits	7
Terminated plan participants entitled to but not yet receiving benefits	4
Active employees participating in the Plan	37
Total number of Plan participants	48
Covered compensation for active participants	$ 1,582,490
Contributions as a percentage of covered payroll	6.78%

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 to 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 2020, the actuarially determined contribution rate was 6.95% of covered payroll. City contributions to the Plan were $143,921 for the year ended December 31, 2020. Employees of the City do not contribute to the plan. For fiscal year 2021, based on July 1, 2020 actuarial valuation, the recommended contribution rate will be 7.58%.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated March 31, 2020.

The total pension liability in the July 1, 2020 valuation was measured as of March 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases (including inflation)	3.00% - 8.50%
Net investment rate of return	7.375%

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

The actuarial assumptions and methods used in the July 1, 2020 valuation to value the Plan were approved in December 2019 by the Board based on the results of an actuarial experience study for the period January 1, 2015 - June 30, 2019.

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

Asset Class	Target Allocation	Long-term expected real rate of return*
Domestic equity	45%	6.41%
International equity	20	6.96%
Domestic Fixed income	20	1.96%
Real estate	10	4.76%
Global Fixed Income	5	3.06%
TOTAL	100%	

* Rates shown are net of inflation

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

Change in the Net Pension Liability

	Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	$ 1,894,403	$ 1,258,244	$ 636,159
Changes for the year:			
Service cost	56,812	-	56,812
Interest	143,362	-	143,362
Difference between expected and actual experience	70,563	-	70,563
Contribution-employer	-	94,365	(94,365)
Net investment income	-	(89,677)	89,677
Benefit payments	(79,440)	(79,440)	-
Administrative expense	-	(5,888)	5,888
Other charges	(3,337)	-	(3,337)
Net changes	187,960	(80,640)	268,600
Balances at December 31, 2020 *	$ 2,082,363	$ 1,177,604	$ 904,759

* Measurement date March 31, 2020

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

	1 % Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	$ 1,201,602	$ 904,759	$ 659,529

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

For the year ended December 31, 2020, the City recognized pension expense of $182,816. At December 31, 2020, 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	$ 128,088	$ -
Changes of assumptions	7,758	-
Net difference between projected and actual earnings on pension plan investments	146,413	-
City contributions subsequent to the measurement date	80,461	-
TOTAL	$ 362,720	$ -

City contributions subsequent to the measurement date of $80,461 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2021	$ 57,449
2022	66,659
2023	72,801
2024	58,294
2025	17,453
Thereafter	9,603
Total	$ 282,259

NOTE 10 - 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 11 - COMMITMENTS AND CONTINGENCIES

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

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 12 - COVID

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The spread of this virus (COVID-19) appeared in the United States and began to cause some operational disruptions in the first quarter of calendar year 2020.

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.

NOTE 13 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Demorest was not involved in any significant related party transactions during the current operating year.

NOTE 14 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

The amount reported as the estimated amounts for the net pension liability and related deferred inflow and outflows qualify as significant estimates and are based on actuarial studies and projections.

NOTE 15 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with other cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid all required annual dues to the GMRC for the year ended December 31, 2020. The GMRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines regional commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the GMRC may be obtained from: Georgia Mountains Regional Commission, Post Office Box 1720, Gainesville, Georgia 30503.

CITY OF DEMOREST, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY -
CITY OF DEMOREST RETIREMENT PLAN
For the Year Ended December 31, 2020
"Unaudited"

For the Year Ended December 31,	2020	2019	2018	2017	2016
Total pension liability	$ 2,082,363	$ 1,894,403	$ 1,740,823	$ 1,605,122	$ 1,539,219
Net fiduciary position	1,177,604	1,258,244	1,220,118	1,083,109	953,249
Net pension liability	$ 904,759	$ 636,159	$ 520,705	$ 522,013	$ 585,970
Covered-employee payroll	$ 1,582,490	$ 1,521,755	$ 1,371,318	$ 1,230,120	$ 1,029,526
Net pension liability as a percentage of its covered-employee payroll	57.17%	41.80%	37.97%	42.44%	56.92%
Plan fiduciary net position as a percentage of the total pension liability	56.55%	66.42%	70.09%	67.48%	61.93%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF DEMOREST, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
CITY OF DEMOREST RETIREMENT PLAN
For the Year Ended December 31, 2020
"Unaudited"

