CITY OF DEMOREST, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
December 31, 2023

CITY OF DEMOREST, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

June 26, 2024

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, 2023, 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, 2023, 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 Option 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 June 26, 2024, 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, 2023

	PRIMARY GOVERNMENT			
ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Cash	$ 761,897	$ 1,564,368	$ 2,326,265	$ 199,521
Investments	-	411,665	411,665	-
Lease receivable	-	-	-	11,202
Receivables (net of allowance for uncollectibles)	399,191	1,062,610	1,461,801	-
Internal balances	433,071	(433,071)	-	-
Prepaid items	9,370	25,076	34,446	-
Restricted assets:				
Cash	118,180	-	118,180	-
Investments	-	115,557	115,557	-
Non-current assets:				
Lease assets, net of amortization	-	-	-	1,109
Capital assets:				
Capital assets not being depreciated	15,548	738,360	753,908	151,760
Capital assets being depreciated	3,911,829	37,670,031	41,581,860	1,633,664
Less: accumulated depreciation	(1,457,041)	(15,173,568)	(16,630,609)	(289,297)
Capital assets, net of depreciation	2,470,336	23,234,823	25,705,159	1,496,127
TOTAL ASSETS	4,192,045	25,981,028	30,173,073	1,707,959
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	125,147	75,969	201,116	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	125,147	75,969	201,116	-
TOTAL ASSETS & DEFERRED OUTFLOWS	4,317,192	26,056,997	30,374,189	1,707,959
LIABILITIES				
Accounts payable	322,190	274,205	596,395	3,461
Accrued interest payable	-	31,222	31,222	-
Other accrued items	23,342	16,324	39,666	-
Unearned revenue	512,898	-	512,898	-
Customer Deposits	-	405,022	405,022	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences payable	35,444	27,983	63,427	-
Notes from direct borrowings	43,122	243,738	286,860	-
Financed purchases payable	86,985	-	86,985	-
Leases payable	-	-	-	1,782
Revenue bonds payable	-	271,938	271,938	36,434
Due in more than one year:				
Compensated absences payable	53,166	41,974	95,140	-
Notes from direct borrowings	89,161	2,300,403	2,389,564	-
Financed purchases payable	181,309	-	181,309	-
Revenue bonds payable	-	5,286,518	5,286,518	1,441,152
Net pension liability	370,154	276,214	646,368	-
TOTAL LIABILITIES	1,717,771	9,175,541	10,893,312	1,482,829
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to lease receipts	-	-	-	10,651
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	10,651
TOTAL LIABILITIES & DEFERRED INFLOWS	1,717,771	9,175,541	10,893,312	1,493,480
NET POSITION				
Net investment in capital assets	1,784,707	15,132,226	16,916,933	52,180
Restricted for:				
Capital outlay projects	442,530	-	442,530	-
Debt service	-	115,557	115,557	-
Cemetery	52,190	-	52,190	-
Unrestricted	319,994	1,633,673	1,953,667	162,299
TOTAL NET POSITION	$ 2,599,421	$ 16,881,456	$ 19,480,877	$ 214,479

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	.....PROGRAM REVENUES.....				....NET (EXPENSE) AND CHANGES IN NET POSITION....			
					.....PRIMARY GOVERNMENT.....			
FUNCTIONS/PROGRAMS	**EXPENSES**	**CHARGES FOR SERVICES**	**OPERATING GRANTS AND CONTRIBUTIONS**	**CAPITAL GRANTS AND CONTRIBUTIONS**	**GOVERNMENTAL ACTIVITIES**	**BUSINESS-TYPE ACTIVITIES**	**TOTAL**	**COMPONENT UNITS**
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General government	$ 380,735	$ 62,186	$ 9,370	$ -	$ (309,179)	$ -	$ (309,179)	$ -
Public safety	1,866,063	355,954	24,650	-	(1,485,459)	-	(1,485,459)	-
Public works	401,023	8,871	36,229	382,618	26,695	-	26,695	-
Public health and welfare	40,524	-	-	-	(40,524)	-	(40,524)	-
Housing and development	69,909	7,285	-	-	(62,624)	-	(62,624)	-
Interest	12,543	-	-	-	(12,543)	-	(12,543)	-
Total Governmental Activities	2,770,797	434,296	70,249	382,618	(1,883,634)	-	(1,883,634)	-
BUSINESS-TYPE ACTIVITIES								
Water, Sewer & Sanitation	5,446,538	6,596,122	-	-	-	1,149,584	1,149,584	-
Total Business-Type Activities	5,446,538	6,596,122	-	-	-	1,149,584	1,149,584	-
TOTAL PRIMARY GOVERNMENT	$ 8,217,335	$ 7,030,418	$ 70,249	$ 382,618	(1,883,634)	1,149,584	(734,050)	-
COMPONENT UNITS								
Government Finance Authority	$ 3,507	$ -	$ -	$ -	-	-	-	(3,507)
Downtown Development Authority	126,004	23,488	-	93,762	-	-	-	(8,754)
TOTAL COMPONENT UNIT	$ 129,511	$ 23,488	$ -	$ 93,762	-	-	-	$ (12,261)
GENERAL REVENUES								
Property taxes					379,440	-	379,440	-
Insurance premium taxes					179,178	-	179,178	-
Franchise taxes					102,469	-	102,469	-
Alcohol beverage taxes					17,694	-	17,694	-
Real estate recording taxes					3,917	-	3,917	-
Other taxes					18,467	-	18,467	-
Total taxes					701,165	-	701,165	-
Unrestricted investment earnings					1,650	37,205	38,855	-
Capital contributions					-	25,000	25,000	-
TRANSFERS					1,258,789	(1,258,789)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,961,604	(1,196,584)	765,020	-
CHANGES IN NET POSITION					77,970	(47,000)	30,970	(12,261)
NET POSITION, Beginning					2,521,451	16,928,456	19,449,907	226,740
NET POSITION, Ending					$ 2,599,421	$ 16,881,456	$ 19,480,877	$ 214,479

