CITY OF FRANKLIN SPRINGS, GEORGIA

Annual Financial Report

For the year ended December 31, 2020

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CITY OF FRANKLIN SPRINGS, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2020

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Franklin Springs, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The City of Franklin Springs, Georgia has not presented 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 basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin Springs, Georgia's basic financial statements as a whole. The individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 individual fund financial statements and schedules and the special purpose local option sales tax report are fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Franklin Springs, Georgia's basic financial statements for the year ended December 31, 2019. In our report dated May 14, 2020, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin Springs, Georgia's basic financial statements as a whole. The individual fund financial statements and schedules related to the 2019 financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements.

The individual fund financial statements and schedules related to the 2019 financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2019 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021, on our consideration of the City of Franklin Springs, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin Springs, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
June 11, 2021

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BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 899,990	$ 159,596	$ 1,059,586
Certificates of deposit	0	14,924	14,924
Receivables (net)			
Accounts	5,906	22,036	27,942
Taxes	82,914	0	82,914
Intergovernmental	30,320	0	30,320
Prepaid items	9,066	3,022	12,088
Property held for resale	553,040	0	553,040
Total current assets	1,581,236	199,578	1,780,814
Noncurrent assets			
Capital assets			
Non-depreciable	17,500	33,153	50,653
Depreciable (net)	1,385,275	669,227	2,054,502
Total noncurrent assets	1,402,775	702,380	2,105,155
Total assets	2,984,011	901,958	3,885,969
LIABILITIES			
Current liabilities			
Accounts payable	12,998	8,497	21,495
Accrued salaries	1,943	574	2,517
Compensated absences	7,226	2,877	10,103
Unearned revenue	1,848	251	2,099
Customer deposits payable	0	19,413	19,413
Total liabilities	24,015	31,612	55,627
NET POSITION			
Investment in capital assets	1,402,775	702,380	2,105,155
Restricted for:			
Public Safety	13,053	0	13,053
Public Works	33,357	0	33,357
Capital outlay	506,000	0	506,000
Unrestricted	1,004,811	167,966	1,172,777
Total net position	$ 2,959,996	$ 870,346	$ 3,830,342

See accompanying notes to the financial statements.

Exhibit A-1

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 374,294	$ 4,904	$ 0	$ 59,419	$ (309,971)
Public Safety	326,311	27,781	75,382	0	(223,148)
Public Works	139,909	46,967	0	177,728	84,786
Housing and Development	8,285	0	0	0	(8,285)
Total governmental activities	848,799	79,652	75,382	237,147	(456,618)
Business-type activities					
Water and Sewer	305,240	269,863	0	0	(35,377)
Total primary government	1,154,039	349,515	75,382	237,147	(491,995)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Change in net position			
Net (expense) revenue	$ (456,618)	$ (35,377)	$ (491,995)
General revenues			
Taxes			
Property	133,443	0	133,443
Sales	223,325	0	223,325
Franchise	89,430	0	89,430
Insurance premium	75,493	0	75,493
Intangibles	1,177	0	1,177
Alcoholic beverage	12,465	0	12,465
Hotel/Motel	6,430	0	6,430
Occupational	10,150	0	10,150
Interest and investment earnings	80	0	80
Other	470	7,296	7,766
Transfers	(450)	450	0
Total general revenues and transfers	552,013	7,746	559,759
Change in net position	95,395	(27,631)	67,764
Net position - beginning	2,864,601	897,977	3,762,578
Net position - ending	$ 2,959,996	$ 870,346	$ 3,830,342

See accompanying notes to the financial statements.

Exhibit A-2

CITY OF FRANKLIN SPRINGS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	SPLOST	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 390,424	$ 492,619	$ 16,947	$ 899,990
Receivables (net)				
Accounts	5,906	0	0	5,906
Taxes	82,405	0	509	82,914
Intergovernmental	16,939	13,381	0	30,320
Prepaid items	9,066	0	0	9,066
Property held for resale	553,040	0	0	553,040
Due from other funds	203	0	0	203
Total assets	$ 1,057,983	$ 506,000	$ 17,456	$ 1,581,439
Liabilities				
Accounts payable	$ 12,998	$ 0	$ 0	$ 12,998
Payroll liabilities	1,943	0	0	1,943
Unearned revenue	1,848	0	0	1,848
Due to other funds	0	0	203	203
Total liabilities	16,789	0	203	16,992
Deferred inflows of resources				
Unavailable revenue-property taxes	1,353	0	0	1,353
Fund balances				
Nonspendable:				
Prepaid items	9,066	0	0	9,066
Property held for resale	553,040	0	0	553,040
Restricted for:				
Public Safety	0	0	13,053	13,053
Public Works	33,357	0	0	33,357
Capital outlay	0	506,000	0	506,000
Assigned for:				
Public Works	1,250	0	0	1,250
Housing and Development	0	0	4,200	4,200
Unassigned	443,128	0	0	443,128
Total fund balances	1,039,841	506,000	17,253	1,563,094
Total liabilities, deferred inflows of resources, and fund balances	$ 1,057,983	$ 506,000	$ 17,456	$ 1,581,439

