CITY OF HAHIRA, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

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FOR THE YEAR ENDED DECEMBER 31, 2020


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VALENTI, RACKLEY
& ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
City of Hahira, 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 City of Hahira, Georgia ("the City") 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 from material misstatement.

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

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

***Opinions***

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

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension related schedules 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



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reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. However, management has elected not to include the Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedure to the other 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial schedules and the One Percent Special Purpose Local Option Sales Tax Project Cost Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules, the One Percent Special Purpose Local Option Sales Tax Project Cost Schedule, and the One Percent Transportation Special Purpose Local Option Sales Tax Project Cost Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules and the One Percent Special Purpose Local Option Sales Tax Project Cost Schedule are 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 1, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

June 1, 2021

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Cash | $ 438,510 | $ 606,838 | $ 1,045,348 |
| Certificates of deposit | 532,483 | 173,049 | 705,532 |
| Accounts receivable | 292,382 | 120,198 | 412,580 |
| Prepaid expenses | 75,808 | 21,593 | 97,401 |
| Inventory | - | 8,587 | 8,587 |
| Restricted cash | 587,901 | 161,034 | 748,935 |
| Capital assets: | | | |
| Land and other nondepreciable assets | 598,702 | 230,898 | 829,600 |
| Other capital assets, net of accumulated depreciation | 4,623,655 | 5,676,984 | 10,300,639 |
| Total assets | 7,149,441 | 6,999,181 | 14,148,622 |
| Deferred outflows of resources related to pensions | 172,591 | 56,305 | 228,896 |
| Total assets and deferred outflows of resources | 7,322,032 | 7,055,486 | 14,377,518 |
| **LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | | | |
| Accounts payable | 36,255 | 40,768 | 77,023 |
| Accrued interest payable | 8,722 | 3,859 | 12,581 |
| Internal balances | 34,525 | (34,525) | - |
| Water deposits | - | 106,332 | 106,332 |
| Long-term liabilities: | | | |
| Due within one year | 84,625 | 199,598 | 284,223 |
| Due in more than one year | 397,433 | 2,574,284 | 2,971,717 |
| Net pension liability | 364,494 | 118,910 | 483,404 |
| Total liabilities | 926,054 | 3,009,226 | 3,935,280 |
| Deferred inflows of resources related to pensions | 7,634 | 2,491 | 10,125 |
| Total liabilities and deferred inflows of resources | 933,688 | 3,011,717 | 3,945,405 |
| **NET POSITION** | | | |
| Net investment in capital assets | 4,740,299 | 3,157,850 | 7,898,149 |
| Restricted for: | | | |
| Capital projects | 611,411 | - | 611,411 |
| Public safety | 132 | - | 132 |
| Housing and development | 33,136 | - | 33,136 |
| Unrestricted | 1,003,366 | 885,919 | 1,889,285 |
| Total net position | $ 6,388,344 | $ 4,043,769 | $ 10,432,113 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | |
| **Function/Programs:** | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| **PRIMARY GOVERNMENT:** | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | $ 349,466 | $ 36,725 | $ - | $ 162,994 | $ (149,747) | | $ (149,747) |
| Judicial | 22,216 | - | - | - | (22,216) | | (22,216) |
| Public safety | 1,888,361 | 754,906 | 183,596 | 159,457 | (790,402) | | (790,402) |
| Public works | 216,349 | - | - | 233,488 | 17,139 | | 17,139 |
| Health and welfare | 31,205 | - | 18,565 | - | (12,640) | | (12,640) |
| Culture and recreation | 125,517 | 7,500 | - | 216,162 | 98,145 | | 98,145 |
| Housing and development | 89,535 | 11,559 | - | - | (77,976) | | (77,976) |
| Interest on general long-term debt | 18,079 | - | - | - | (18,079) | | (18,079) |
| Total governmental activities | 2,740,728 | 810,690 | 202,161 | 772,101 | (955,776) | | (955,776) |
| Business-type activities: | | | | | | | |
| Water and sewer | 1,382,333 | 1,156,517 | - | - | - | (225,816) | (225,816) |
| Sanitation | 257,307 | 287,121 | - | - | - | 29,814 | 29,814 |
| Total business-type activities | 1,639,640 | 1,443,638 | - | - | - | (196,002) | (196,002) |
| Total primary government | $ 4,380,368 | $ 2,254,328 | $ 202,161 | $ 772,101 | (955,776) | (196,002) | (1,151,778) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 641,013 | - | 641,013 |
| Sales and use taxes | | | | | 453,982 | - | 453,982 |
| Business taxes | | | | | 231,386 | - | 231,386 |
| Investment earnings | | | | | 7,460 | 3,945 | 11,405 |
| Gain on capital asset disposal | | | | | - | 4,625 | 4,625 |
| Miscellaneous | | | | | 15,792 | - | 15,792 |
| Total general revenues | | | | | 1,349,633 | 8,570 | 1,358,203 |
| Transfers | | | | | (48,633) | 48,633 | - |
| Total general revenues and transfers | | | | | 1,301,000 | 57,203 | 1,358,203 |
| Change in net position | | | | | 345,224 | (138,799) | 206,425 |
| Net position - beginning | | | | | 6,043,120 | 4,182,569 | 10,225,689 |
| Net position - ending | | | | | $ 6,388,344 | $ 4,043,769 | $ 10,432,113 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | General Fund | Capital Project Funds | | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| | | SPLOST VII | SPLOST VIII | | |
| **ASSETS** | | | | | |
| Cash: | | | | | |
| Unrestricted | $ 438,510 | $ - | $ - | $ - | $ 438,510 |
| Restricted | 126,731 | | 376,747 | 84,423 | 587,901 |
| Total cash | 565,241 | - | 376,747 | 84,423 | 1,026,411 |
| Certificates of deposit | 532,483 | - | - | - | 532,483 |
| Receivables: | | | | | |
| Taxes | 174,206 | - | - | - | 174,206 |
| Intergovernmental | 61,092 | | 52,354 | 4,730 | 118,176 |
| Interfund balances | 306 | - | - | - | 306 |
| Prepaid expenses | 75,808 | - | - | - | 75,808 |
| Total assets | $ 1,409,136 | $ - | $ 429,101 | $ 89,153 | $ 1,927,390 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | $ 36,255 | $ - | $ - | $ - | $ 36,255 |
| Interfund balances | 34,525 | - | - | 306 | 34,831 |
| Total liabilities | 70,780 | - | - | 306 | 71,086 |
| Deferred inflows of resources: | | | | | |
| Deferred property taxes | 16,419 | - | - | - | 16,419 |
| Total deferred inflow of resources | 16,419 | - | - | - | 16,419 |
| Fund balances: | | | | | |
| Nonspendable | 75,808 | - | - | - | 75,808 |
| Restricted | 126,731 | - | 429,101 | 88,847 | 644,679 |
| Unassigned | 1,119,398 | - | - | - | 1,119,398 |
| Total fund balances | 1,321,937 | - | 429,101 | 88,847 | 1,839,885 |
| Total liabilities, deferred inflows of resources and fund balances | $ 1,409,136 | $ - | $ 429,101 | $ 89,153 | $ 1,927,390 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | |
|---|---|
| Fund Balance - Total Governmental Funds | $1,839,885 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Governmental funds only report liabilites that will be liquidated with current assets. Compensated absences payable, however, which will not be liquidated with current assets, are not liabilites of the governmental funds but are liabilities of the government-wide financial statements. | (56,126) |
| Long-term debt is not reported in governmental activities because it is not expected to be liquidated with expendable available financial resources but is reported in the government-wide financial statements. | (425,932) |
| Interest accrued on long-term debt is not reported in the funds but is reported as a liability in the government-wide financial statements. | (8,722) |
| Pension related assets and liabilities are not reported in the funds but are reported as assets and liabilities in the government-wide financial statements: | |
| Deferred outflows of resources | 172,591 |
| Net pension liability | (364,494) |
| Deferred inflows of resources | (7,634) |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 16,419 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 5,222,357 |
| Net position of governmental activities | $6,388,344 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | General Fund | Capital Project Funds | | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| | | SPLOST VII | SPLOST VIII | | |
| **REVENUES** | | | | | |
| Taxes: | | | | | |
| Property | $ 639,938 | $ - | $ - | $ - | $ 639,938 |
| Sales and use | 453,982 | - | - | - | 453,982 |
| Business | 231,386 | - | - | - | 231,386 |
| Licenses and permits | 36,725 | - | - | - | 36,725 |
| Intergovernmental | 337,426 | 45,327 | 544,005 | 46,950 | 973,708 |
| Fines and forfeitures | 753,956 | - | - | 950 | 754,906 |
| Investment earnings | 7,401 | 806 | 45 | 164 | 8,416 |
| Other revenue | 115,730 | - | - | - | 115,730 |
| Total revenues | 2,576,544 | 46,133 | 544,050 | 48,064 | 3,214,791 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 294,623 | - | - | - | 294,623 |
| Judicial | 21,608 | - | - | - | 21,608 |
| Public safety | 1,703,036 | - | - | 1,687 | 1,704,723 |
| Public works | 132,777 | - | - | - | 132,777 |
| Health and welfare | 31,205 | - | - | - | 31,205 |
| Culture and recreation | 94,388 | - | - | - | 94,388 |
| Housing and development | 87,527 | - | - | 2,008 | 89,535 |
| Debt service | - | 58,280 | - | - | 58,280 |
| Capital outlay | 82,316 | 696,393 | 114,949 | 47,701 | 941,359 |
| Total expenditures | 2,447,480 | 754,673 | 114,949 | 51,396 | 3,368,498 |
| Excess (deficiency) of revenues over (under) expenditures | 129,064 | (708,540) | 429,101 | (3,332) | (153,707) |
| **OTHER FINANCING SOURCES** | | | | | |
| Reimbursement for damaged property | 2,424 | - | - | - | 2,424 |
| Total other financing resources | 2,424 | - | - | - | 2,424 |
| Net change in fund balances | 131,488 | (708,540) | 429,101 | (3,332) | (151,283) |
| Fund balances - beginning | 1,190,449 | 708,540 | - | 92,179 | 1,991,168 |
| Fund balances - ending | $1,321,937 | $ - | $429,101 | $ 88,847 | $ 1,839,885 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ (151,283) |
| 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 outlay ($870,187) exceeded depreciation expense ($294,864). | 575,323 |
| Governmental funds only report compensated absence expense if the expense has been paid in the current year or will be paid with current funds. However, on the statement of activities the change in the liability is reflected as program expense. This is the amount of the change in compensated absences payable from the beginning of the year to the end of the year. | (1,650) |
| Adjustments to pension expense as a result of changes in pension related expenses recorded in government-wide financial statements are not recorded in the funds. This the amount that pension expense was increased. | (37,161) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase in deferred property tax revenue and deferred grant revenue over prior year. | (80,206) |
| Interest expense resulting from the accrual of interest on long-term debt is not reported in the funds but is reported on the government-wide financial statements. This is the amount of change in accrued interest payable. | 2,239 |
| Repayment of debt is a use of current financial resources in the governmental funds, but the repayment of debt decreaseses liabilities in the statement of activities. | 37,962 |
| Change in net position of governmental activities | $ 345,224 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF NET POSITION
PROPRIETARY FUND – ENTERPRISE FUND
DECEMBER 31, 2020