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 122,831	$ 639,066	$ 761,897
Receivables (net of allowance for uncollectibles)	333,233	65,958	399,191
Interfund receivables	441,071	-	441,071
Prepaid items	9,370	-	9,370
Restricted assets:			
Cash	118,180	-	118,180
TOTAL ASSETS	1,024,685	705,024	1,729,709
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	59,697	262,494	322,191
Other accrued items	23,342	-	23,342
Interfund payables	8,000	-	8,000
Unearned revenue	512,898	-	512,898
TOTAL LIABILITIES	603,937	262,494	866,431
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	93,963	-	93,963
TOTAL DEFERRED INFLOWS OF RESOURCES	93,963	-	93,963
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	697,900	262,494	960,394
FUND BALANCES			
Nonspendable:			
Prepaid expenditure	9,370	-	9,370
Restricted:			
Capital outlay projects	-	442,530	442,530
Cemetery	52,190	-	52,190
Unassigned	265,225	-	265,225
TOTAL FUND BALANCES	326,785	442,530	769,315
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,024,685	$ 705,024	$ 1,729,709

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, 2023

Total Fund Balances for Governmental Funds (page 3)		$ 769,315
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.		2,470,336
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	93,963	
		93,963
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	(88,610)	
Financed purchases	(268,294)	
Notes from direct borrowings	(132,283)	
Net pension liability	(370,154)	
Net deferred inflows(outflows) - pension expense	125,147	
		(734,194)
Rounding		1
Total net position of governmental activities (page 1)		$ 2,599,421

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, 2023

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 663,520	$ -	$ 663,520
Intergovernmental	70,248	364,932	435,180
Fines and forfeitures	115,290	-	115,290
Charges for services	216,386	-	216,386
Investment income	1,650	17,686	19,336
Miscellaneous	102,621	-	102,621
TOTAL REVENUES	1,169,715	382,618	1,552,333
EXPENDITURES			
Current Expenditures			
General government	365,313	-	365,313
Public safety	1,661,488	-	1,661,488
Public works	308,301	48,269	356,570
Public health and welfare	40,524	-	40,524
Housing and development	69,909	-	69,909
Capital outlay	278,379	90,000	368,379
Principal	42,173	84,627	126,800
Interest	3,925	8,618	12,543
TOTAL EXPENDITURES	2,770,012	231,514	3,001,526
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(1,600,297)	151,104	(1,449,193)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,722,716	-	1,722,716
Transfers out	-	(463,927)	(463,927)
TOTAL OTHER FINANCING SOURCES (USES)	1,722,716	(463,927)	1,258,789
NET CHANGE IN FUND BALANCES	122,419	(312,823)	(190,404)
FUND BALANCES, Beginning of year	204,366	755,353	959,719
FUND BALANCES, End of year	$ 326,785	$ 442,530	$ 769,315

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, 2023

Net change in fund balances (page 5)		$ (190,404)
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	368,379	
Depreciation expense	(158,475)	
		209,904
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	37,643	
		37,643
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Principal payments on long-term debt	126,800	
		126,800
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	(88,609)	
Compensated absences, prior year	88,746	
Net pension liability, current year	(370,154)	
Net pension liability, prior year	133,958	
Deferred inflows, prior year	61,847	
		(174,212)
Contributions to the defined benefit pension plan made after pension measurement date are reported in deferred outflows.		
Beginning of year	(56,909)	
End of year	125,147	
		68,238
Rounding		1
Changes in net position of governmental activities (page 2)		$ 77,970