See accompanying notes to the financial statements.

Exhibit A-3

CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2020

Total fund balance - total governmental funds	$	1,563,094
Amounts reported for governmental activities in the statement of net position are different because:		
Some assets are not financial resources and, therefore, are not reported in the funds. These are:		
Capital assets, net of accumulated depreciation		1,402,775
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are unavailable in the funds. These are:		
Property taxes		1,353
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are:		
Compensated absences		(7,226)
Net position of governmental activities	$	2,959,996

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2020

	General	SPLOST	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	$ 545,461	$ 0	$ 6,430	$ 551,891
Licenses and permits	4,893	0	0	4,893
Fines, fees and forfeitures	26,193	0	1,543	27,736
Charges for services	47,023	0	0	47,023
Intergovernmental	134,801	176,989	0	311,790
Interest	80	740	0	820
Other	470	0	0	470
Total revenues	758,921	177,729	7,973	944,623
EXPENDITURES				
Current				
General Government	350,886	0	0	350,886
Public Safety	198,518	0	0	198,518
Public Works	110,371	0	0	110,371
Housing and Development	0	0	8,285	8,285
Capital outlay	0	19,386	0	19,386
Total expenditures	659,775	19,386	8,285	687,446
Excess (deficiency) of revenues over (under) expenditures	99,146	158,343	(312)	257,177
Other financing sources (uses)				
Transfers out	0	(450)	0	(450)
Excess (deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	99,146	157,893	(312)	256,727
Fund balances, January 1	940,695	348,107	17,565	1,306,367
Fund balances, December 31	$ 1,039,841	$ 506,000	$ 17,253	$ 1,563,094

See accompanying notes to the financial statements.

Exhibit A-5

CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

Net change in fund balances - total governmental funds		$ 256,727
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.		
Capital outlay	$ 39,387	
Depreciation	(199,798)	(160,411)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue.		22
Expenses reported in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
Compensated absences		(943)
Change in net position of governmental activities		$ 95,395

See accompanying notes to the financial statements.

Exhibit A-6

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2020

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 522,797	$ 543,524	$ 545,461	$ 1,937
Licenses and permits	3,400	3,400	4,893	1,493
Fines, fees and forfeitures	47,000	47,000	26,193	(20,807)
Charges for services	43,235	43,235	47,023	3,788
Intergovernmental	30,578	30,578	134,801	104,223
Interest	0	0	80	80
Contributions	50	50	0	(50)
Other	200	200	470	270
Total revenues	647,260	667,987	758,921	90,934
EXPENDITURES				
Current				
General Government				
Governing Body	30,840	35,340	35,716	(376)
Administration	235,469	312,469	315,170	(2,701)
Public Safety				
Police Department	204,820	140,307	132,778	7,529
Fire Department	47,000	65,740	65,740	0
Public Works				
Highways and Streets	93,131	78,131	75,256	2,875
Sanitation	36,000	36,000	35,115	885
Total expenditures	647,260	667,987	659,775	8,212
Excess (deficiency) of revenues over (under) expenditures	0	0	99,146	99,146
Fund balances, January	0	0	940,695	940,695
Fund balances, December 31	$ 0	$ 0	$ 1,039,841	$ 1,039,841

See accompanying notes to the financial statements.

Exhibit A-7

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

	Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents	$ 159,596
Certificates of deposit	14,924
Accounts receivable (net)	22,036
Prepaid items	3,022
Total current assets	199,578
Noncurrent assets	
Capital assets	
Non-depreciable	33,153
Depreciable (net)	669,227
Total noncurrent assets	702,380
Total assets	901,958
LIABILITIES	
Current liabilities	
Accounts payable	8,497
Accrued salaries	574
Compensated absences	2,877
Unearned revenue	251
Customer deposits payable	19,413
Total liabilities	31,612
NET POSITION	
Investment in capital assets	702,380
Unrestricted	167,966
Total net position	$ 870,346

See accompanying notes to the financial statements.