| | Water, Sewer and Sanitation Fund |
|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | |
| Current assets: | |
| Cash: | |
| Unrestricted | $ 606,838 |
| Restricted | 161,034 |
| Total cash | 767,872 |
| Certificates of deposit | 173,049 |
| Accounts receivable (net) | 120,198 |
| Interfund balances | 34,525 |
| Prepaid expenses | 21,593 |
| Inventory | 8,587 |
| Total current assets | 1,125,824 |
| Noncurrent assets: | |
| Capital assets: | |
| Land | 230,898 |
| Buildings | 30,297 |
| Vehicles and equipment | 375,304 |
| Utility system and equipment | 11,838,066 |
| Less accumulated depreciation | (6,566,683) |
| Total noncurrent assets | 5,907,882 |
| Deferred outflows of resources related to pensions | 56,305 |
| Total assets and deferred outflows of resources | 7,090,011 |
| **LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | |
| Current liabilities: | |
| Accounts payable and accrued expenses | 40,768 |
| Accrued interest | 3,859 |
| Water deposits | 106,332 |
| Current portion: | |
| Compensated absences | 20,000 |
| Notes payable | 86,274 |
| Bond payable | 93,324 |
| Total current liabilities | 350,557 |
| Noncurrent liabilities: | |
| Compensated absences, less current portion | 3,850 |
| Notes payable, less current portion | 1,073,390 |
| Bond payable, less current portion | 1,497,044 |
| Net pension liability | 118,910 |
| Total noncurrent liabilities | 2,693,194 |
| Deferred inflows of resources related to pensions | 2,491 |
| Total liabilities and deferred inflows of resources | 3,046,242 |
| **NET POSITION** | |
| Net investment in capital assets | 3,157,850 |
| Unrestricted | 885,919 |
| Total net position | $ 4,043,769 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Water, Sewer and Sanitation Fund |
|---|---|
| **OPERATING REVENUES** | |
| Charges for services: | |
| Water and sewer | $ 1,107,868 |
| Sanitation | 287,121 |
| Other | 48,649 |
| Total operating revenues | 1,443,638 |
| **OPERATING EXPENSES** | |
| Personnel services | 528,201 |
| Depreciation | 373,094 |
| Landfill/contracted sanitation services | 257,307 |
| Utilities | 118,799 |
| Supplies and other expenses | 103,741 |
| Professional fees | 45,109 |
| Insurance | 28,006 |
| Repairs and maintenance | 73,046 |
| Technical services | 23,331 |
| Fuel | 16,688 |
| Travel | 5 |
| Total operating expenses | 1,567,327 |
| Operating income (loss) | (123,689) |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Interest income | 3,945 |
| Interest expense | (72,313) |
| Gain on sale of capital assets | 4,625 |
| Total nonoperating revenues (expenses) | (63,743) |
| Income (loss) before contributions | (187,432) |
| **CAPITAL CONTRIBUTIONS** | |
| Capital contribution | 48,633 |
| Total capital contributions | 48,633 |
| Change in net position | (138,799) |
| Total net position - beginning | 4,182,569 |
| Total net position - ending | $ 4,043,769 |