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS WATER, SEWER & SANITATION FUND
ASSETS	
Current Assets	
Cash	$ 1,564,368
Investments	411,665
Receivables (net of allowance for uncollectibles)	1,062,610
Interfund receivables	8,000
Prepaid items	25,076
Restricted assets:	
Investments	115,557
TOTAL CURRENT ASSETS	3,187,276
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	738,360
Capital assets being depreciated	37,670,031
Less: accumulated depreciation	(15,173,568)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	23,234,823
TOTAL NONCURRENT ASSETS	23,234,823
TOTAL ASSETS	26,422,099
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	75,969
TOTAL DEFERRED OUTFLOWS OF RESOURCES	75,969
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	26,498,068
LIABILITIES	
Current Liabilities	
Accounts payable	274,207
Accrued interest	31,222
Other accrued items	16,324
Interfund payables	441,071
Compensated absences payable	27,983
Notes from direct borrowings	243,738
Revenue bonds payable	271,938
TOTAL CURRENT LIABILITIES	1,306,483
Noncurrent Liabilities	
Customer deposits	405,022
Compensated absences payable	41,974
Net pension liability	276,214
Notes from direct borrowings	2,300,403
Revenue bonds payable	5,286,518
TOTAL NONCURRENT LIABILITIES	8,310,131
TOTAL LIABILITIES	9,616,614
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	9,616,614
NET POSITION	
Net investment in capital assets	15,132,226
Restricted for debt service	115,557
Unrestricted	1,633,673
TOTAL NET POSITION	$ 16,881,456

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, 2023

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS
	WATER, SEWER & SANITATION FUND
OPERATING REVENUES	
Charges for sales and services:	
Charges for services	$ 4,943,088
Other operating revenue	
Sewer sales	556,740
Connection fees	414,692
Other	444,772
Sanitation fees	151,425
Miscellaneous Income	85,405
Total Operating Revenues	6,596,122
OPERATING EXPENSES	
Salaries and benefits	1,307,757
Other services and charges	537,514
Depreciation	979,735
Repairs and maintenance	552,001
Utilities	452,545
Water purchases	1,385,219
Total Operating Expenses	5,214,771
OPERATING INCOME	1,381,351
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	37,205
Interest expense	(231,767)
Total Nonoperating Revenues (Expenses)	(194,562)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,186,789
Capital contribution	25,000
Transfer in	463,927
Transfer out	(1,722,716)
CHANGE IN NET POSITION	(47,000)
TOTAL NET POSITION, Beginning of year	16,928,456
TOTAL NET POSITION, End of year	$ 16,881,456

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, 2023

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS
	WATER, SEWER & SANITATION FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customer	$ 6,420,847
Payments to suppliers	(2,831,569)
Payments to employees	(1,254,002)
Net cash provided by (used in) operating activities	2,335,276
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in (out)	(1,722,716)
Net Cash provided (used) by non-capital financing activities	(1,722,716)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(641,481)
Capital contributions	25,000
Transfers in	463,927
Principal payments on debt	(497,410)
Interest paid	(249,477)
Net cash provided by (used in) capital and related financing activities	(899,441)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	37,205
Purchase of investments	(11,177)
Net cash provided by (used in) investing activities	26,028
Net increase (decrease) in cash and cash equivalents	(260,853)
CASH, Beginning of year	1,825,221
CASH, End of year	$ 1,564,368
RECONCILIATION OF CASH	
Cash	$ 1,564,368
Total Cash	$ 1,564,368
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	$ 1,381,351
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	979,735
(Increase) decrease in:	
Accounts receivable	(145,947)
Deferred outflows for pension	(29,876)
Prepaid expenses	1,592
Increase (decrease) in:	
Accounts payable	94,118
Compensated absences	9,833
Customer deposits	(29,328)
Net pension liability	116,443
Other accrued items	(3,352)
Deferred inflows for pension	(39,293)
Net cash provided by (used in) operating activities	$ 2,335,276
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES	
Amortization of premiums on bonds	$ 16,938

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST
COMPONENT UNITS
COMBINING STATEMENT OF NET POSITION
December 31, 2023

	DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENTAL FINANCE CORPORATION	TOTAL COMPONENT UNITS
ASSETS			
Cash	$ 199,521	$ -	$ 199,521
Lease receivable	11,202	-	11,202
Non-current assets:			
Lease assets, net of amortization	1,109	-	1,109
Capital assets:			
Capital assets not being depreciated	141,760	10,000	151,760
Capital assets being depreciated	1,422,565	211,099	1,633,664
Less: accumulated depreciation	(113,265)	(176,032)	(289,297)
Capital assets, net of depreciation	1,451,060	45,067	1,496,127
TOTAL ASSETS	1,662,892	45,067	1,707,959
LIABILITIES			
Accounts payable	3,461	-	3,461
Noncurrent liabilities:			
Due within one year			
Leases payable	1,782	-	1,782
Revenue bonds payable	36,434	-	36,434
Due in more than one year			
Revenue bonds payable	1,441,152	-	1,441,152
TOTAL LIABILITIES	1,482,829	-	1,482,829
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to lease receipts	10,651	-	10,651
TOTAL DEFERRED INFLOWS OF RESOURCES	10,651	-	10,651
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,493,480	-	1,493,480
NET POSITION			
Net invested in capital assets	7,113	45,067	52,180
Unrestricted	162,299	-	162,299
TOTAL NET POSITION	$ 169,412	$ 45,067	$ 214,479

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, 2023

FUNCTIONS/PROGRAMS	EXPENSES	.....PROGRAM REVENUES..... CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	....NET (EXPENSE) AND CHANGES IN NET POSITION.... DOWNTOWN DEVELOPMENT AUTHORITY	GOVERNMENT FINANCE AUTHORITY	TOTAL COMPONENT UNITS
COMPONENT UNITS							
GOVERNMENTAL ACTIVITIES							
Downtown Development Authority	$ 126,004	$ 23,488	$ -	$ 93,762	$ 8,754	$ -	$ (8,754)
Governmental Finance Corporation	3,507	-	-	-	-	3,507	(3,507)
TOTAL COMPONENT UNITS	$ 129,511	$ 23,488	$ -	$ 93,762	8,754	3,507	(12,261)
CHANGES IN NET POSITION					(8,754)	(3,507)	(12,261)
NET POSITION, Beginning					178,166	48,574	226,740
NET POSITION, Ending					$ 169,412	$ 45,067	$ 214,479

The accompanying notes are an integral part of this statement.

CITY OF DEMOREST, GEORGIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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.

(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 2023.

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 City 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, 2023 are as follows:

	Governmental Activities	Business-Type Activities	Component Unit
Net investment in capital assets:			
Cost of capital assets	$ 3,927,377	$ 38,408,391	$ 1,785,424
Accumulated depreciation	(1,457,041)	(15,173,568)	(289,297)
Net book value	2,470,336	23,234,823	1,496,127
Lease assets, net of amortization	-	-	1,109
Leases payable	-	-	(1,782)
Financed purchased related debt	(268,294)	-	-
Accounts payable related to capital assets	(285,052)	-	-
Revenue bonds related to capital assets	-	(5,558,456)	(1,477,585)
Notes from direct borrowings related to capital assets	(132,283)	(2,544,141)	-
Unspent loan proceeds	-	-	34,311
Net investment in capital assets	$ 1,784,707	$ 15,132,226	$ 52,180

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 $494,720 of restricted net position, of which $442,530 is restricted by enabling legislation.

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

Restricted:	
General Fund	
Cemetery - For unspent funds for cemetery maintenance	$ 52,190
	52,190
SPLOST Fund	
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	442,530
Total Restricted Fund Balance	$ 494,720

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, 2023.

(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, 2023, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of December 31, 2023, 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	$ 411,665	$ 411,665	N/A
Municipal Competitive Trust	115,557	115,557	AAAm
Total	$ 527,222	$ 527,222	

Cash per Statement of Net Position (page 1)	
Cash	$ 2,326,265
Restricted cash	118,180
Total Cash and Restricted Cash	$ 2,444,445
Investments per Statement of Net Position (page 1)	
Investments	$ 411,665
Restricted Investments	115,557
Investments as listed above	$ 527,222

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, 2023, 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, 2023, 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, 2023, the City's bank balance of $2,052,798 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	$ 287,477	$ -	$ -
Accounts	52,767	-	2,729,984
Intergovernmental	-	65,958	-
Total Gross Receivables	340,244	65,958	2,729,984
Less: Allowance for Uncollectibles	(7,011)	-	(1,667,374)
Total Net Receivables	$ 333,233	$ 65,958	$ 1,062,610

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)	$ 93,963	$ -
Grant funds prior to meeting eligibility requirements (General Fund)	-	512,898
Total unavailable/ unearned revenue for governmental funds	$ 93,963	$ 512,898