Exhibit A-8

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Water and Sewer
OPERATING REVENUES	
Charges for sales and services	$ 269,863
Other	7,296
Total operating revenues	277,159
OPERATING EXPENSES	
Costs of sales and services	160,621
Personal services	88,503
Depreciation	55,952
Total operating expenses	305,076
Operating income (loss)	(27,917)
Non-operating revenues (expenses)	
Interest expense	(164)
Income (loss before transfers	(28,081)
Transfers in (out)	
Transfers in	450
Change in net position	(27,631)
Net position, January 1	897,977
Net position, December 31	$ 870,346

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2020

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	$ 270,805
Payments to suppliers	(162,117)
Payments to employees	(86,900)
Other receipts	7,296
Net cash provided (used) by operating activities	29,084
Cash flows from capital and related financing activities:	
Receipts from other funds	450
Principal payments - promissory notes	(7,904)
Interest paid	(164)
Net cash provided (used) by capital and related financing activities	(7,618)
Net increase (decrease) in cash and cash equivalents	21,466
Cash and cash equivalents, January 1	138,130
Cash and cash equivalents, December 31	$ 159,596
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:	
Operating income (loss)	$ (27,917)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	55,952
(Increase) decrease in accounts receivable	(258)
(Increase) decrease in prepaid items	(55)
Increase (decrease) in accounts payable	(1,441)
Increase (decrease) in deposits payable	1,200
Increase (decrease) in payroll liabilities	1,603
Total adjustments	57,001
Net cash provided (used) by operating activities	$ 29,084

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

	Municipal Court Custodial Fund
ASSETS	
Cash and cash equivalents	$ 642
LIABILITIES	
Due to other agencies	642
NET POSITION	
Unrestricted	$ 0

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
December 31, 2020

	Municipal Court Custodial Fund
ADDITIONS	
Fines and forfeitures collected for other governments	$ 10,231
DEDUCTIONS	
Distributions of fines and forfeitures to other governments	10,231
Change in net position	0
Net position, January 1	0
Net position, December 31	$ 0

See accompanying notes to the financial statements.

1. Description of Government Unit

The City of Franklin Springs incorporated under the laws of the State of Georgia in 1924. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member council.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but 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 or incomplete.

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Franklin Springs Downtown Development Authority

The City of Franklin Springs Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The City Council appoints the members of the Authority's Board of Directors. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Franklin Springs. The Downtown Development Authority has a December 31 year-end. For the current year, the City of Franklin Springs Downtown Development Authority had no activity to report in the financial statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it would be reported in a separate column in the government-wide financial statements. For the current year, the City of Franklin Springs Downtown Development Authority had no activity to report in the financial statements.

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

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

SPLOST Capital Projects Fund – This fund is used to account for long-term capital projects financed by the passage of the special purpose local option sale tax.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements, continued

Fiduciary Fund Types

Custodial Funds – Custodial Funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial Funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held for others. The City has a custodial fund to account for the activity of the Municipal Court.

Component Unit

The City of Franklin Springs Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days subsequent to year-end.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal services 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 non-operating revenues and expenses.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. Capital Projects Funds are budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of November, the City Clerk submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31.

The City does not use the encumbrance system of accounting.

2. Summary of Significant Accounting Policies (continued)

H. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

I. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Franklin Springs, retroactive reporting of infrastructure assets was not required.

2. Summary of Significant Accounting Policies (continued)

K. Capital Assets, continued

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Buildings	40	$ 1,000
Distribution systems	40	$ 10,000
Roads – per lane mile	40	$ 50,000
Bridges and culverts	40	$ 20,000
Machinery and equipment	10	$ 1,000
Vehicles	5	$ 1,000
Furniture and fixtures	5	$ 1,000
Land improvements	15	$ 1,000
Intangibles	5	$ 1,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

L. 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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

2. Summary of Significant Accounting Policies (continued)

L. Deferred Outflows/Inflows of Resources, continued

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. Summary of Significant Accounting Policies (continued)

O. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

P. Fund Balances – Governmental Funds

The City of Franklin Springs implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at year end by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

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

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Franklin Springs's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 60 days of fiscal year-end.

