CITY OF DEMOREST, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
December 31, 2022

CITY OF DEMOREST, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

August 31, 2023

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF DEMOREST, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the CITY OF DEMOREST, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of CITY OF DEMOREST and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CITY OF DEMOREST's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CITY OF DEMOREST's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Supplementary 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 Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 is presented for purposes of additional analysis and is not a required part of 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 August 31, 2023, 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 the effectiveness of the CITY OF DEMOREST's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF DEMOREST's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

CITY OF DEMOREST, GEORGIA
STATEMENT OF NET POSITION
December 31, 2022

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash	$ 819,666	$ 1,825,221	$ 2,644,887	$ 149,390
Investments	-	410,741	410,741	-
Lease receivable	-	-	-	25,962
Receivables (net of allowance for uncollectibles)	293,978	916,663	1,210,641	-
Internal balances	433,071	(433,071)	-	-
Prepaid items	-	26,668	26,668	-
Restricted assets:				
Cash	162,675	-	162,675	-
Investments	-	105,304	105,304	-
Non-current assets:				
Lease Receivable	-	-	-	11,202
Lease assets, net of amortization	-	-	-	5,545
Capital assets:				
Capital assets not being depreciated	147,798	322,725	470,523	1,234,233
Capital assets being depreciated	3,570,861	37,444,185	41,015,046	342,387
Less: accumulated depreciation	(1,458,226)	(14,193,833)	(15,652,059)	(262,713)
Capital assets, net of depreciation	2,260,433	23,573,077	25,833,510	1,313,907
TOTAL ASSETS	3,969,823	26,424,603	30,394,426	1,506,006
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	56,909	46,093	103,002	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	56,909	46,093	103,002	-
TOTAL ASSETS & DEFERRED OUTFLOWS	4,026,732	26,470,696	30,497,428	1,506,006
LIABILITIES				
Accounts payable	225,300	180,090	405,390	195,150
Accrued interest payable	-	31,993	31,993	-
Other accrued items	26,983	19,676	46,659	-
Unearned revenue	441,071	-	441,071	-
Customer Deposits	-	434,350	434,350	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences payable	35,498	24,049	59,547	-
Notes from direct borrowings	42,173	247,409	289,582	-
Financed purchases payable	84,627	-	84,627	-
Leases payable	-	-	-	6,868
Revenue bonds payable	-	266,938	266,938	-
Due in more than one year:				
Compensated absences payable	53,247	36,074	89,321	-
Notes from direct borrowings	132,282	2,544,141	2,676,423	-
Financed purchases payable	268,295	-	268,295	-
Leases payable	-	-	-	1,782
Revenue bonds payable	-	5,558,456	5,558,456	1,040,870
Net pension liability	133,958	159,771	293,729	-
TOTAL LIABILITIES	1,443,434	9,502,947	10,946,381	1,244,670
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	61,847	39,293	101,140	-
Deferred inflows related to lease receipts	-	-	-	34,596
TOTAL DEFERRED INFLOWS OF RESOURCES	61,847	39,293	101,140	34,596
TOTAL LIABILITIES & DEFERRED INFLOWS	1,505,281	9,542,240	11,047,521	1,279,266
NET POSITION				
Net investment in capital assets	1,738,674	14,940,062	16,678,736	74,784
Restricted for:				
Capital outlay projects	819,740	-	819,740	-
Debt service	-	105,304	105,304	-
Cemetery	98,288	-	98,288	-
Unrestricted	(135,251)	1,883,090	1,747,839	151,956
TOTAL NET POSITION	$ 2,521,451	$ 16,928,456	$ 19,449,907	$ 226,740

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

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	$ 386,309	$ 52,212	$ 364,138	$ -	$ 30,041	$ -	$ 30,041	$ -
Public safety	1,495,588	331,173	32,008	-	(1,132,407)	-	(1,132,407)	-
Public works	409,662	3,450	170,433	350,339	114,560	-	114,560	-
Public health and welfare	112,000	-	-	-	(112,000)	-	(112,000)	-
Housing and development	46,450	8,625	-	-	(37,825)	-	(37,825)	-
Interest	17,010	-	-	-	(17,010)	-	(17,010)	-
Total Governmental Activities	2,467,019	395,460	566,579	350,339	(1,154,641)	-	(1,154,641)	-
BUSINESS-TYPE ACTIVITIES								
Water, Sewer & Sanitation	5,730,315	6,219,022	-	-	-	488,707	488,707	-
Total Business-Type Activities	5,730,315	6,219,022	-	-	-	488,707	488,707	-
TOTAL PRIMARY GOVERNMENT	$ 8,197,334	$ 6,614,482	$ 566,579	$ 350,339	(1,154,641)	488,707	(665,934)	-
COMPONENT UNITS								
Government Finance Authority	$ 3,507	$ -	$ -	$ -	-	-	-	(3,507)
Downtown Development Authority	79,081	28,330	-	46,450	-	-	-	(4,301)
TOTAL COMPONENT UNIT	$ 82,588	$ 28,330	$ -	$ 46,450	-	-	-	$ (7,808)
GENERAL REVENUES								
Property taxes					328,875	-	328,875	-
Insurance premium taxes					158,664	-	158,664	-
Franchise taxes					83,702	-	83,702	-
Alcohol beverage taxes					21,391	-	21,391	-
Real estate recording taxes					2,986	-	2,986	-
Other taxes					17,597	-	17,597	-
Total taxes					613,215	-	613,215	-
Unrestricted investment earnings					457	-	457	-
Gain(Loss) on sale of capital assets					-	12,371	12,371	-
TRANSFERS					757,777	(757,777)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,371,449	(745,406)	626,043	-
CHANGES IN NET POSITION					216,808	(256,699)	(39,891)	(7,808)
NET POSITION, Beginning					2,304,643	17,185,155	19,489,798	235,294
CHANGE IN ACCOUNTING PRINCIPLE					-	-	-	(746)
NET POSITION, Beginning as restated					2,304,643	17,185,155	19,489,798	234,548
NET POSITION, Ending					$ 2,521,451	$ 16,928,456	$ 19,449,907	$ 226,740