See accompanying notes to the basic financial statements.

CITY OF HAHIRA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Water, Sewer and Sanitation Fund |
|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | |
| Receipts from customers | $ 1,447,743 |
| Internal activities - payments to other funds | 30,636 |
| Payments to employees (or for their benefit) for services provided | (516,672) |
| Payments to suppliers for goods or services | (699,584) |
| Net cash provided (used) by operating activities | 262,123 |
| **CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Proceeds from borrowing | - |
| Principal paid on capital debt | (174,743) |
| Interest paid on capital debt | (72,823) |
| Net cash provided (used) by capital and related financing activities | (247,566) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Proceeds from disposal of capital assets | 4,625 |
| Certificate of deposit reinvestment | (2,765) |
| Interest income | 3,945 |
| Net cash provided by investing activities | 5,805 |
| Net increase in cash | 20,362 |
| Balances - beginning | 747,510 |
| Balances - ending | $ 767,872 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | |
| Operating income (loss) | $ (123,689) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Non-cash contributions expensed | 18,556 |
| Depreciation expense | 373,094 |
| Change in assets and liabilities: | |
| Receivables, net | 1,000 |
| Due to/from other funds | 30,636 |
| Deposits | 3,105 |
| Pension related balances | 9,369 |
| Accounts payable and accrued expenses | (49,948) |
| Net cash provided by operating activities | $ 262,123 |

*Noncash activity.* Capital assets with a cost of $30,078 were purchased by the SPLOST VII Fund and contributed to the Enterprise Fund and capitalized.

See accompanying notes to the basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements present the City of Hahira, Georgia, ("the City") which operates under a mayor-council form of government. The City's major operations in addition to general administrative services include public safety (police and fire protection), public works (highways and streets), sanitation, water and sewer, health and welfare, culture and recreation.

The City of Hahira's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The more significant accounting policies, established in GAAP and used by the City, are discussed below.

A. Reporting Entity

These financial statements present the City (the primary government) and its component unit, the Downtown Development Authority of the City of Hahira ("DDA"). As defined by Governmental Accounting Standards Board Statement Number 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationship with the City. Separate financial statements are not issued for the DDA.

The DDA is organized pursuant to the provisions of the Georgia Downtown Development Authorities Law. The DDA's primary purpose is revitalization and redevelopment of the central business district of the City, to develop and promote for the public good and general welfare, commerce, industry and employment opportunities and to promote the general welfare of the State of Georgia by creating a climate favorable to the location of new industry, trade and commerce and the development of existing industry, trade and commerce with the City.

The DDA is reported in these financial statements as a blended component unit and special revenue fund.

There are no potential component units that are excluded from the City's reporting entity.

B. Basic Financial Statements – Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, highways and streets, health and welfare, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and sanitation fund is classified as a business activity. There are no fiduciary funds, nor component units that are fiduciary in nature, included.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. Restricted assets are liquid assets (generated from revenues and not bond proceeds) that have a third party (statutory, bond covenant, or granting agency) limitation on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (general government, public safety, public works, etc.) and business activities (water, sewer and sanitation fund). The functions are also supported by general government revenues (taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, service fees, fines and forfeitures, investment earnings, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activity.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The governmental funds employ the current financial resources measurement focus. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City's major funds are the General Fund, SPLOST VII Capital Project Fund, SPLOST VIII Capital Project Fund, and the Water, Sewer and Sanitation Enterprise Fund.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

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

b. Special Revenue Fund – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

   The City has two special revenue funds:

   *Drug Seized Fund* – used to account for assets confiscated by the police department and restricted to use for qualifying public safety expenditures.

   *Downtown Development Authority Fund* – used to account for assets, liabilities, revenue and expenditures of the Downtown Development Authority of the City of Hahira.

c. Capital Projects Fund – used to account for special capital projects.

   The City has three capital projects funds:

   *Special Purpose Local Option Sales Tax (SPLOST) VII and VIII* - used to account for special purpose local option sales taxes VII (2013 issue) and VIII (2019 issue) received and restricted to use for qualifying capital expenditures.

   *Transportation Special Purpose Local Option Sales Tax (TSPLOST)* – used to account for transportation special purpose local option sales taxes received and restricted to use for qualifying transportation-related capital expenditures.

2. Proprietary Fund:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Nonoperating revenues and expenses include subsidies, interest expense from financing and investment earnings resulting from nonexchange transactions or auxiliary activities.

The following is a description of the proprietary fund of the City:

*Water, Sewer and Sanitation Enterprise Fund* - used to account for the revenues and related expenses of providing water, sewer and sanitation services to the City's residents.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

1. Government-wide and Proprietary Fund Financial Statement:

The government-wide and proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Deferred outflows of resources are recorded when consumption of assets (net) by the government are applicable to a future reporting period. Deferred inflows of resources are recorded when an acquisition of assets (net) by the government is applicable to a future reporting period.

2. Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measureable and available. The City's definition of "available" means collectible within one year. When an asset is recorded in the governmental fund financial statements, but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Financial Statement Amounts

1. Cash and Equivalents

Cash shown on the balance sheets and statements of cash flows includes amounts in demand deposits and short-term investments with a maturity date less than three months from the date acquired by the City.

2. Investments

The City is limited by state law to the following investments: obligations of the State of Georgia, other states, or the U. S. Government; obligations fully insured by the U. S. Government or any agency thereof; obligations of any corporation of the U. S. Government; prime bankers' acceptance; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

3. Receivables and Property Taxes

Accounts receivable are recorded in the governmental funds for taxes receivable and amounts due from other governments. The accounts receivable for property taxes – real property is recorded net of the associated allowance for doubtful accounts in the general fund.

Taxes on real estate, motor vehicles, intangibles, real estate transfer and mobile homes are collected by the county tax collector and remitted to the City. The City bills and collects all other tax revenues. Georgia statutes do not provide a maximum millage rate which may be levied.

Tax revenues are recognized during the period in which they are levied. An allowance is established for delinquent taxes to the extent their collectability is questionable. Taxes collected during the current period and within sixty days thereafter are considered available to finance current operations.

The property tax rate for 2020 was $4.750 per $1,000 of assessed valuation, and current tax collection for the year then ended was 95.15% of the tax levied.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The full year property tax calendar is as follows:

| | |
|---|---|
| Assessment date | January 1 |
| Assessors submit returns to tax collector | July 1 |
| Levy date | September 1 |
| Tax collector mails annual tax bills | September 15 |
| Due date of taxes, other than motor vehicles | November 15 |
| Execution (lien) date for unpaid taxes | November 16 |

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Generally, assets with an initial estimated useful life of more than one year and have an original cost of $5,000 or more for infrastructure and $2,000 or more for other than infrastructure are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are listed below:

| | |
|---|---|
| Buildings, improvements, water system | 10 - 40 years |
| Infrastructure | 40 – 50 years |
| Machinery and equipment | 5 - 20 years |

GASBS No. 34 requires the City to report and depreciate infrastructure assets. The City has elected not to report major general infrastructure assets retroactively but began reporting newly acquired infrastructure assets effective January 1, 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.

The expense resulting from amortization of assets recorded under capital leases is included in depreciation expense.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

5. Interfund Activity

Interfund activity is reported as loans, as services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Receipts and/or payments to or from other governmental units included in the reporting entity of the City are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

The principal purpose of the City's interfund transfers, if any, is to reimburse one fund for the expenditures of another fund.

Capital assets that were purchased by a SPLOST Capital Projects Fund and contributed to the Water and Sewer Fund are reported as capital contributions in the proprietary fund and on the government-wide financial statements. Because capital assets are not reported in the governmental funds there is no corresponding reporting of the capital contribution made by the SPLOST Capital Project Fund.

The principal purposes of interfund balances are to record the amount of reimbursement due from the Water, Sewer and Sanitation Fund for expenditures paid by the General Fund, the amount of reimbursement due from a SPLOST Capital projects Fund for expenditures paid by the Water, Sewer and Sanitation Fund, and other reimbursements to be made between funds.

6. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Revenues of the governmental funds susceptible to accrual are property taxes, sales tax and alcoholic beverage tax. Subsidies and grants to general or special revenue funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues reported on the statement of activities are licenses and permits, fines and forfeitures, nutritional services to the elderly and operating and capital grants and contributions.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

7. Expenditures

Expenditures are recognized when the related fund liability is incurred. Prepaid expenditures/expenses are recorded when an expenditure/expense is incurred but benefits are for a subsequent period.

8. Inventories

Significant materials on hand, if any, are shown as inventory. Inventory in the Water, Sewer and Sanitation Fund is typically comprised of water meters, pipe, pipe fittings, repair parts and related supplies and is valued at cost (first-in, first-out). The cost of other materials and supplies, including gasoline and fuel, are charged to operations using the purchase method of accounting.

9. Compensated Absences and Employee Benefits

*Compensated Absences*:

The City allows full-time, permanent employees to accumulate unused annual leave and sick leave to a maximum of 160 hours. Upon termination, up to 120 hours of accumulated annual leave is payable. Upon termination or retirement, only those employees employed before December 31, 1985 are entitled to be compensated for sick leave.

Vacation leave is accrued as a liability as the benefits are earned by the employee when the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or other means. Sick leave is accrued as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

Compensated absences are recorded as liabilities in the applicable government-wide, business-type activities or proprietary fund type statement of net position. Only current amounts payable for employees terminated or retired at year end are recorded in the governmental funds.

*Retirement Benefits*:

The City maintains a non-contributory retirement plan (refer to Note 8 for additional plan information).

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

10. Fund Balances/Net Position

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

1. Nonspendable – Fund balances are reported as nonspendable when 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) or (b) legally or contractually required to be maintained intact.
2. Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the entity or through external restriction imposed by creditors, grantors or laws or regulations of other governments.
3. Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and Council through the adoption of a resolution. The Mayor and Council may also modify or rescind the commitment.
4. Assigned – Fund balances are reported as assigned when amounts are constrained by the Mayor and Council's intent to be used for specific purposes but are neither restricted nor committed. Through resolution the Mayor and Council can authorize the Mayor or City Manager to assign fund balances.
5. Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

*Flow Assumption.* When both restricted and unrestricted amounts of fund balance or net position are available for use for expenditures or expenses incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balances in the following order: (a) committed, (b) assigned, (c) unassigned.

*Net Position.* Contributed capital is recorded in the proprietary fund when the City receives grants from federal, state, or private sources designed for the specific activity. These contributions are part of the net position of the enterprise activity.