2. Summary of Significant Accounting Policies (continued)

P. Fund Balances – Governmental Funds, continued

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the Mayor, 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, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

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

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

Q. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

2. Summary of Significant Accounting Policies (continued)

R. 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, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

S. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

T. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2020, the City had no uninsured, uncollateralized deposits.

Interest Rate Risk

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

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

Net accounts receivable at December 31, 2020 consist of the following:

Major Funds	
General Fund	$ 5,906
Water and Sewer Enterprise Fund	22,036
Total Primary Government	$ 27,942

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2020 consist of the following:

Major Funds	
General Fund	$ 16,939
SPLOST Fund	13,381
Total Primary Government	$ 30,320

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2020 consist of property taxes for seven years as follows:

Year of Levy	Amount
2020	$ 1,820
2019	243
2018	195
2017	0
2016	0
2015	0
2014	0
	2,258
Less allowance for uncollectible	(259)
Total	$ 1,999

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2020, based upon the assessments of January 1, 2020, were billed on August 17, 2020, and due on November 15, 2020. Tax liens are issued 90 days after the due date. The tax rate of 7.0 mils for 2020 was levied on July 16, 2020.

Other Taxes

$58,762 of franchise taxes, $509 of hotel/motel taxes, $20,298 of sales taxes, and $1,346 of alcohol excise tax are also included in taxes receivable.

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2020 is as follows:

	Due from: Nonmajor Funds Hotel/Motel
Due to:	
Major Funds	
General	$ 203

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

A summary of interfund transfers is as follows:

	Transfers out: Major Funds SPLOST
Transfers in:	
Major Funds	
Water and Sewer	$ 450

Interfund transfers were used to transfer restricted revenues from SPLOST Capital Projects Fund to the Water and Sewer Enterprise Fund as required by state law. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

8. Capital Assets

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

	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020
Governmental activities				
Non-depreciable assets				
Land	$ 17,500	$ 0	$ 0	$ 17,500
Depreciable assets				
Buildings	1,633,531	0	0	1,633,531
Land improvements	95,807	0	0	95,807
Vehicles	1,096,645	11,000	0	1,107,645
Machinery and equipment	703,353	28,387	0	731,740
Furniture and fixtures	40,942	0	0	40,942
Total depreciable assets	3,570,278	39,387	0	3,609,665
Accumulated depreciation				
Buildings	(529,692)	(41,364)	0	(571,056)
Land improvements	(82,851)	(4,801)	0	(87,652)
Vehicles	(850,428)	(77,403)	0	(927,831)
Machinery and equipment	(520,679)	(76,230)	0	(596,909)
Furniture and fixtures	(40,942)	0	0	(40,942)
Total accumulated depreciation	(2,024,592)	(199,798)	0	(2,224,390)
Total depreciable assets, net	1,545,686	(160,411)	0	1,385,275
Governmental activities capital assets, net	$ 1,563,186	$ (160,411)	$ 0	$ 1,402,775
Business-type activities				
Non-depreciable assets				
Land	$ 33,153	$ 0	$ 0	$ 33,153
Depreciable assets				
Distribution system	1,920,459		0	1,920,459
Intangibles	5,727	0	0	5,727
Vehicles	44,800	0	0	44,800
Machinery and equipment	118,796	0	0	118,796
Total depreciable assets	2,089,782	0	0	2,089,782
Accumulated depreciation				
Distribution system	(1,212,833)	(44,889)	0	(1,257,722)
Intangibles	(5,726)	0	0	(5,726)
Vehicles	(36,800)	(6,000)	0	(42,800)
Machinery and equipment	(109,244)	(5,063)	0	(114,307)
Total accumulated depreciation	(1,364,603)	(55,952)	0	(1,420,555)
Total depreciable assets, net	725,179	(55,952)	0	669,227
Business-type activities capital assets, net	$ 758,332	$ (55,952)	$ 0	$ 702,380

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 23,122
Public Safety	155,528
Public Works	21,148
Total depreciation expense for governmental activities	$ 199,798
Business-type activities	
Water and Sewer	$ 55,952

9. Long-Term Debt

Business-type Activities

Notes from Direct Borrowings

The City has entered into a lending agreement with the Georgia Environmental Finance Authority for improvements to the City's water and sewer system, in the original amount of $67,004. At December 31, 2020, the balance of this note is $0. Principal and interest were due in monthly installments of $672 through December 1, 2020, with interest rate of 3.81%. As security for the payments, the City pledged its full faith and credit and revenue-raising power (including its taxing power) for such payment and performance. Upon an event of default, all outstanding principal and accrued interest may be declared immediately due and payable.

10. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the year ended December 31, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	$ 6,283	$ 7,226	$ (6,283)	$ 7,226	$ 7,226
Business-type activities					
Compensated absences	$ 1,848	$ 2,877	$ (1,848)	2,877	$ 2,877
Notes from direct borrowings	7,904	0	(7,904)	0	0
Total business-type activities	$ 9,752	$ 2,877	$ (9,752)	$ 2,877	$ 2,877

Compensated absences are liquidated by those funds that have salary and wage expenditures. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund.

Interest incurred and charged to expense totaled $0 and $164 for the governmental activities and business-type activities, respectively.

11. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2020:

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Public Safety				
Police Department	$ 0	$ 0	$ 13,053	$ 13,053
Public Works				
Street Department	33,357	0	0	33,357
Capital projects	0	506,000	0	506,000
	$ 33,357	$ 506,000	$ 13,053	$ 552,410
Assigned to:				
Housing and Development				
Trade and tourism	$ 0	$ 0	$ 4,200	$ 4,200
Public Works				
Capital projects	1,250	0	0	1,250
	$ 1,250	$ 0	$ 4,200	$ 5,450

12. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51. A summary of the transactions for the year ending December 31, 2020 follows:

Lodging tax receipts	$ 6,430	
Disbursements to promote tourism, conventions, and trade shows	$ 8,285	129% of tax receipts

13. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

14. Risk Management

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

14. Risk Management (continued)

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

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2020, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the City, its performance, and its financial results.

15. Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
ASSETS			
Cash and cash equivalents	$ 3,894	$ 13,053	$ 16,947
Taxes receivable	509	0	509
Total assets	$ 4,403	$ 13,053	$ 17,456
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	$ 203	$ 0	$ 203
Fund balances			
Restricted for Public Safety	0	13,053	13,053
Assigned for Housing and Development	4,200	0	4,200
Total fund balances	4,200	13,053	17,253
Total liabilities and fund balances	$ 4,403	$ 13,053	$ 17,456

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2020

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
REVENUES			
Taxes	$ 6,430	$ 0	$ 6,430
Fees, fines, and forfeitures	0	1,543	1,543
Total revenues	6,430	1,543	7,973
EXPENDITURES			
Current			
Housing and Development	8,285	0	8,285
Total expenditures	8,285	0	8,285
Excess (deficiency) of revenues over (under) expenditures	(1,855)	1,543	(312)
Fund balances, January 1	6,055	11,510	17,565
Fund balances, December 31	$ 4,200	$ 13,053	$ 17,253

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GENERAL FUND

The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2020 and 2019

ASSETS	**2020**	**2019**
Cash and cash equivalents	$ 390,424	$ 292,265
Receivables (net)		
Accounts	5,906	5,773
Taxes	82,405	87,853
Intergovernmental	16,939	10,221
Prepaid items	9,066	8,900
Property held for resale	553,040	553,040
Due from other funds	203	203
Total assets	$ 1,057,983	$ 958,255
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	$ 12,998	$ 14,097
Accrued salaries	1,943	0
Unearned revenue	1,848	2,132
Total liabilities	16,789	16,229
Deferred inflows of resources		
Unavailable revenue-property taxes	1,353	1,331
Fund balances		
Nonspendable:		
Prepaid items	9,066	8,900
Property held for resale	553,040	553,040
Restricted for Public Works	33,357	15,763
Assigned for Public Works	1,250	1,250
Unassigned	443,128	361,742
Total fund balances	1,039,841	940,695
Total liabilities, deferred inflows of resources, and fund balances	$ 1,057,983	$ 958,255

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2020 and 2019

	2020	2019
REVENUES		
Taxes	$ 545,461	$ 558,661
Licenses and permits	4,893	3,148
Fines, fees and forfeitures	26,193	49,740
Charges for services	47,023	47,689
Intergovernmental	134,801	28,747
Interest	80	124
Contributions	0	73
Other	470	1,797
Total revenues	758,921	689,979
EXPENDITURES		
Current		
General Government	350,886	263,517
Public Safety	198,518	223,349
Public Works	110,371	104,681
Total expenditures	659,775	591,547
Excess (deficiency) of revenues over (under) expenditures	99,146	98,432
Fund balances, January 1	940,695	842,263
Fund balances, December 31	$ 1,039,841	$ 940,695