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 127,335	$ 692,331	$ 819,666
Receivables (net of allowance for uncollectibles)	230,956	63,022	293,978
Interfund receivables	441,071	-	441,071
Restricted assets:			
Cash	162,675	-	162,675
TOTAL ASSETS	962,037	755,353	1,717,390
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	225,298	-	225,298
Other accrued items	26,983	-	26,983
Interfund payables	8,000	-	8,000
Unearned revenue	441,071	-	441,071
TOTAL LIABILITIES	701,352	-	701,352
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	56,319	-	56,319
TOTAL DEFERRED INFLOWS OF RESOURCES	56,319	-	56,319
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	757,671	-	757,671
FUND BALANCES			
Restricted:			
Capital outlay projects	64,387	755,353	819,740
Cemetery	98,288	-	98,288
Unassigned	41,691	-	41,691
TOTAL FUND BALANCES	204,366	755,353	959,719
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 962,037	$ 755,353	$ 1,717,390

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, 2022

Total Fund Balances for Governmental Funds (page 3)		$ 959,719
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		2,260,433
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	56,319	
		56,319
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	(88,745)	
Financed purchases	(352,922)	
Notes from direct borrowings	(174,455)	
Net pension liability	(133,958)	
Net deferred inflows(outflows) - pension expense	(4,938)	
		(755,018)
Rounding		(2)
Total net position of governmental activities (page 1)		$ 2,521,451

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, 2022

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 597,980	$ -	$ 597,980
Intergovernmental	566,579	346,637	913,216
Fines and forfeitures	102,380	-	102,380
Charges for services	128,930	-	128,930
Investment income	457	3,703	4,160
Miscellaneous	164,150	-	164,150
TOTAL REVENUES	1,560,476	350,340	1,910,816
EXPENDITURES			
Current Expenditures			
General government	393,613	-	393,613
Public safety	1,519,132	-	1,519,132
Public works	378,540	-	378,540
Public health and welfare	112,000	-	112,000
Housing and development	46,450	-	46,450
Capital outlay	580,984	7,120	588,104
Principal	136,597	-	136,597
Interest	17,010	-	17,010
TOTAL EXPENDITURES	3,184,326	7,120	3,191,446
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(1,623,850)	343,220	(1,280,630)
OTHER FINANCING SOURCES (USES)			
Proceeds from financed purchases	448,274	-	448,274
Transfers in	1,046,757	-	1,046,757
Transfers out	-	(288,980)	(288,980)
TOTAL OTHER FINANCING SOURCES (USES)	1,495,031	(288,980)	1,206,051
NET CHANGE IN FUND BALANCES	(128,819)	54,240	(74,579)
FUND BALANCES, Beginning of year	333,185	701,113	1,034,298
FUND BALANCES, End of year	$ 204,366	$ 755,353	$ 959,719

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, 2022

Net change in fund balances (page 5)		$ (74,579)
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	588,104	
Depreciation expense	(125,054)	
		463,050
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	15,235	
		15,235
Proceeds from borrowing including premiums and discounts	(448,274)	
Principal payments on long-term debt	136,597	
		(311,677)
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	(88,746)	
Compensated absences, prior year	83,780	
Net pension liability, current year	(133,958)	
Net pension liability, prior year	259,475	
Deferred inflows, current year	(61,847)	
Deferred inflows, prior year	125,542	
		184,246
Contributions to the defined benefit pension plan made after pension measurement date are reported in deferred outflows.		
Beginning of year	(116,375)	
End of year	56,909	
		(59,466)
Rounding		(1)
Changes in net position of governmental activities (page 2)		$ 216,808

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS WATER, SEWER & SANITATION FUND
ASSETS	
Current Assets	
Cash	$ 1,825,221
Investments	410,741
Receivables (net of allowance for uncollectibles)	916,663
Interfund receivables	8,000
Prepaid items	26,668
Restricted assets:	
Investments	105,304
TOTAL CURRENT ASSETS	3,292,597
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	322,725
Capital assets being depreciated	37,444,185
Less: accumulated depreciation	(14,193,833)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	23,573,077
TOTAL NONCURRENT ASSETS	23,573,077
TOTAL ASSETS	26,865,674
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	46,093
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,093
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	26,911,767
LIABILITIES	
Current Liabilities	
Accounts payable	180,090
Accrued interest	31,993
Other accrued items	19,676
Interfund payables	441,071
Compensated absences payable	24,049
Notes from direct borrowings	247,409
Revenue bonds payable	266,938
TOTAL CURRENT LIABILITIES	1,211,226
Noncurrent Liabilities	
Customer deposits	434,350
Compensated absences payable	36,074
Net pension liability	159,771
Notes from direct borrowings	2,544,141
Revenue bonds payable	5,558,456
TOTAL NONCURRENT LIABILITIES	8,732,792
TOTAL LIABILITIES	9,944,018
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	39,293
TOTAL DEFERRED INFLOWS OF RESOURCES	39,293
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	9,983,311
NET POSITION	
Net investment in capital assets	14,940,062
Restricted for debt service	105,304
Unrestricted	1,883,090
TOTAL NET POSITION	$ 16,928,456