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended December 31, 2023 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	132,250	351,728	-	(483,978)	-
Total non-depreciable capital assets	147,798	351,728	-	(483,978)	15,548
Depreciable Assets:					
Software/Intangibles	30,742	-	-	-	30,742
Buildings and improvements	513,672	-	-	483,978	997,650
Machinery and equipment	1,662,150	16,650	(159,660)	-	1,519,140
Infrastructure	1,364,297	-	-	-	1,364,297
Total depreciable capital assets	3,570,861	16,650	(159,660)	483,978	3,911,829
Less Accumulated Depreciation for:					
Software/Intangibles	(30,742)	-	-	-	(30,742)
Buildings and improvements	(189,350)	(13,936)	-	-	(203,286)
Machinery and equipment	(1,023,185)	(113,566)	159,660	-	(977,091)
Infrastructure	(214,949)	(30,973)	-	-	(245,922)
Total accumulated depreciation	(1,458,226)	(158,475)	159,660	-	(1,457,041)
Total depreciable capital assets, net	2,112,635	(141,825)	-	-	2,454,788
Governmental activities capital assets, net	$ 2,260,433	$ 209,903	$ -	$ -	$ 2,470,336

Additions to governmental activities capital assets for fiscal year ending December 31, 2023 consist of the following:

Capital Outlay	$	368,378
Total Additions	$	368,378

Non-depreciable capital assets additions	$	351,728
Depreciable capital assets additions		16,650
Total Additions	$	368,378

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

Governmental Activities:		
General Government	$	5,781
Public Safety		114,015
Public Works		38,679
Total depreciation expense: Governmental Activities	$	158,475

Capital asset activity for business-type funds for the year ended December 31, 2023 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	415,635	-	-	449,604
Total non-depreciable capital assets	322,725	415,635	-	-	738,360
Depreciable Assets:					
Software/Intangibles	36,449	-	-	-	36,449
Buildings and improvements	285,620	16,600	-	-	302,220
Infrastructure	35,878,339	54,103	-	-	35,932,442
Machinery and equipment	1,243,777	155,143	-	-	1,398,920
Total depreciable capital assets	37,444,185	225,846	-	-	37,670,031
Less Accumulated Depreciation for:					
Software/Intangibles	(36,449)	-	-	-	(36,449)
Buildings and improvements	(92,431)	(7,760)	-	-	(100,191)
Infrastructure	(13,317,610)	(810,341)	-	-	(14,127,951)
Machinery and equipment	(747,343)	(161,634)	-	-	(908,977)
Total accumulated depreciation	(14,193,833)	(979,735)	-	-	(15,173,568)
Total depreciable capital assets, net	23,250,352	(753,889)	-	-	22,496,463
Business-type activities capital assets, net	$ 23,573,077	$ (338,254)	$ -	$ -	$ 23,234,823

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

Business-type Activities:	
Water	$ 724,686
Sewer	255,049
Total depreciation expense: Business-type Activities	$ 979,735

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, 2023, and the remainder of the authorized project expenditures for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Business-type Activities					
SR365 Sewer Bore	$ 535,000	$ 56,541	$ -	$ 478,459	GEFA Construction Loan
Tugalo Panter	20,000	1,664	-	18,336	GEFA Construction Loan
County Line/Carter Road (Stormwater)	483,500	391,399	-	92,101	Stormwater/SPLOST
Total Business-type Activities	$ 1,018,500	$ 449,604	$ -	$ 570,560	

Capital asset activity for discretely presented component units for the year ended December 31, 2023 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	(101,702)	(3,507)	-	-	(105,209)
Machinery and equipment	(70,823)	-	-	-	(70,823)
Total accumulated depreciation	(172,525)	(3,507)	-	-	(176,032)
Total depreciable capital assets, net	38,574	(3,507)	-	-	35,067
Demorest Governmental Financial Corporation Capital assets, net	$ 48,574	$ (3,507)	$ -	$ -	$ 45,067

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Demorest Downtown Development Authority:					
Non-Depreciable Assets:					
Land	$ -	$ -	$ -	$ 141,760	$ 141,760
Construction in progress	1,224,233	208,804	-	(1,433,037)	-
Total non-depreciable capital assets	1,224,233	208,804	-	(1,291,277)	141,760
Depreciable Assets:					
Buildings and improvements	131,288	-	-	1,279,332	1,410,620
Machinery & Equipment	-	-	-	11,945	11,945
Total depreciable capital assets	131,288	-	-	1,291,277	1,422,565
Less Accumulated Depreciation for:					
Buildings and improvements	(90,188)	(22,481)	-	-	(112,669)
Machinery & Equipment	-	(596)	-	-	(596)
Total accumulated depreciation	(90,188)	(23,077)	-	-	(113,265)
Total depreciable capital assets, net	41,100	(23,077)	-	1,291,277	1,451,060
Demorest Downtown Development Authority Capital assets, net	$ 1,265,333	$ 185,727	$ -	$ -	$ 1,451,060