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020
(With comparative actual amounts for the year ended December 31, 2019)

	2020			2019
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 151,612	$ 123,637	$ (27,975)	$ 126,785
Motor vehicle tax	27,725	9,784	(17,941)	18,963
Total general property taxes	179,337	133,421	(45,916)	145,748
Local option sales tax	165,000	223,325	58,325	215,966
Intangible tax	600	1,177	577	813
Franchise tax	110,000	89,430	(20,570)	101,899
Insurance premium tax	69,087	75,493	6,406	72,480
Alcoholic beverage excise tax	10,000	12,465	2,465	11,510
Occupational tax	9,500	10,150	650	10,245
Total taxes	543,524	545,461	1,937	558,661
Licenses and Permits				
Alcohol licenses	2,400	2,400	0	2,400
Building permits	1,000	2,493	1,493	748
Total licenses and permits	3,400	4,893	1,493	3,148
Fines, fees and forfeitures	47,000	26,193	(20,807)	49,740
Charges for Services				
Sanitation	42,200	46,717	4,517	46,155
Cemetery	1,000	250	(750)	1,000
Other	35	56	21	534
Total charges for services	43,235	47,023	3,788	47,689
Intergovernmental	30,578	134,801	104,223	28,747
Interest	0	80	80	124
Contributions	50	0	(50)	73
Other	200	470	270	1,797
Total revenues	$ 667,987	$ 758,921	$ 90,934	$ 689,979

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020
(With comparative actual amounts for the year ended December 31, 2019)

	2020			2019
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	$ 25,340	$ 21,893	$ 3,447	$ 15,308
Supplies and materials	10,000	13,823	(3,823)	4,651
Total Governing Body	35,340	35,716	(376)	19,959
Administration				
Personal services	168,119	184,629	(16,510)	164,523
Contract services	143,750	130,307	13,443	78,904
Supplies and materials	600	234	366	131
Total Administration	312,469	315,170	(2,701)	243,558
Total General Government	347,809	350,886	(3,077)	263,517
Public Safety				
Police Department				
Personal services	80,032	80,032	0	120,847
Contract services	38,275	35,494	2,781	36,786
Supplies and materials	22,000	17,252	4,748	23,828
Capital outlay	0	0	0	1,500
Total Police Department	140,307	132,778	7,529	182,961
Fire Department				
Contract services	29,050	24,851	4,199	26,937
Supplies and materials	5,950	12,502	(6,552)	13,451
Capital outlay	30,740	28,387	2,353	0
Total Fire Department	65,740	65,740	0	40,388
Total Public Safety	206,047	198,518	7,529	223,349
Public Works				
Highways and Streets				
Personal services	33,740	35,537	(1,797)	34,432
Contract services	35,391	34,542	849	32,058
Supplies and materials	9,000	5,177	3,823	2,540
Total Highways and Streets	78,131	75,256	2,875	69,030
Sanitation				
Contract services	36,000	35,115	885	35,651
Total Public Works	114,131	110,371	3,760	104,681
Total expenditures	$ 667,987	$ 659,775	$ 8,212	$ 591,547

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SPECIAL REVENUE FUNDS

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

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Franklin Springs.

Technology Surcharges Fund - This fund is used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police and Municipal Court Departments.

CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2020 and 2019

ASSETS	**2020**	**2019**
Cash and cash equivalents	$ 3,894	$ 5,739
Taxes receivable	509	519
Total assets	$ 4,403	$ 6,258
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	$ 203	$ 203
Fund balances		
Assigned for Housing and Development	4,200	6,055
Total liabilities and fund balances	$ 4,403	$ 6,258

CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020
(With comparative actual amounts for the year ended December 31, 2019)

	2020			2019
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	$ 8,285	$ 6,430	$ (1,855)	$ 7,232
EXPENDITURES				
Current				
Housing and Development				
Contract services	8,285	8,285	0	6,999
Excess (deficiency) of revenues over (under) expenditures	0	(1,855)	(1,855)	233
Fund balances, January 1	0	6,055	6,055	5,822
Fund balances, December 31	$ 0	$ 4,200	$ 4,200	$ 6,055

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2020 and 2019

ASSETS	**2020**	**2019**
Cash and cash equivalents	$ 13,053	$ 11,510
FUND BALANCES		
Restricted for Public Safety	$ 13,053	$ 11,510

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2020
(With comparative actual amounts for the year ended December 31, 2019)

	2020			2019
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	$ 2,800	$ 1,543	$ (1,257)	$ 2,836
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	2,800	0	2,800	1,113
Excess (deficiency) of revenues over (under) expenditures	0	1,543	1,543	1,723
Fund balances, January 1	0	11,510	11,510	9,787
Fund balances, December 31	$ 0	$ 13,053	$ 13,053	$ 11,510

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CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds.

Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the special purpose local option sales tax.

CITY OF FRANKLIN SPRINGS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2020 and 2019

ASSETS	**2020**	**2019**
Cash and cash equivalents	$ 492,619	$ 323,669
Intergovernmental receivables	13,381	24,438
Total assets	$ 506,000	$ 348,107
FUND BALANCES		
Restricted for capital outlay	$ 506,000	$ 348,107

CITY OF FRANKLIN SPRINGS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2020 and 2019

	2020	2019
REVENUES		
Intergovernmental	$ 176,989	$ 163,738
Interest	740	468
Total revenues	177,729	164,206
EXPENDITURES		
Capital outlay		
Public Works	19,386	29,078
Excess (deficiency) of revenues over (under) expenditures	158,343	135,128
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	(450)	(61,515)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	157,893	73,613
Fund balances, January 1	348,107	274,494
Fund balances, December 31	$ 506,000	$ 348,107

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2020 and 2019

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	$ 159,596	$ 138,130
Certificates of deposit	14,924	4,403
Accounts receivable (net)	22,036	21,778
Prepaid items	3,022	2,967
Total current assets	199,578	167,278
Restricted assets		
Bond Redemption		
Certificates of deposit	0	10,521
Capital assets		
Land	33,153	33,153
Vehicles	44,800	44,800
Distribution system	1,920,459	1,920,459
Machinery and equipment	118,796	118,796
Intangibles	5,727	5,727
Accumulated depreciation	(1,420,555)	(1,364,603)
Total capital assets (net of accumulated depreciation)	702,380	758,332
Total assets	901,958	936,131
LIABILITIES		
Current liabilities		
Accounts payable	8,497	9,938
Accrued salaries	574	0
Compensated absences	2,877	1,848
Unearned revenue	251	251
Customer deposits payable	19,413	18,213
Notes payable	0	7,904
Total liabilities	31,612	38,154
NET POSITION		
Investment in capital assets	702,380	750,428
Restricted for debt service	0	10,521
Unrestricted	167,966	137,028
Total net position	$ 870,346	$ 897,977

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2020 and 2019

OPERATING REVENUES	**2020**	**2019**
Charges for sales and services		
Water sales	$ 153,586	$ 171,476
Sewer charges	116,277	124,183
Other	7,296	9,413
Total operating revenues	277,159	305,072
OPERATING EXPENSES		
Cost of sales and services	160,621	171,937
Personal services	88,503	83,230
Depreciation	55,952	56,293
Total operating expenses	305,076	311,460
Operating income (loss)	(27,917)	(6,388)
Non-operating revenues (expenses)		
Interest revenue	0	49
Interest expense	(164)	(659)
Total non-operating revenues (expenses)	(164)	(610)
Net income (loss) before transfers	(28,081)	(6,998)
Transfers in (out)		
SPLOST Fund	450	61,515
Change in net position	(27,631)	54,517
Net position, January 1	897,977	843,460
Net position, December 31	$ 870,346	$ 897,977

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 270,805	$ 293,255
Payments to suppliers	(162,117)	(169,972)
Payments to employees	(86,900)	(84,552)
Other receipts	7,296	9,413
Net cash provided (used) by operating activities	29,084	48,144
Cash flows from capital and related financing activities:		
Receipts from other funds	450	61,515
Payments for acquisitions of capital assets	0	(59,840)
Principal payments - promissory notes	(7,904)	(7,609)
Principal payments - revenue bonds	0	(4,000)
Interest paid	(164)	(659)
Net cash provided (used) by capital and related financing activities	(7,618)	(10,593)
Net increase (decrease) in cash and cash equivalents	21,466	37,551
Cash and cash equivalents, January 1	138,130	100,579
Cash and cash equivalents, December 31	$ 159,596	$ 138,130
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (27,917)	$ (6,388)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	55,952	56,293
(Increase) decrease in accounts receivable	(258)	(2,724)
(Increase) decrease in prepaid items	(55)	(186)
Increase (decrease) in accounts payable	(1,441)	2,151
Increase (decrease) in deposits payable	1,200	320
Increase (decrease) in payroll liabilities	1,603	(1,322)
Total adjustments	57,001	54,532
Net cash provided (used) by operating activities	$ 29,084	$ 48,144

CUSTODIAL FUNDS

Custodial funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Fund – This fund is used to account, on a temporary basis, for fines collected by the municipal court that ultimately are transmitted to another agency.