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, 2022

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS WATER, SEWER & SANITATION FUND
OPERATING REVENUES	
Charges for sales and services:	
Charges for services	$ 4,512,478
Other operating revenue	
Sewer sales	567,801
Connection fees	467,096
Other	432,469
Sanitation fees	115,243
Miscellaneous Income	123,935
Total Operating Revenues	6,219,022
OPERATING EXPENSES	
Salaries and benefits	1,215,677
Other services and charges	512,118
Depreciation	974,354
Repairs and maintenance	1,153,566
Utilities	437,280
Water purchases	1,196,423
Total Operating Expenses	5,489,418
OPERATING INCOME	729,604
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	11,471
Interest expense	(240,897)
Gain (loss) on sale of capital assets	900
Total Nonoperating Revenues (Expenses)	(228,526)
INCOME (LOSS) BEFORE TRANSFERS	501,078
Transfer in	130,512
Transfer out	(888,289)
Total of Net Transfers	(757,777)
CHANGE IN NET POSITION	(256,699)
TOTAL NET POSITION, Beginning of year	17,185,155
TOTAL NET POSITION, End of year	$ 16,928,456

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, 2022

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS WATER, SEWER & SANITATION FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 6,080,849
Payments to suppliers	(3,235,713)
Payments to employees	(1,308,242)
Net cash provided by (used in) operating activities	1,536,894
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in (out)	(888,289)
Net Cash provided (used) by non-capital financing activities	(888,289)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(130,512)
Proceeds from sale of capital assets	900
Transfers in/out	130,512
Principal payments on debt	(516,237)
Interest paid	(258,667)
Net cash provided by (used in) capital and related financing activities	(774,004)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	11,471
Purchase of investments	(2,116)
Net cash provided by (used in) investing activities	9,355
Net increase (decrease) in cash and cash equivalents	(116,044)
CASH, Beginning of year	1,941,265
CASH, End of year	$ 1,825,221
RECONCILIATION OF CASH	
Cash	$ 1,825,221
Total Cash	$ 1,825,221
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 729,604
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	974,354
(Increase) decrease in:	
Accounts receivable	(181,935)
Deferred outflows for pension	61,330
Prepaid expenses	1,592
Increase (decrease) in:	
Accounts payable	17,787
Compensated absences	(1,838)
Customer deposits	43,762
Net pension liability	(79,744)
Other accrued items	4,279
Deferred inflows for pension	(76,592)
Interfund balances	44,295
Net cash provided by (used in) operating activities	$ 1,536,894
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES	
Amortization of premiums on bonds	$ 18,577

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2022

	DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENTAL FINANCE CORPORATION	TOTAL COMPONENT UNITS
ASSETS			
Cash	$ 149,390	$ -	$ 149,390
Lease receivable	25,962	-	25,962
Non-current assets:			
Lease receivable	11,202	-	11,202
Lease assets, net of amortization	5,545	-	5,545
Capital assets:			
Capital assets not being depreciated	1,224,233	10,000	1,234,233
Capital assets being depreciated	131,288	211,099	342,387
Less: accumulated depreciation	(90,188)	(172,525)	(262,713)
Capital assets, net of depreciation	1,265,333	48,574	1,313,907
TOTAL ASSETS	1,457,432	48,574	1,506,006
LIABILITIES			
Accounts payable	195,150	-	195,150
Noncurrent liabilities:			
Due within one year			
Leases payable	6,868	-	6,868
Due in more than one year			
Leases payable	1,782	-	1,782
Revenue bonds payable	1,040,870	-	1,040,870
TOTAL LIABILITIES	1,244,670	-	1,244,670
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receipts	34,596	-	34,596
TOTAL DEFERRED INFLOWS OF RESOURCES	34,596	-	34,596
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,279,266	-	1,279,266
NET POSITION			
Net invested in capital assets	26,209	48,574	74,783
Unrestricted	151,957	-	151,957
TOTAL NET POSITION	$ 178,166	$ 48,574	$ 226,740

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, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION: DOWNTOWN DEVELOPMENT AUTHORITY	NET (EXPENSE) AND CHANGES IN NET POSITION: GOVERNMENT FINANCE AUTHORITY	NET (EXPENSE) AND CHANGES IN NET POSITION: TOTAL COMPONENT UNITS
COMPONENT UNITS							
GOVERNMENTAL ACTIVITIES							
Downtown Development Authority	$ 79,081	$ 28,330	$ -	$ 46,450	$ 4,301	$ -	$ (4,301)
Governmental Finance Corporation	3,507	-	-	-	-	3,507	(3,507)
TOTAL COMPONENT UNITS	$ 82,588	$ 28,330	$ -	$ 46,450	4,301	3,507	(7,808)
CHANGES IN NET POSITION					(4,301)	(3,507)	(7,808)
NET POSITION, Beginning					183,213	52,081	235,294
CHANGE IN ACCOUNTING PRINCIPLE					(746)	-	(746)
NET POSITION, Beginning as restated					182,467	52,081	234,548
NET POSITION, Ending					$ 178,166	$ 48,574	$ 226,740

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 of Directors 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 and VII of the City, in agreements with Habersham County.

The City reports the following major proprietary fund:

The *Water, Sewer, & 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.

Cumulative effect of a change in accounting principle

In 2022, the City implemented GASB Statement No. 87, "*Leases*" and as a result recognized a change in accounting principle as of January 1, 2022 in order to retroactively report the change to the earliest period reported.