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Financed Purchases	$ 352,922	$ -	$ (84,628)	$ 268,294	$ 86,985	$ 181,309
Notes from direct borrowings	174,455	-	(42,173)	132,282	43,122	89,160
Compensated absences	88,746	76,489	(76,626)	88,609	35,444	53,165
Net pension liability	133,958	266,657	(30,461)	370,154	-	370,154
Governmental activities long-term liabilities	$ 750,081	$ 343,146	$ (233,888)	$ 859,339	$ 165,551	$ 693,788
Business-type Activities:						
Revenue bonds	$ 5,555,000	$ -	$ (250,000)	$ 5,305,000	$ 255,000	$ 5,050,000
Add: Original issue Premiums	270,394	-	(16,938)	253,456	16,938	236,518
Total Revenue Bonds	5,825,394	-	(266,938)	5,558,456	271,938	5,286,518
Notes from direct borrowings	2,791,551	-	(247,410)	2,544,141	243,738	2,300,403
Net pension liability	159,771	89,670	26,773	276,214	-	276,214
Compensated absences	60,124	60,124	(50,291)	69,957	27,983	41,974
Business-type activities long-term liabilities	$ 8,836,840	$ 149,794	$ (537,866)	$ 8,448,768	$ 543,659	$ 7,905,109
Component Unit:						
Downtown Development Authority						
Revenue bonds	$ 1,040,870	$ 459,130	$ (22,414)	$ 1,477,586	$ 36,434	$ 1,441,152
Component Unit long-term liabilities	$ 1,040,870	$ 459,130	$ (22,414)	$ 1,477,586	$ 36,434	$ 1,441,152

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, 2023, the outstanding balance was $132,282.

The annual debt service requirements to amortize this debt as of December 31, 2023, are as follows:

December 31,	Principal	Interest	Total
2024	$ 43,122	$ 2,976	$ 46,098
2025	44,092	2,006	46,098
2026	45,068	1,014	46,082
Total	$ 132,282	$ 5,996	$ 138,278

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, 2023 was $268,294. Minimum future obligations for the financed purchase, as of December 31, 2023, are as follows:

December 31,	Principal	Interest	Total
2024	$ 86,985	$ 7,475	$ 94,460
2025	89,409	5,052	94,461
2026	91,900	2,560	94,460
Total	$ 268,294	$ 15,087	$ 283,381

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, 2023 was $5,305,000.

Minimum future annual debt service requirements for the general obligation bonds, as of December 31, 2023, are as follows:

December 31,	Principal	Interest	Total
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	285,000	160,588	445,588
2029-2033	1,595,000	623,340	2,218,340
2034-2038	1,940,000	280,978	2,220,978
2039-2039	430,000	13,976	443,976
Total	$ 5,305,000	$ 1,797,564	$ 7,102,564

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, 2023 are as follows:

Loan	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
DW04008	3.00%	11/1/2029	$ 611,669	$ -	$ (80,764)	$ 530,905
2010E17WS	2.00%	5/1/2023	9,155	-	(9,155)	-
2009L23WS	3.81%	6/1/2033	263,338	-	(20,796)	242,542
DW11023	1.63%	8/1/2035	1,907,389	-	(136,693)	1,770,696
Total Notes from Direct Borrowings			$2,791,551	$ -	$ (247,408)	$2,544,143

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
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	528,413
2028	267,255	27,990	1,260,598
2029-2034	993,343	67,659	1,061,002
2035-2038	274,006	3,925	277,931
Total	$ 2,544,141	$ 271,020	$ 4,642,122

DISCRETELY PRESENTED COMPONENT UNIT

As of December 31, 2023, 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 was completed by July 1, 2023, only interest payments were required to be monthly at a rate of 4.037% per annum. After the completion date, the bonds were 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. The outstanding balance on this agreement at December 31, 2023 was $1,477,586.