**NOTE 2 – CASH, CERTIFICATES OF DEPOSIT, CUSTODIAL RISK AND INTEREST RATE RISK**

Cash and certificates of deposit are as follows:

| Cash | Carrying Amount | Bank Balance |
|---|---|---|
| Governmental activities: | | |
| General fund | | |
| Deposits | $ 564,816 | $ 569,689 |
| Petty cash | 425 | - |
| SPLOST VIII fund | 376,747 | 388,747 |
| TSPLOST fund | 50,899 | 50,899 |
| Downtown Development Authority | 33,392 | 33,392 |
| Drug seized fund | 132 | 132 |
| Total governmental activities | 1,026,411 | 1,042,859 |
| Business-type activities: | | |
| Water, sewer and sanitation fund | | |
| Deposits | 767,797 | 754,850 |
| Petty cash | 75 | - |
| Total business-type activities | 767,872 | 754,850 |
| Total cash | $ 1,794,283 | $ 1,797,709 |
| Certificates of Deposit | | |
| Governmental activities | $ 532,483 | $ 532,483 |
| Business-type activities | 173,049 | 173,049 |
| Total certificates of deposit | $ 705,532 | $ 705,532 |

Custodial Credit Risk - Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has no custodial risk policy. Of the above carrying amount, all funds are collateralized by securities or insured by FDIC insurance.

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 rate risk. However, the City has made no investments that would subject it to interest rate risk.

Restricted Cash - Restricted cash at year end consists of the following:

*Governmental activities.* Cash in the amounts of $45,452 and $81,279 in the general fund is restricted for road resurfacing through the LMIG program and a memorial fountain, respectively. Cash in the amount of $376,747 in the SPLOST VIII fund is restricted for specific capital outlay projects, $132 in the Drug Seized Fund is restricted for specific public safety expenditures, $50,899 in the TSPLOST fund is restricted for transportation related expenditures, and $33,392 in the Downtown Development Authority fund is restricted to use by the Authority for revitalization and redevelopment projects in the City, totaling $587,901.

*Business-type activities*. Cash in the enterprise fund of $161,034 is restricted by bond covenants.

**NOTE 3 – RECEIVABLES AND ALLOWANCE FOR BAD DEBT**

Receivables are detailed below:

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Receivables: | | | |
| Taxes: | | | |
| Real property: | | | |
| Current | $ 16,402 | $ - | $ 16,402 |
| Delinquent | 6,843 | - | 6,843 |
| Less allowance for bad debt | (3,000) | - | (3,000) |
| Franchise | 146,108 | - | 146,108 |
| Alcoholic beverage taxes | 7,703 | - | 7,703 |
| Total taxes receivable | 174,056 | - | 174,056 |
| Intergovernmental: | | | - |
| Sales and use tax: | | | |
| Local option | 34,206 | - | 34,206 |
| Special purpose local option | 52,354 | - | 52,354 |
| Transportation special purpose local option | 4,730 | - | 4,730 |
| Other intergovernmental | 27,036 | - | 27,036 |
| Total intergovernmental receivables | 118,326 | - | 118,326 |
| Water, sewer and sanitation charges: | | | |
| Billed | - | 145,017 | 145,017 |
| Less allowance for bad debt | - | (24,819) | (24,819) |
| Total water, sewer and sanitation charges receivable | - | 120,198 | 120,198 |
| Total receivables | $ 292,382 | $ 120,198 | $ 412,580 |

**NOTE 4 - INTERFUND BALANCES AND TRANSFERS/CAPITAL CONTRIBUTIONS**

Interfund balances consist of the following:

| | Interfund Balances | | |
|---|---|---|---|
| | Receivables | Payables | Net |
| **Governmental activities:** | | | |
| General fund: | | | |
| Enterprise fund | $ - | $ (34,525) | $ (34,525) |
| Nonmajor governmental fund | 306 | - | 306 |
| Nonmajor governmental fund: | | | |
| General fund | - | (306) | (306) |
| Total governmental activities | 306 | (34,831) | (34,525) |
| **Business-type activities:** | | | |
| Enterprise fund: | | | |
| General fund | 34,525 | - | 34,525 |
| Total business-type activities | 34,525 | - | 34,525 |
| Total | $ 34,831 | $ (34,831) | $ - |

Transfers and capital contributions consist of the following:

| | Transfers/Capital Contributions | | |
|---|---|---|---|
| | In | Out | Net |
| **Governmental activities:** | | | |
| SPLOST VII fund: | | | |
| Water, sewer, and sanitation fund | $ - | $ (48,633) | $ (48,633) |
| Total governmental activities | - | (48,633) | (48,633) |
| **Business-type activities:** | | | |
| Enterprise fund: | | | |
| SPLOST VII fund | 48,633 | - | 48,633 |
| Total business-type activities | 48,633 | - | 48,633 |
| Total | $ 48,633 | $ (48,633) | $ - |

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year was as follows:

| | Beginning Balance | Additions | Retirements/ Deletions | Contributed Capital | Ending Balance |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | $ 598,702 | $ - | $ - | $ - | $ 598,702 |
| Total capital assets not being depreciated | 598,702 | - | - | - | 598,702 |
| Capital assets being depreciated | | | | | |
| Buildings | 2,017,845 | 663,179 | - | - | 2,681,024 |
| Infrastructure | 2,525,083 | 89,695 | | (30,078) | 2,584,700 |
| Equipment and vehicles | 2,114,547 | 147,391 | - | - | 2,261,938 |
| Total assets being depreciated | 6,657,475 | 900,265 | - | (30,078) | 7,527,662 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (477,415) | (55,478) | - | - | (532,893) |
| Infrastructure | (967,409) | (97,616) | - | - | (1,065,025) |
| Equipment and vehicles | (1,164,319) | (141,771) | - | - | (1,306,090) |
| Total accumulated depreciation | (2,609,143) | (294,865) | - | - | (2,904,008) |
| Total capital assets being depreciated, net | 4,048,332 | 605,400 | - | (30,078) | 4,623,654 |
| Governmental activities capital assets, net | $ 4,647,034 | $ 605,400 | $ - | $ (30,078) | $ 5,222,356 |
| Business-type activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | $ 230,898 | $ - | $ - | $ - | $ 230,898 |
| Total capital assets not being depreciated | 230,898 | - | - | - | 230,898 |
| Capital assets being depreciated | | | | | |
| Buildings | 30,297 | - | - | - | 30,297 |
| Utility system and equipment | 11,807,988 | - | - | 30,078 | 11,838,066 |
| Vehicles and equipment | 375,304 | - | - | - | 375,304 |
| Total assets being depreciated | 12,213,589 | - | - | 30,078 | 12,243,667 |