GASB Statement No. 87 enhances the relevance and consistency of information about governments' leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. These changes were incorporated in the City's 2022 financial statements and had an effect on the beginning net position of the Downtown Development Authority component unit which decreased governmental net position by ($746).

On January 1, 2022, the City restated its financial statements for the fiscal year ended December 31, 2021 to restate the following activity in accordance with GASB Standard 87:

Downtown Development Authority		
Net Position, January 1	$	183,213
To record leased right to use assets		22,179
To record accumulated amortization for right to use assets		(12,198)
To record the net present value of leases payable		(14,882)
To record lease receivables		62,696
To record deferred inflows of resources for lease payments		(58,541)
Restated Net Position, January 1	**$**	**182,467**

(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 and Right to Use Lease 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, infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), and right to use lease assets, 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 2022.

Property, plant, equipment, and right to use assets are depreciated or amortized 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 several types of deferred inflows of resources. The first item is deferred inflows related to pension expense, which represents differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and changes of assumptions about future economic or demographic factors or of other inputs. These deferred inflows will be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning with the current reporting period. The second item is deferred inflows related to lease receipts, which recognizes the payments received for lease agreements as revenue over the life of the lease term. The remaining two items consist of unavailable revenue and unearned revenue. Unavailable revenue is reported only in the governmental funds balance sheet and only arises under the modified accrual basis of accounting. The governmental funds may report unavailable revenues from two sources: property taxes and special assessments. Unearned revenue reports the property taxes collected to fund the following fiscal year. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet.

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.

Leases

Lessee

The City is a lessee for a noncancellable lease of a building. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $20,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Authority is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The City is a lessor for noncancellable leases of buildings. The City recognizes a lease receivable and deferred inflow of lease receipts in both the fund level and government-wide financial statements. The City recognizes lease receivables with an initial, individual value of $20,000 or more.

At the commencement of the lease, the City initially measures the lease receivable of the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City uses the interest rate as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the lessee is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and related deferred inflows if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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, 2022 are as follows:

	Governmental Activities	Business-Type Activities	Component Unit
Net investment in capital assets:			
Cost of capital assets	$ 3,718,659	$ 37,766,910	$1,576,620
Accumulated depreciation	(1,458,226)	(14,193,833)	(262,713)
Net book value	2,260,433	23,573,077	1,313,907
Lease assets, net of amortization	-	-	5,545
Leases payable	-	-	(8,650)
Financed purchased related debt	(352,922)	-	-
Accounts payable related to capital assets	(6,582)	(16,071)	(195,148)
Revenue bonds related to capital assets	-	(5,825,394)	1,040,870
Notes from direct borrowings related to capital assets	(174,455)	(2,791,550)	-
Unspent loan proceeds	12,200	-	-
Net investment in capital assets	$ 1,738,674	$ 14,940,062	$ 74,784

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 $918,028 of restricted net position, of which $755,353 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 and USDA note from direct borrowing.	$	64,387
Cemetery - For unspent funds for cemetery maintenance		98,288
		162,675
SPLOST Fund		
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum		755,353
Total Restricted Fund Balance	$	918,028

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, 2022.

(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, 2022, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of December 31, 2022, 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	$ 410,741	$ 410,741	N/A
Municipal Competitive Trust	105,304	105,304	AAAm
Total	$ 516,045	$ 516,045	

Cash per Statement of Net Position (page 1)	
Cash	$ 2,644,887
Restricted cash	162,675
Total Cash and Restricted Cash	$ 2,807,562

Investments per Statement of Net Position (page 1)	
Investments	$ 410,741
Restricted Investments	105,304
Investments as listed above	$ 516,045

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, 2022, 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, 2022, 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, 2022, the City's bank balance of $2,807,562 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	$ 145,164	$ -	$ -
Accounts	104,733	-	2,561,893
Intergovernmental	-	63,022	-
Total Gross Receivables	249,897	63,022	2,561,893
Less: Allowance for Uncollectibles	(18,941)	-	(1,645,230)
Total Net Receivables	$ 230,956	$ 63,022	$ 916,663

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)	$ 56,319	$ -
ARPA funds prior to meeting eligibility requirements (General Fund)	-	441,071
Total unavailable/ unearned revenue for governmental funds	$ 56,319	$ 441,071

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended December 31, 2022 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	98,149	34,101	-	-	132,250
Total non-depreciable capital assets	113,697	34,101	-	-	147,798
Depreciable Assets:					
Software/Intangibles	30,742	-	-	-	30,742
Buildings and improvements	507,843	5,829	-	-	513,672
Machinery and equipment	1,195,576	548,174	(81,600)	-	1,662,150
Infrastructure	1,364,297	-	-	-	1,364,297
Total depreciable capital assets	3,098,458	554,003	(81,600)	-	3,570,861
Less Accumulated Depreciation for:					
Software/Intangibles	(30,742)	-	-	-	(30,742)
Buildings and improvements	(176,713)	(12,637)	-	-	(189,350)
Machinery and equipment	(1,023,339)	(81,445)	81,600	-	(1,023,184)
Infrastructure	(183,978)	(30,972)	-	-	(214,950)
Total accumulated depreciation	(1,414,772)	(125,054)	81,600	-	(1,458,226)
Total depreciable capital assets, net	1,683,686	428,949	-	-	2,112,635
Governmental activities capital assets, net	$ 1,797,383	$ 463,050	$ -	$ -	$ 2,260,433

Additions to governmental activities capital assets for fiscal year ending December 31, 2022 consist of the following:

Capital Outlay	$	588,104
Total Additions	$	588,104
Non-depreciable capital assets additions	$	34,101
Depreciable capital assets additions		554,003
Total Additions	$	588,104