Minimum future annual debt service requirements for the general obligation bonds, as of December 31, 2023, are as follows:

December 31,	Principal	Interest	Total
2024	$ 36,434	$ 58,981	$ 95,415
2025	37,932	57,483	95,415
2026	39,492	55,923	95,415
2027	41,116	54,299	95,415
2028	42,807	52,608	95,415
2029-2033	241,936	235,139	477,075
2034-2038	295,678	181,397	477,075
2039-2043	362,018	115,057	477,075
2044-2048	380,173	34,677	414,850
Total	$ 1,477,586	$ 845,564	$ 2,323,150

NOTE 8 - LEASES

LEASE ASSETS

Lease asset activity for the Downtown Development Authority for the period ended December 31, 2023, was as follows:

	Balance December 31, 2022	Increase	Remeasurement	Decrease	Balance December 31, 2023
Lease assets:					
Buildings	$ 22,179	$ -	$ -	$ -	$ 22,179
Total lease assets	22,179	-	-	-	22,179
Less accumulated amortization for:					
Buildings	(16,634)	(4,436)	-	-	(21,070)
Total accumulated amortization	(16,634)	(4,436)	-	-	(21,070)
Total lease assets, net	$ 5,545	$ (4,436)	$ -	$ -	$ 1,109

LEASE LIABILITIES

Long-term lease liability activity for the Downtown Development Authority for the period ended December 31, 2023, was as follows:

	Balance December 31, 2022	Increase	Decrease	Balance December 31, 2023	Due within one year	Due in more than one year
Lease liabilities:						
Buildings	$ 8,650	$ -	$ (6,868)	$ 1,782	$ 1,782	$ -
Total lease liabilities	$ 8,650	$ -	$ (6,868)	$ 1,782	$ 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, 2023, the value of the lease liability was $1,782. 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, 2023 of $1,109 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, 2023 are as follows:

December 31,	Principal	Interest	Total
2024	$ 1,782	$ 18	$ 1,800
Total	$ 1,782	$ 18	$ 1,800

LEASE RECEIVABLES

The Downtown Development Authority is reporting leases receivable of $11,202 at December 31, 2023. For 2023, the Authority reported lease revenue of $26,088 and interest revenue of $126 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	$ 2,998	$ 9,950	$ 12,000	$ 47
U.S. Postal Office	8,204	13,995	14,088	79
Total	$ 11,202	$ 23,945	$ 26,088	$ 126

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, 2023, is as follows:

	Due From		
	General	Water, Sewer & Sanitation Fund	Total
Due To			
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, 2023 are as follows:

	Transfers In		
	General Fund	Water, Sewer & Sanitation Fund	Total
Transfers Out			
SPLOST	$ -	$ 463,927	$ 463,927
Water, Sewer & Sanitation Fund	1,722,716	-	1,722,716
Total	$ 1,722,716	$ 463,927	$ 2,186,643

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, 2022 (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	6
Terminated plan participants entitled to but not yet receiving benefits	6
Active employees participating in the Plan	35
Total number of Plan participants	47
Covered compensation for active participants	$ 1,830,700
Contributions as a percentage of covered payroll	8.09%

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 2023, the actuarially determined contribution rate was 8.09% of covered payroll. City contributions to the Plan were $106,399 for the year ended December 31, 2023. 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated March 31, 2023.

The total pension liability in the July 1, 2023 valuation was measured as of March 31, 2023 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, 2023 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%	6.40%
International equity	20	6.80%
Domestic Fixed income	20	0.40%
Real estate	10	3.90%
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, 2022	$ 2,179,297	$ 1,885,569	$ 293,728
Changes for the year:			
Service cost	52,710	-	52,710
Interest	161,946	-	161,946
Difference between expected and actual experience	156,343	-	156,343
Contribution-employer	-	148,127	(148,127)
Net investment income	-	(123,816)	123,816
Benefit payments	(72,250)	(72,250)	-
Administrative expense	-	(5,952)	5,952
Other charges	-	-	-
Net changes	298,749	(53,891)	352,640
Balances at December 31, 2023 *	$ 2,478,046	$ 1,831,678	$ 646,368

* Measurement date March 31, 2023

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	$ 991,048	$ 646,368	$ 360,721

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

For the year ended December 31, 2023, the City recognized pension expense of $261,234. At December 31, 2023, 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	$ 36,896	$ -
Changes of assumptions	1,620	-
Net difference between projected and actual earnings on pension plan investments	82,801	-
City contributions subsequent to the measurement date	79,799	-
TOTAL	$ 201,116	$ -

City contributions subsequent to the measurement date of $79,799 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, 2024.