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

| | Beginning Balance | Additions | Retirements/ Deletions | Transfer In (Out) | Ending Balance |
|---|---|---|---|---|---|
| Less accumulated depreciation for: | | | | | |
| Buildings | (19,432) | (892) | - | - | (20,324) |
| Utility system and equipment | (5,947,582) | (345,148) | - | - | (6,292,730) |
| Vehicles and equipment | (226,575) | (27,054) | - | - | (253,629) |
| Total accumulated depreciation | (6,193,589) | (373,094) | - | - | (6,566,683) |
| Total capital assets being depreciated, net | 6,020,000 | (373,094) | - | 30,078 | 5,676,984 |
| Total business-type activities capital assets net | $ 6,250,898 | $ (373,094) | $ - | $ 30,078 | $ 5,907,882 |

Depreciation expense was charged to divisions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 48,617 |
| Judicial | 608 |
| Public safety | 138,875 |
| Public works | 78,197 |
| Culture and recreation | 28,568 |
| Total depreciation expense - governmental activities | $ 294,865 |
| | |
| Business-type activities | |
| Water, sewer and sanitation fund | $ 373,094 |
| Total depreciation expense - business-type activities | $ 373,094 |

**NOTE 6 – LONG-TERM DEBT**

Governmental Activities

Capital lease payable to Oshkosh Capital on May 21, 2014, collateralized by a fire truck (received February 2015) with a cost of $632,048. The capital lease is payable in fifteen annual installments of $58,280.75, including interest at 4.38% per annum through 2029.

Business-type Activities

Business-type activities long-term debt consists of the following:

*Notes Payable – GEFA*

*GEFA Note #1*. Note payable to the Georgia Environmental Facilities Authority Revolving Loan Fund to fund water and sewer improvements in the original amount of $549,619, payable in quarterly installments of $8,115, including interest at 3% through November 1, 2023.

*GEFA Note #2.* Note payable to the Georgia Environmental Facilities Authority to fund water improvements in an amount of $431,777, payable in 239 monthly installments equal to the amount borrowed including interest at 1% until 20 years from the amortization commencement date.

*GEFA Note #3.* Note payable to the Georgia Environmental Facilities Authority to fund rehabilitation of the City's wastewater treatment plant and installation of an influent pump station in an amount of $810,000, payable in 239 monthly installments beginning May 2019 until April 2039, including interest at 1.65%.

*Water and Sewer Revenue Bonds*

Revenue bonds payable consisted of the following:

*2014 Refunding Bond*. Bond payable to Ameris Bank in the original amount of $2,110,000, payable in monthly installments of $11,974.77, including interest at 3.21% through September 15, 2034. The bonds were issued to finance the cost of refunding and redeeming the City's existing water and sewer revenue bonds.

Water and sewer revenue bonds payable constitute special obligations secured by a lien on and pledge of the revenues of the water and sewer system. The revenue collateralizes the bond payable to Ameris Bank and the special fund established by the ordinance. The ordinances provide that the revenue of the system is to be used first to pay reasonable and necessary costs of operating, maintaining and repairing the system, including salaries, wages, payment of any contractual obligations incurred pertaining to the operation of the system, the cost of materials and supplies, rentals of leased property and facilities, insurance and such other charges as may properly be made for the purpose of operating, maintaining, and repairing the system in accordance with sound business practices, without allowance for depreciation. Provisions also apply to the issuance of additional parity bonds.

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Governmental and business-type activities long-term debt consists of the following:

| | Beginning Balance | Additions | Repayments | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Capital Lease | | | | | |
| Ladder truck | $ 463,894 | $ - | $ (37,962) | $ 425,932 | $ 39,625 |
| Total governmental activities | $ 463,894 | $ - | $ (37,962) | $ 425,932 | $ 39,625 |
| | | | | | |
| Business-type activities: | | | | | |
| GEFA #1 | $ 121,933 | $ - | $ (29,131) | $ 92,802 | $ 30,014 |
| GEFA #2 | 335,200 | - | (20,571) | 314,629 | 20,778 |
| GEFA #3 | 787,082 | - | (34,849) | 752,233 | 35,432 |
| Total GEFA | 1,244,215 | - | (84,551) | 1,159,664 | 86,224 |
| Water and sewer bonds: | | | | | |
| 2014 Refunding | 1,680,560 | - | (90,192) | 1,590,368 | 93,324 |
| Total bonds | 1,680,560 | - | (90,192) | 1,590,368 | 93,324 |
| | | | | | |
| Total business-type activities | $ 2,924,775 | $ - | $ (174,743) | $2,750,032 | $179,548 |

Total interest cost incurred in the current year was as follows:

| | |
|---|---|
| Governmental activities: | |
| Public safety | $ 20,318 |
| Business-type activities: | |
| Water, sewer and sanitation | $ 72,313 |

The gross amount of assets recorded under a capital lease is as follows:

Fire truck with a cost of $631,104 and accumulated amortization of $123,482

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Maturities of governmental long-term debt are as follows:

| | Capital Lease | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2021 | $ 39,625 | $ 18,656 | $ 58,281 |
| 2022 | 41,361 | 16,920 | 58,281 |
| 2023 | 43,172 | 15,109 | 58,281 |
| 2024 | 45,063 | 13,218 | 58,281 |
| 2025 | 47,037 | 11,244 | 58,281 |
| 2026-2029 | 209,672 | 23,451 | 233,123 |
| Total | $ 425,930 | $ 98,598 | $ 524,528 |

Maturities of business-type activities long-term debt are as follows:

| | GEFA Notes Payable | | | Water and Sewer Revenue Bond | | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | $ 86,224 | $ 17,645 | $ 103,869 | $ 93,324 | $ 50,373 | $ 143,697 |
| 2022 | 87,933 | 15,935 | 103,868 | 96,407 | 47,290 | 143,697 |
| 2023 | 89,680 | 14,188 | 103,868 | 99,592 | 44,105 | 143,697 |
| 2024 | 58,639 | 12,767 | 71,406 | 102,765 | 40,933 | 143,698 |
| 2025 | 59,473 | 11,933 | 71,406 | 106,277 | 37,420 | 143,697 |
| 2026-2030 | 310,319 | 46,710 | 357,029 | 583,058 | 140,368 | 723,426 |
| 2031-2035 | 313,189 | 23,982 | 337,171 | 508,945 | 43,600 | 552,545 |
| 2036-2039 | 154,207 | 4,384 | 158,591 | - | - | - |
| Total | $ 1,159,664 | $ 147,544 | $ 1,307,208 | $1,590,368 | $ 404,089 | $ 1,994,457 |

The general fund will be utilized to liquidate the above governmental activities long-term debt and the enterprise fund will be utilized to liquidate the above business-type activities long-term debt.