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

Governmental Activities:		
General Government	$	4,481
Public Safety		82,961
Public Works		37,612
Total depreciation expense: Governmental Activities	$	125,054

Capital asset activity for business-type funds for the year ended December 31, 2022 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	322,725	-	-	-	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	1,160,977	130,512	(47,712)	-	1,243,777
Total depreciable capital assets	37,361,385	130,512	(47,712)	-	37,444,185
Less Accumulated Depreciation for:					
Software/Intangibles	(36,449)	-	-	-	(36,449)
Buildings and improvements	(85,003)	(7,428)	-	-	(92,431)
Infrastructure	(12,507,857)	(809,753)	-	-	(13,317,610)
Machinery and equipment	(637,882)	(157,173)	47,712	-	(747,343)
Total accumulated depreciation	(13,267,191)	(974,354)	47,712	-	(14,193,833)
Total depreciable capital assets, net	24,094,194	(843,842)	-	-	23,250,352
Business-type activities capital assets, net	$ 24,416,919	$ (843,842)	$ -	$ -	$ 23,573,077

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

Business-type Activities:	
Water	$ 735,586
Sewer	238,768
Total depreciation expense: Business-type Activities	$ 974,354

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, 2022, 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
Governmental Activities:					
Demorest City Park	$ 2,250,000	$ 132,250	$ -	$ 2,117,750	SPLOST
Total Governmental Activities	$ 2,250,000	$ 132,250	$ -	$ 2,117,750	
Business-type Activities					
SR365 Sewer Bore	$ 33,969	$ 33,969	$ -	$ -	GEFA Construction Loan
Total Business-type Activities	$ 33,969	$ 33,969	$ -	$ -	

Capital asset activity for discretely presented component units for the year ended December 31, 2022 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	(98,194)	(3,508)	-	-	(101,702)
Machinery and equipment	(70,823)	-	-	-	(70,823)
Total accumulated depreciation	(169,017)	(3,508)	-	-	(172,525)
Total depreciable capital assets, net	42,082	(3,508)	-	-	38,574
Demorest Governmental Financial Corporation Capital assets, net	$ 52,082	$ (3,508)	$ -	$ -	$ 48,574

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Demorest Downtown Development Authority:					
Construction in progress	$ -	$ 1,224,233	$ -	$ -	$ 1,224,233
Total non-depreciable capital assets	-	1,224,233	-	-	1,224,233
Depreciable Assets:					
Buildings and improvements	131,288	-	-	-	131,288
Total depreciable capital assets	131,288	-	-	-	131,288
Less Accumulated Depreciation for:					
Buildings and improvements	(85,916)	(4,272)	-	-	(90,188)
Total accumulated depreciation	(85,916)	(4,272)	-	-	(90,188)
Total depreciable capital assets, net	45,372	(4,272)	-	-	41,100
Demorest Downtown Development Authority Capital assets, net	$ 45,372	$ 1,219,961	$ -	$ -	$ 1,265,333

The Authority 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, 2022, 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
DDA Activities:					
Demorest City Hall	$ 1,500,000	$ 1,224,233	$ -	$ 275,76'	2022 Revenue Bond
Total DDA Activities	$ 1,500,000	$ 1,224,233	$ -	$ 275,76'	

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Financed Purchases	$ -	$ 448,274	$ (95,352)	$ 352,922	$ 84,627	$ 268,295
Notes from direct borrowings	215,700	-	(41,245)	174,455	42,173	132,282
Compensated absences	83,780	81,455	(76,489)	88,746	35,498	53,248
Net pension liability	259,475	141,140	(266,657)	133,958	-	133,958
Governmental activities long-term liabilities	$ 558,955	$ 670,869	$ (479,743)	$ 750,081	$ 162,298	$ 587,783
Business-type Activities:						
Revenue bonds	$ 5,805,000	$ -	$ (250,000)	$ 5,555,000	$ 250,000	$ 5,305,000
Add: Original issue Premiums	287,332	-	(16,938)	270,394	16,938	253,456
Total Revenue Bonds	6,092,332	-	(266,938)	5,825,394	266,938	5,558,456
Notes from direct borrowings	3,057,787	-	(266,236)	2,791,551	247,409	2,544,142
Net pension liability	239,515	89,670	(169,414)	159,771	-	159,771
Compensated absences	61,962	60,124	(61,962)	60,124	24,050	36,074
Business-type activities long-term liabilities	$ 9,451,596	$ 149,794	$ (764,550)	$ 8,836,840	$ 538,397	$ 8,298,443
Component Unit:						
Downtown Development Authority						
Revenue bonds	$ -	$ 1,040,870	$ -	$ 1,040,870	$ -	$ 1,040,870
Component Unit long-term liabilities	$ -	$ 1,040,870	$ -	$ 1,040,870	$ -	$ 1,040,870

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

GOVERNMENTAL ACTIVITIES

NOTES FROM DIRECT BORROWINGS

The City obtained a note payable in the original amount of $215,700, dated August 13, 2021, annual installments of $46,098, interest rate of 2.25% with final maturity dated August 13, 2026. This note payable was used to finance the purchase of police vehicles. As of December 31, 2022, the outstanding balance was $174,455.

The annual debt service requirements to amortize this debt as of December 31, 2022, are as follows:

December 31,	Principal	Interest	Total
2023	$ 42,173	$ 3,925	$ 46,098
2024	43,122	2,976	46,098
2025	44,092	2,006	46,098
2026	45,068	1,014	46,082
Total	$ 174,455	$ 9,921	$ 184,376

FINANCED PURCHASES

After implementation of GASB 87 "Leases," the City has reclassified agreements that transfer ownership of the underlying asset by the end of the contract and do not contain termination options as financed purchases. These financed purchase relates to equipment for public safety.