For the Year Ended December 31,	2020	2019	2018	2017	2016
Contractually required contribution	$ 107,281	$ 89,076	$ 78,053	$ 69,541	$ 74,451
Contributions in relation to the contractually required contribution	107,281	89,076	78,053	69,541	74,451
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,582,490	$ 1,521,755	$ 1,371,318	$ 1,029,526	$ 982,610
Contributions as a percentage of covered-employee payroll	6.78%	5.85%	5.69%	6.75%	7.58%

NOTE: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF DEMOREST, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
CITY OF DEMOREST RETIREMENT PLAN
For the Year Ended December 31, 2020
"Unaudited"

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of January 1, 2020. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended December 31, 2020 reported in that schedule:

Valuation Date	July 1, 2020
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 19 years
Asset Valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less that the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.375%
Inflation	2.25%
Salary Increases	3.00% - 8.50%, including inflation
Cost of Living Adjustments	0.00%

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

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 277,271	$ 277,271	$ 277,271	$ -
RESOURCES (INFLOWS)				
Taxes	501,367	522,595	522,602	7
Intergovernmental	270,000	372,403	372,412	9
Fines and forfeitures	200,000	140,795	140,401	(394)
Charges for services	198,000	135,302	131,839	(3,463)
Contributions and donations	-	1,000	1,000	-
Investment income	-	9,045	9,047	2
Miscellaneous	25,050	61,448	65,321	3,873
Sale of county property	-	1,210	1,212	2
Transfers in	858,149	822,620	808,599	(14,021)
Total Resources (Inflows)	2,052,566	2,066,418	2,052,433	(13,985)
AMOUNTS AVAILABLE FOR APPROPRIATION	2,329,837	2,343,689	2,329,704	(13,985)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
General services	333,023	259,060	255,391	3,669
Total General Government	333,023	259,060	255,391	3,669
Public Safety				
Police	750,923	828,928	828,900	28
Fire	533,327	567,890	551,026	16,864
Criminal Investigations	99,635	119,440	119,429	11
Total Public Safety	1,383,885	1,516,258	1,499,355	16,903
Public Works				
Public works	335,658	291,100	291,088	12
Total Public Works	335,658	291,100	291,088	12
TOTAL CHARGES TO APPROPRIATIONS	2,052,566	2,066,418	2,045,834	20,584
CHANGE IN FUND BALANCE	-	-	6,599	6,599
FUND BALANCE, End of year	$ 277,271	$ 277,271	$ 283,870	$ 6,599

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

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

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
SPLOST VI - *Commenced April 1, 2015*				
Water & Sewer	831,853	831,853	159,651	57,905
Public Safety	140,000	140,000	124,313	15,687
Roads, Streets, & Bridges	285,000	285,000	27,195	49,478
Subtotal - SPLOST VI	1,256,853	1,256,853	311,159	123,070
Totals	$ 1,256,853	$ 1,256,853	$ 311,159	123,070

Total of all SPLOSTS above **$ 123,070**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	$ 65,165
Transfers out	57,905
Total	**$ 123,070**

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

December 8, 2021

To the Mayor and City 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, each major fund, and the aggregate remaining fund information of City of Demorest, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Demorest's basic financial statements and have issued our report thereon dated December 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Demorest'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Demorest'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.

We did identify a deficiency in internal control that we consider to be a significant deficiency, described below:

INTERNAL CONTROL

2020-001 Statement of Condition:
During fieldwork, we noted month close procedures, including but not limited to bank reconciliations, were not completed or reviewed in a timely manner during the audited fiscal year for the Water and Sewer Operating Account held at South State Bank.

Criteria:
To ensure an accurate cash balance in the accounting books, a bank reconciliation should be performed and reviewed monthly to determine all outstanding items are included and valid.

Effect of Condition:
The risk of misappropriation of cash increases when cash is not reconciled to bank statements.

Cause of Condition:
Information for bank accounts cannot be assessed in a timely manner for audit procedures to be completed.

Recommendation:
We recommend that the City implement a monthly reconciliation and a review process where any discrepancies are recognized and corrected timely. All transactions should be recorded when checks are written or deposits receipted and be included in the reconciling items identified on the bank reconciliation if they are outstanding at month end.

Response:
The City will immediately implement the recommendation of the auditors by working closely with our City Accountant, Ed K. Burton, LLC, to assure a monthly reconciliation and review process occurs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Demorest's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bates, Carter & Co., LLP