Compensated absences payable is as follow:

| | Beginning Balance | Earned | Used | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Governmental activities | $ 54,476 | $ 52,001 | $(50,351) | $ 56,126 | 45,000 |
| Business-type activities | 21,690 | 10,612 | (8,453) | 23,849 | 20,000 |
| Total | $ 76,166 | $ 62,613 | $(58,804) | $ 79,975 | $ 65,000 |

The general fund and water, sewer and sanitation fund will be used to liquidate the above liabilities.

**NOTE 7 – FUND BALANCES AND NET POSITION**

Nonspendable - Fund balance of $75,808 in the governmental funds is in nonspendable form because it is allocated to prepaid insurance, rent, IT contract services and other expenditures paid for future periods.

Restricted – Fund balances in the general fund of $81,279 and $45,452 are restricted by a donor for a specific capital project and for road improvements, respectively. Fund balance of $429,101 in the capital project funds is restricted for capital projects financed with Special Local Option Sales Tax Fund (SPLOST) proceeds. Fund balance in the other governmental funds is restricted as follows: $132 for specific public safety expenditures, $33,136 for use by the Downtown Development Authority of the City of Hahira, and $55,579 for capital projects financed with Transportation Special Local Option Sales Tax Fund (TSPLOST) proceeds.

**NOTE 8 – RETIREMENT BENEFITS**

*GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM*

Plan Description. The City is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), a noncontributory agent multiple employer defined benefit public employee retirement system that acts as a common investment and administrative agent for governmental entities in the State of Georgia. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is administered by Georgia Municipal Association. Benefit provisions and all other requirements are established by state statute. Plan features, including benefit provisions, are established by the plan Board of Trustees. Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained from the Georgia Municipal Association, 201 Pryor Street S.W., Atlanta, Georgia 30303-3606.

Employees Covered. As of July 1, 2019, the following employees were covered by the benefit terms for the plan:

| | | Average | | | |
|---|---|---|---|---|---|
| Participants | Count | Age | Service | Pay | Benefits |
| Active | 27 | 44.9 | 9.8 | $ 38,958 | N/A |
| Retired | 8 | 71.1 | N/A | N/A | $362 |
| Disabled | 0 | N/A | N/A | N/A | N/A |

Contributions. The Board of Trustees of the GMEBS has adopted an actuarial funding policy for the determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 years to 30 years based on the funding policy adopted by GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The total level dollar amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded (surplus) actuarial accrued liability.

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM (CONTINUED*)

The plan is subject to minimum funding standards of the Public Retirement System Standards Law (Georgia Code Section 47-20-10). The recommended employer contribution in accordance with the funding policy of the plan is $68,073, for the year ended December 31, 2019, (6.72% of covered payroll).

Net Pension Liability. The net pension liability as of March 31, 2019 (the measurement date), is $364,176, being the excess of the total pension liability, $1,263,711, over the plan's fiduciary net position, $899,535, both as of the measurement date. The total pension liability was determined as of the measurement date using amounts determined from actuarial valuation as of the measurement date.

Actuarial Assumptions

*Valuation Date*. The actuarially determined contribution rate was determined as of July 1, 2019, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2020.

*Measurement Date*. March 31, 2020

*Methods and assumptions used to determine contribution rates*.

*Actuarial Cost Method.* Projected Unit Credit

*Amortization Method*. Closed level dollar for remaining unfunded liability

*Remaining Amortization Period.* Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.

*Asset Valuation Method*. Sum of actuarial value at the beginning of the year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

*Actuarial Assumptions*:

*Net Investment Rate of Return*. 7.375%
*Projected Salary Increases*. 2.25% plus service-based merit increases
*Inflation rate*. 2.25%
*Cost of living adjustments*. 0%
*Retirement age*. 65+5
*Mortality*. Based on actuarial experience study for the period of January 1, 2015 to June 30, 2019.

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM (CONTINUED)*

Long-term Expected Rate of Return – 7.375%, On-going Basis

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 45% | 6.41% |
| International equity | 20% | 6.96% |
| Domestic fixed income | 20% | 1.96% |
| Real estate | 10% | 4.76% |
| Global fixed income | 5% | 3.06% |
| Cash | 0% | |
| Total | 100% | |

*Plan termination basis*. 2.12% (30-year Treasury Securities Rate as of August 2019, published in September 2019; 3.04% last year)

*Discount Rate*. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM (CONTINUED)*

Changes in Net Pension Liability

The changes in the net pension liability are as follows:

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| Balances at March 31, 2019* | $1,263,711 | $899,535 | $364,176 |
| Changes for the year: | | | |
| Service costs | 30,783 | - | 30,783 |
| Interest | 95,518 | - | 95,518 |
| Difference between expected and actual experience | 2,876 | - | 2,876 |
| Contributions - employer | - | 68,851 | (68,851) |
| Net investment income | - | (66,032) | 66,032 |
| Benefit payments | (41,835) | (41,835) | - |
| Adminstrative expense | - | (5,022) | 5,022 |
| Other | (12,152) | - | (12,152) |
| Net changes | 75,190 | (44,038) | 119,228 |
| Balances at March 31, 2020** | $1,338,901 | $855,497 | $483,404 |

* Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2019 are used to measure TPL as of March 31, 2019. The balances as of March 31, 2018 constitute measurements of the NPL for the fiscal year ending December 31, 2019.

** Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2020 are used to measure TPL as of March 31, 2020. The balances as of March 31, 2020 constitute measurements of the NPL for the fiscal year ending December 31, 2020.

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA MUNICIPAL EMPLOYEES BENEFIT SYSTEM (CONTINUED)*

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

Discount Rate – 7.375%

The following presents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as the net pension liability calculated using the discount rate that is one percentage point lower (6.375%) and one percentage point higher (8.375%) than the current rate:

| | 1% Decrease (6.375%) | Current Discount Rate (7.375%) | 1% Increase (8.375%) |
|---|---|---|---|
| Net pension liability | $ 668,531 | $ 483,404 | $ 329,173 |

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

| | Deferred Outflows of Resources | Deferred Inflows Resources |
|---|---|---|
| Pension contributions subsequent to measurement date | $ 53,390 | $ - |
| Differences between expected and actual experience | 61,757 | - |
| Changes in assumptions | 7,083 | (10,125) |
| Net differences between projected and actual earnings on pension plan investments | 106,667 | - |
| Total | $ 228,897 | $ (10,125) |

Deferred outflows of resources related to contributions made after the measurement date of July 1, 2018, in the amount of $53,390, will be recognized as a reduction in net pension liability in the year ended December 31, 2021. The remaining amount, $175,507, reported as deferred outflows related to pensions at December 31, 2020, will increase pension expense in the future as follows: $42,715 in 2021, $48,567 in 2022, $55,647 in 2023, $28,096 in 2024 and $479 in 2025.