On March 15, 2021, the City entered into a $486,671 financed purchase agreement with Santander Bank to finance the Public Safety capital addition for the E-One pumper fire truck. The outstanding balance on this agreement at December 31, 2022 was $352,922. Minimum future obligations for the financed purchase, as of December 31, 2022, are as follows:

December 31,	Principal	Interest	Total
2023	$ 84,627	$ 9,833	$ 94,460
2024	86,985	7,475	94,460
2025	89,409	5,052	94,461
2026	91,901	2,560	94,461
Total	$ 352,922	$ 24,920	$ 377,842

BUSINESS TYPE ACTIVITIES

REVENUE 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 outstanding balance on this agreement at December 31, 2022 was $5,555,000.

Minimum future annual debt service requirements for the general obligation bonds, as of December 31, 2022, are as follows:

December 31,	Principal	Interest	Total
2023	$ 250,000	$ 191,956	$ 441,956
2024	255,000	187,330	442,330
2025	260,000	182,612	442,612
2026	265,000	177,152	442,152
2027	275,000	171,588	446,588
2028-2032	1,535,000	684,740	2,219,740
2033-2037	1,865,000	352,540	2,217,540
2038-2040	850,000	41,602	891,602
Total	$ 5,555,000	$ 1,989,520	$ 7,544,520

Interest rates for the debt is as follows:

December 31,	Interest Rate
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 $37,246 to be made to the sinking fund account for the purpose of making principal and interest payments on the bonds.

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, 2022 are as follows:

Loan	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
DW04008	3.00%	11/1/2029	$ 690,049	$ -	$ (78,380)	$ 611,669
CW09017PF70	3.00%	8/1/2022	11,687	-	(11,687)	-
2010E17WS	2.00%	5/1/2023	30,820	-	(21,665)	9,155
2009L23WS	3.81%	6/1/2033	283,358	-	(20,020)	263,338
DW11023	1.63%	8/1/2035	2,041,873	-	(134,484)	1,907,389
Total Notes from Direct Borrowings			$ 3,057,787	$ -	$ (266,236)	$ 2,791,551

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
2023	$ 247,409	$ 57,038	$ 491,147
2024	243,738	51,507	493,170
2025	249,432	45,814	504,641
2026	255,209	40,037	516,367
2027	261,158	34,088	1,349,806
2028-2033	1,088,648	89,591	1,178,239
2034-2038	445,957	9,983	455,940
Total	$ 2,791,551	$ 328,058	$ 4,989,310

DISCRETELY PRESENTED COMPONENT UNIT

As of December 31, 2022, the the long-term debt payable from discretely presented component units consisted of the following:

REVENUE BONDS PAYABLE

On July 1, 2022, the Downtown Development Authority issued Series 2022 Taxable Draw Down Revenue Bonds not to exceed $1,500,000 for the purpose of providing funds to renovate the Demorest Old Elementary School and pay the costs of issuance. The City entered into an intergovernmental agreement with the Downtown Development Authority to purchase completed project for the amount of the principal and interest payments on the Series 2022 Bond as same become due and payable. During the construction period, which must be completed by July 1, 2023, only interest payments will be required to be monthly at a rate of 4.037% per annum. After the completion date, the bonds will be amortized into equal monthly payments of the total amount expended with a final maturity date of July 1, 2048, and bear an interest rate of 4.037%. Issuance costs related to the Series 2022 bonds were $40,875. As of June 30, 2023, the balance of the debt was $1,040,870 and $21,361 had been paid related to interest. Annual debt service requirements to maturity will be determined upon completion of the project.

NOTE 8 - LEASES

LEASE ASSETS

The City implemented GASB 87, "Leases" in 2022 and as a result had a change in accounting principle in the net lease assets of $9,981 for the Downtown Development Authority component unit to retroactively report the change to the earliest period reported.

Lease asset activity for the Authority for the period ended December 31, 2022, was as follows:

	Balance December 31, 2021	Increase	Remeasurement	Decrease	Balance December 31, 2022
Lease assets:					
Buildings	$ 22,179	$ -	$ -	$ -	$ 22,179
Total lease assets	22,179	-	-	-	22,179
Less accumulated amortization for:					
Buildings	(12,198)	(4,436)	-	-	(16,634)
Total accumulated amortization	(12,198)	(4,436)	-	-	(16,634)
Total lease assets, net	$ 9,981	$ (4,436)	$ -	$ -	$ 5,545

LEASE LIABILITIES

The City implemented GASB 87, "Leases" in 2022 and as a result had a change in accounting principle in the lease liabilities of ($14,882) for the Downtown Development Authority component unit to retroactively report the change to the earliest period reported.

Long-term lease liability activity for the period ended December 31, 2022, was as follows:

	Balance December 31, 2021	Increase	Decrease	Balance December 31, 2022	Due within one year	Due in more than one year
Lease liabilities:						
Buildings	$ 14,882	$ -	$ (6,232)	$ 8,650	$ 6,868	$ 1,782
Total lease liabilities	$ 14,882	$ -	$ (6,232)	$ 8,650	$ 6,868	$ 1,782

On September 14, 2018, Authority entered into a year lease with Piedmont College as Lessee for the use of buildings located at 551 Georgia Street and 567 Georgia Street. An initial lease liability was recorded in the amount of $22,179. As of December 31, 2022, the value of the lease liability was $8,650. The Authority is required to make monthly variable payments of a percentage of the rental payments received from sub-lease agreements on these buildings. The lease has an interest rate of 6.00%. The building estimated useful life was 10 years as of the contract commencement. The net value of the right to use asset as of December 31, 2022 of $5,545 is included with Buildings on the lease asset activities table above.