CITY OF FRANKLIN SPRINGS, GEORGIA
MUNICIPAL COURT CUSTODIAL FUND
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 642	$ 1,115
LIABILITIES		
Due to others	642	1,115
NET POSITION		
Unrestricted	$ 0	$ 0

CITY OF FRANKLIN SPRINGS, GEORGIA
MUNICIPAL COURT CUSTODIAL FUND
COMPARATIVE STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the years ended December 31, 2020 and 2019

	2020	2019
ADDITIONS		
Fines and forfeitures collected for other governments	$ 10,231	$ 20,577
DEDUCTIONS		
Distributions of fines and forfeitures to other governments	10,231	20,577
Change in net position	0	0
Net position, January 1	0	0
Net position, December 31	$ 0	$ 0

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OTHER REPORTING SECTION

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*

Honorable Mayor and Members
of the City Council
City of Franklin Springs, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated June 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Franklin Springs, Georgia'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control listed below that we consider to be material weaknesses.

2020-001

Condition: There is a lack of segregation of duties, as the City Clerk currently maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and makes all utility account adjustments for the City.

Criteria: The duties of disbursements, receipts, preparing bank reconciliations, and journal entries should be separated and assigned to different personnel.

Cause: The same employee maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and makes all utility account adjustments.

Effect: Failure to maintain adequate separation of duties subjects the City to greater risk of loss due to employee fraud.

2020-001, Continued

Recommendation: Because the City staff is too small to have an adequate separation of duties, the following mitigating procedures should be implemented. Currently two signatures are required on all checks. Also, the Mayor reviews and approves all bank statements. A formal journal entry approval process should be adopted and all journal entries made by the City Clerk should be reviewed and approved by the Mayor or other Council member before they are posted. The Mayor should review and make all deposits.

Management Response: Management concurs with this finding. The Mayor will review all journal entries posted by the City Clerk on a monthly basis.

2020-002

Condition: City personnel lack the necessary training and expertise in identification and application of generally accepted accounting policies and financial statement preparation. Currently, the City relies on the external auditors for technical assistance in these areas. This is common for governments of similar size and structure to the City of Franklin Springs. This does not indicate that the City Clerk is not trained to perform the daily accounting functions, but that the City has elected, as a cost benefit, to outsource this expertise to their auditors.

Criteria: Effective internal control requires that employees possess the necessary qualifications and training to fulfill their assigned duties.

Effect: Failure to ensure that employees possess the necessary qualifications to perform their assigned duties may lead to financial statements that are materially misstated.

Cause: Staff does not have proper training in generally accepted accounting principles to implement them or prepare financial statements.

Recommendation: City personnel should receive additional training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements. However, this may be cost prohibitive.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel in identification and application of generally accepted accounting principles and financial statement preparation is cost prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin Springs, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

City of Franklin Springs, Georgia's Responses to Findings

The City of Franklin Springs, Georgia's responses to the findings identified in our audit are described previously. The City of Franklin Springs, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion on them.

The 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 City's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
June 11, 2021

CITY OF FRANKLIN SPRINGS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2020

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Fire; Roads, Streets, and Bridges; Water and Sewer	$ 778,570	$ 778,570			
Roads, Streets, and Bridges			$ 293,231	$ 17,527	$ 310,758
Fire			201,450	0	201,450
Water and Sewer			271,646	450	272,096
Total	$ 778,570	$ 778,570	$ 766,327	$ 17,977	$ 784,304

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST V Referendum					
Water and Sewer	$ 289,285	$ 289,285	$ 59,840	$ 0	$ 59,840
Roads, Streets, and Bridges	289,285	289,285	0	1,859	1,859
Public Safety and Fire	210,430	210,430	34,351	0	34,351
Total	$ 789,000	$ 789,000	$ 94,191	$ 1,859	$ 96,050

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