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,	
2024	$ 20,289
2025	(20,552)
2026	61,814
2027	47,547
2028	(10,116)
Thereafter	22,335
Total	$ 121,317

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 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

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

NOTE 14 - CERTAIN SIGNIFICANT ESTIMATES

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

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

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

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 15 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with other cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Commission (GMRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City paid all required annual dues to the GMRC for the year ended December 31, 2023. 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, 2023
"Unaudited"

For the Year Ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability	$ 2,478,046	$ 2,179,298	$ 2,252,843	$ 2,082,363	$ 1,894,403	$ 1,740,823	$ 1,605,122	$ 1,539,219
Net fiduciary position	1,831,678	1,885,569	1,753,853	1,177,604	1,258,244	1,220,118	1,083,109	953,249
Net pension liability	$ 646,368	$ 293,729	$ 498,990	$ 904,759	$ 636,159	$ 520,705	$ 522,013	$ 585,970
Covered-employee payroll	$ 1,830,700	$ 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	35.31%	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	73.92%	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, 2023
"Unaudited"

For the Year Ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 148,127	$ 101,971	$ 121,323	$ 107,281	$ 89,076	$ 78,053	$ 69,541	$ 74,451
Contributions in relation to the contractually required contribution	148,127	101,971	121,323	110,791	89,076	78,053	69,541	74,451
Contribution deficiency (excess)	$ -	$ -	$ -	$ (3,510)	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,830,700	$ 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	8.09%	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, 2023
"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, 2023. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended December 31, 2023 reported in that schedule:

Valuation Date	July 1, 2023
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, 2023
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 204,366	$ 204,366	$ 204,366	$ -
RESOURCES (INFLOWS)				
Taxes	626,517	663,520	663,520	-
Intergovernmental	127,010	70,248	70,248	-
Fines and forfeitures	112,000	115,290	115,290	-
Charges for services	118,900	216,386	216,386	-
Investment income	-	1,650	1,650	-
Miscellaneous	152,000	102,621	102,621	-
Transfers in	1,322,080	1,722,716	1,722,716	-
Total Resources (Inflows)	2,458,507	2,892,431	2,892,431	-
AMOUNTS AVAILABLE FOR APPROPRIATION	2,662,873	3,096,797	3,096,797	-
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
General services	614,602	637,707	637,707	-
Total General Government	614,602	637,707	637,707	-
Public Safety				
Police	787,780	904,240	904,240	-
Fire	556,589	663,043	663,043	-
Criminal Investigations	122,234	146,287	146,287	-
Total Public Safety	1,466,603	1,713,570	1,713,570	-
Public Works				
Public works	265,302	308,302	308,302	-
Total Public Works	265,302	308,302	308,302	-
Public Health and Welfare				
Public welfare	112,000	40,524	40,524	-
Total Public Health and Welfare	112,000	40,524	40,524	-
Housing and development				
Development Authority	-	69,909	69,909	-
Total Housing and Development	-	69,909	69,909	-
TOTAL CHARGES TO APPROPRIATIONS	2,458,507	2,770,012	2,770,012	-
CHANGE IN FUND BALANCE	-	122,419	122,419	-
FUND BALANCE, End of year	$ 204,366	$ 326,785	$ 326,785	$ -

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, 2023

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
SPLOST VI - *Commenced April 1, 2015* **(1)**				
Water & Sewer	$ 831,853	$ 833,681	$ 630,438	$ 265,152
Public Safety	140,000	140,000	140,000	-
Roads, Streets, & Bridges	285,000	285,000	174,822	48,269
Subtotal - SPLOST VI	1,256,853	1,258,681	945,260	313,421
SPLOST VII - *Commenced April 1, 2021*				
Water & Sewer	$ 709,296	$ 709,296	$ -	$ 198,775
Public Safety Vehicles	805,000	805,000	158,467	93,245
Roads, Sidewalks, & Bridges	180,000	180,000	-	-
Public Facilities	90,000	90,000	7,120	90,000
Subtotal - SPLOST VII	1,784,296	1,784,296	165,587	382,020

(1) The City closed SPLOST VI in 2023

Total of all SPLOSTS above	**$ 695,441**

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

Expenditures	$ 231,514
Transfers out	463,927
Total	**$ 695,441**

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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*

June 26, 2024

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, 2023, 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 June 26, 2024.

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 2023-001, that we consider to be significant deficiencies.

2023-001 ***Statement of Condition:***
During testing of 25 tested payroll checks, we noted one (1) paycheck for the fire department did not have an approved timesheet.

Effect of Condition:
The risk of personnel costs exceeding the City's approved amounts.

Cause of Condition:
The City did not maintain controls over payroll payrates and timesheet approvals.

Recommendation:
We recommend the City retain all employee timesheets, approved payrates, and other payroll information in an employee permanent file and review supporting documentation for accuracy and approval before processing payments.

Response:
As of July 2023, all department heads are required to start signing and or initialing their department timecards before submitting them to the City Clerk.

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