The future minimum lease obligations and the net present value of these minimum lease payments for the period ended December 31, 2022 are as follows:

December 31,	Principal	Interest	Total
2023	$ 6,868	$ 289	$ 7,157
2024	1,782	18	1,800
Total	$ 8,650	$ 307	$ 8,957

LEASE RECEIVABLES

The City implemented GASB 87, "Leases" in 2022 and as a result had a change in accounting principle in the net lease receivables of $4,155 for the Downtown Development Authority component unit to retroactively report the change to the earliest period reported.

The Authority is reporting leases receivable of $11,202 at December 31, 2022. For 2022, the Authority reported lease revenue of $23,945 and interest revenue of $256 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Deferred Inflows related to lease receipts	Lease Revenue	Lease Interest Revenue
Temperance House Coffee	$ 14,950	$ 12,438	$ 9,950	$ 107
U.S. Postal Office	22,213	22,158	13,995	149
Total	$ 37,163	$ 34,596	$ 23,945	$ 256

On April 1, 2019, the Authority entered into a five year lease agreement with 69 Coffee, LLC, later name change to Temperance House Coffee, for the lease of buildings. Based on this agreement, the Authority is receiving monthly variable payments through March of 2023. There is a five year renewal option included with this lease agreement.

On January 5, 1994, the Authority entered into a thirty year lease agreement, including renewal options, with the United States Postal Service for the lease of buildings. Based on this agreement, the Authority is receiving monthly variable payments through July of 2024.

NOTE 9 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of December 31, 2022, is as follows:

	Due From		
Due To	General	Water, Sewer & Sanitation Fund	Total
General	$ -	$ 441,071	$ 441,071
Water, Sewer & Sanitation Fund	8,000	-	8,000
Total	$ 8,000	$ 441,071	$ 449,071

Interfund transfers as of the year ended December 31, 2022 are as follows:

	Transfers In		
Transfers Out	General Fund	Water, Sewer & Sanitation Fund	Total
SPLOST	$ 158,468	$ 130,512	$ 288,980
Water, Sewer & Sanitation Fund	888,289	-	888,289
Total	$ 1,046,757	$ 130,512	$ 1,177,269

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

NOTE 10 - 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, 2021 (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	8
Terminated plan participants entitled to but not yet receiving benefits	5
Active employees participating in the Plan	35
Total number of Plan participants	48
Covered compensation for active participants	$ 1,544,800
Contributions as a percentage of covered payroll	6.60%

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 2022, the actuarially determined contribution rate was 6.60% of covered payroll. City contributions to the Plan were $131,743 for the year ended December 31, 2022. Employees of the City do not contribute to the plan.

Net Pension Liability

The City's net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated March 31, 2022.

The total pension liability in the July 1, 2022 valuation was measured as of March 31, 2022 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, 2022 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%	6.55%
International equity	20	7.30%
Domestic Fixed income	20	0.40%
Real estate	10	3.65%
Global Fixed Income	5	0.50%
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, 2021	$ 2,252,842	$ 1,753,853	$ 498,989
Changes for the year:			
Service cost	58,097	-	58,097
Interest	167,768	-	167,768
Difference between expected and actual experience	(227,160)	-	(227,160)
Contribution-employer	-	101,971	(101,971)
Net investment income	-	106,939	(106,939)
Benefit payments	(72,250)	(72,250)	-
Administrative expense	-	(4,944)	4,944
Other charges	-	-	-
Net changes	(73,545)	131,716	(205,261)
Balances at December 31, 2022 *	$ 2,179,297	$ 1,885,569	$ 293,728

* Measurement date March 31, 2022

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	$ 600,037	$ 293,728	$ 40,048

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

For the year ended December 31, 2022, the City recognized pension expense of $93,009. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (101,140)
Changes of assumptions	4,194	-
Net difference between projected and actual earnings on pension plan investments	-	(168,741)
City contributions subsequent to the measurement date	98,807	-
TOTAL	$ 103,001	$ (269,881)

City contributions subsequent to the measurement date of $98,807 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, 2023.

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,	
2023	$ (40,630)
2024	(55,137)
2025	(95,978)
2026	(13,612)
2027	(27,879)
Thereafter	(32,451)
Total	$ (265,687)

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

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 13 - 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. 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.

The City received approximately $793,552 from the American Rescue Plan Act to aid municipalities with the economic recovery associated with the pandemic. During the current year, the City recognized $352,481 as revenue and $441,071 as unearned revenue.

NOTE 14 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

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

NOTE 15 - 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.

The amount reported as the estimated amounts for the allowance for doubtful accounts and are based on the receivable aging schedule that shows a percentage of doubtful accounts is based on prior historical trends.

NOTE 16 - 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, 2022. 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, 2022
"Unaudited"

For the Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016
Total pension liability	$ 2,179,298	$ 2,252,843	$ 2,082,363	$ 1,894,403	$ 1,740,823	$ 1,605,122	$ 1,539,219
Net fiduciary position	1,885,569	1,753,853	1,177,604	1,258,244	1,220,118	1,083,109	953,249
Net pension liability	$ 293,729	$ 498,990	$ 904,759	$ 636,159	$ 520,705	$ 522,013	$ 585,970
Covered-employee payroll	$ 1,544,800	$ 1,634,020	$ 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	19.01%	30.54%	57.17%	41.80%	37.97%	42.44%	56.92%
Plan fiduciary net position as a percentage of the total pension liability	86.52%	77.85%	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, 2022
"Unaudited"

For the Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 101,971	$ 121,323	$ 107,281	$ 89,076	$ 78,053	$ 69,541	$ 74,451
Contributions in relation to the contractually required contribution	101,971	121,323	110,791	89,076	78,053	69,541	74,451
Contribution deficiency (excess)	$ -	$ -	$ (3,510)	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,544,800	$ 1,634,020	$ 1,582,490	$ 1,521,755	$ 1,371,318	$ 1,029,526	$ 982,610
Contributions as a percentage of covered-employee payroll	6.60%	7.42%	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, 2022
"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, 2022. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended December 31, 2022 reported in that schedule:

Valuation Date	July 1, 2022
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 17 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, 2022
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 333,185	$ 333,185	$ 333,185	$ -
RESOURCES (INFLOWS)				
Taxes	529,050	597,980	597,980	-
Intergovernmental	128,000	566,579	566,579	-
Fines and forfeitures	220,000	102,380	102,380	-
Charges for services	145,000	128,930	128,930	-
Investment income	-	457	457	-
Miscellaneous	137,000	164,150	164,150	-
Proceeds from notes from direct borrowings	-	486,671	448,274	(38,397)
Transfers in	910,498	1,175,576	1,046,757	(128,819)
Total Resources (Inflows)	2,069,548	3,222,723	3,055,507	(167,216)
AMOUNTS AVAILABLE FOR APPROPRIATION	2,402,733	3,555,908	3,388,692	(167,216)
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
General services	403,125	426,423	426,423	-
Total General Government	403,125	426,423	426,423	-
Public Safety				
Police	679,051	1,411,861	1,373,464	38,397
Fire	535,039	715,436	715,436	-
Criminal Investigations	119,119	132,014	132,014	-
Total Public Safety	1,333,209	2,259,311	2,220,914	38,397
Public Works				
Public works	221,214	378,539	378,539	-
Total Public Works	221,214	378,539	378,539	-
Public Health and Welfare				
Public welfare	112,000	112,000	112,000	-
Total Public Health and Welfare	112,000	112,000	112,000	-
Housing and development				
Development Authority	-	46,450	46,450	-
Total Housing and Development	-	46,450	46,450	-
TOTAL CHARGES TO APPROPRIATIONS	2,069,548	3,222,723	3,184,326	38,397
CHANGE IN FUND BALANCE	-	-	(128,819)	(128,819)
FUND BALANCE, End of year	$ 333,185	$ 333,185	$ 204,366	$ (128,819)

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, 2022

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	$ 499,925 *	$ 130,513
Public Safety	140,000	140,000	140,000	-
Roads, Streets, & Bridges	285,000	285,000	174,822 *	-
Subtotal - SPLOST VI	1,256,853	1,256,853	814,747	130,513
Totals	$ 1,256,853	$ 1,256,853	$ 814,747	130,513
			Total of SPLOST VI above	**$ 130,513**
SPLOST VII - *Commenced April 1, 2021*				
Water & Sewer	$ 709,296	$ 709,296	$ - *	$ -
Public Safety	805,000	805,000	-	158,467
Roads, Streets, & Bridges	180,000	180,000	- *	-
Public Safety Facilities & Equipment	90,000	90,000	-	7,120
Subtotal - SPLOST VII	1,784,296	1,784,296	-	165,587
Totals	$ 1,784,296	$ 1,784,296	$ -	165,587
			Total of SPLOST VII above	**$ 165,587**
			Total of all SPLOSTS above	**$ 296,100**

* Prior years expenditures were incorrectly reported as SPLOST VII. Prior year expenditures have been proerly reported to SPLOST VI in 2022.

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

Expenditures	$ 7,120
Transfers out	288,980
Total	**$ 296,100**

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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*

August 31, 2023

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, and each major fund of City of Demorest, as of and for the year ended December 31, 2022, 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 August 31, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as 2022-001 through 2022-002, that we consider to be significant deficiencies.

INTERNAL CONTROL

2022-001 ***Statement of Condition:***
During fieldwork, we noted that the City did not record proceeds from the finance purchase agreement for a new E-One Pumper.

Criteria:
Internal controls should be in place to ensure all debt contracts are properly recorded.

Effect of Condition:
Capital assets and proceeds from debt issuance are misstated for the year.

Cause of Condition:
Internal controls were not in place to properly record debt agreements.

Recommendation:
We recommend the City implement control procedures to ensure all approved debt contracts are appropriately recorded upon initiation.

Response:
For 2023, we have implemented a plan to review capital purchases and large repairs on a monthly basis to make sure all fixed assets and debt proceeds are recorded.

2022-002 ***Statement of Condition:***
During fieldwork, we noted that accrued payables and receivables were not properly reflected at year end. Adjustments of $128,818 to the General Fund and $195,149 to the Downtown Development Authority were necessary to correctly record payable balances at year-end and adjustments of $100,000 to the Water Fund was necessary to correctly record receivable balances at year-end.

Effect of Condition:
The risk of materially misstating assets, liabilities, revenue, and expenditures.

Cause of Condition:
Procedures performed for year-end do not include adjustments to accrued accounts payable or accounts receivable.

Recommendation:
We recommend the City implement review processes to ensure that year-end adjustments are recorded in agreement with Generally Accepted Accounting Principles.

Response:
Going forward, we will more diligently and thoroughly review the invoice dates to ensure all material payables are properly recorded.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described above.

City of Demorest's Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on the City of Demorest's responses to the findings identified in our audit described previously. The City of Demorest's responses were not subjected to the other 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.

Bates, Carter & Co., LLP