Amounts reported as deferred inflows of resources related to pensions on December 31, 2020, totaling $10,125, will increase (decrease) pension expense in the future as follows: $2,025 each year for 2021 to 2025.

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA FIREFIGHTERS'S PENSION FUND*

Plan Description. The City is a participating member of the Georgia Firefighters' Pension Fund (GFPF), a multiple employer cost-sharing defined benefit public employee retirement system funded by Member contributions and tax revenues on insurance premiums in protected areas. All fire departments with members (fulltime, part-time, or volunteer) and/or retirees in the Fund are considered to be Employers. The plan provides retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

GFPF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from GFPF, 2171 East View Parkway, Conyers, GA, 30013-5756 or at www.gfpf.org.

Current Plan Provisions and Benefit Terms. The plan provisions and contribution revenue are established under Chapter 7 of Title 47 of the Official Code of Georgia. The Chapter has established a five-member Board of Trustees to administer the Fund. The Georgia Legislature has sole authority to change plan provisions, except that the Fund's Trustees may approve ad hoc cost-of-living adjustments each six months not exceeding 1 ½% per increase. The Georgia Legislature also determine source of revenues to the Fund from the State and Members. Employers are not required to make contributions to this fund.

*Eligibility*. Any person employed as a firefighter or enrolled as a volunteer firefighter making required monthly dues. Members of Peace Officers' Annuity and Benefit Fund are excluded. Regular employees of the fund are eligible.

*Credited Service*. All service as a Member of the fund rendered while a firefighter or volunteer firefighter excluding year for volunteer firefighters who do not meet attendance, meeting or drill requirements and excluding any leave of absence time. The Board may calculate Credited Service on a monthly basis.

*Normal retirement*. Full benefits paid at age 55 with at least 25 years of service. Reduced benefits paid if Member has at least 15 years of service.

*Vesting*. After completion of 15 years of service, a participant is 100% vested. If termination occurs prior to vesting, total member contributions are refunded, less 5%.

*Vesting Benefits*. Prior to vesting, death benefits equal $5,000. After vesting, the death benefit is as described by the Code.

*Member Contributions (Dues*). $25 per month.

*Cost-of-Living Allowance (COLA).* There is no automatic provision.

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA FIREFIGHTERS'S PENSION FUND (CONTINUED)*

Actuarial Assumption and Methods.

*Actuarial assumptions used to measure the total pension liability:*

*Measurement date: June 30, 2019*
*Actuarial valuation date: June 30, 2019*
*Inflation: 2.75%*
*Salary increases: N/A*
*Investment rate of return: 6.00%, net of pension plan investment expenses, including inflation*

Mortality: Pre-mortality rates were based on RP-2000 Employees Mortality Table projected to 2025 with projection scale BB. Post-retirement mortality rates were based on the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB set forward 1 year for males and set forward 4 years for females. Post-disability mortality rates were based on the RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB set forward 5 years for males and set forward 3 years for females.

Actuarial assumption used in the June 30, 2019 valuation were based on the results of the last actuarial experience study dated November 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, and then combined by weighing them by the target asset allocation percentages. The target asset allocation and best estimate of arithmetic real rates of return for each major class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| IG Corp Credit | 12.00% | 3.17% |
| MBS | 12.00% | 1.19% |
| Core Bonds | 10.50% | 1.74% |
| Large Cap Equities | 15.50% | 5.78% |
| Small/MidCap Equities | 15.50% | 6.54% |
| Int'l Equities (Unhedged) | 13.00% | 6.63% |
| Emerging Int'l Equities | 6.50% | 9.46% |
| Private Equity | 5.00% | 10.52% |
| Real Estate (Core) | 5.00% | 4.14% |
| Real Assets (Liquid) | 5.00% | 4.66% |
| Total | 100.00% | |

**NOTE 8 – RETIREMENT BENEFITS (CONTINUED)**

*GEORGIA FIREFIGHTERS'S PENSION FUND (CONTINUED)*

*Discount rate***.** The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that Non-Employer Contributing Entity contributions will remain at the level contributed in the previous fiscal year. 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.

The following presents the net collective pension liability calculated using the discount rate of 6.00%, as well as the net pension liability calculated using the discount rate that is one percentage point lower (5.00%) and one percentage point higher (7.00%) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| Collective net pension liablity | $ 315,762,302 | $ 169,131,707 | $ 48,032,885 |

*Municipal bond index rate used in the discount rate at the measurement date:* 3.50%

*Employer's proportionate share of collective net pension liability (NPL)*: $0

*Employer's portion of the non-employer contributing entity's proportionate share of the collective NPL that is associated with the employer*: $87,568

*Total of the employer's proportionate share of the collective NPL and the portion of the non-employer contributing entity's total proportionate share of the collective NPL that is associated with the employer:* $87,568

*Employer's percentage of the collective NPL and the changes in percentage since the prior measurement date*: N/A, 100% of the collective NPL is allocated to the State.

*Change in actuarial assumptions*: There were no changes in actuarial assumptions since the prior measurement date.

*Change in benefit terms:* Since the prior measurement date, a 1.0% Cost-of-Living Adjustment (COLA) was granted to retired members and beneficiaries and to the benefit rate for future retirees effective as of January 1, 2019

*Employer pension expense recognized in the reporting period*: $25,035

*Amount of revenue recognized in support provided by the non-employer contributing entity*: $25,035

**NOTE 9 – RISK FINANCING ACTIVITY**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). This membership allows the City to share liability, crime, motor vehicle, and property damage risks. There was no significant reduction of insurance coverage from the prior year. No losses in excess of insurance coverage have occurred in the last three years.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities. GIRMA establishes and administers one or more group self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. The responsibilities of GIRMA are to defend and protect, in accordance with the member government contract and related coverage descriptions, any member of GIRMA against liability or loss.

The City's deductible limit is $1,000 per occurrence. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss over the deductible.

The City is also a member of the GMA Workers Compensation Self Insurance Fund (GMA). This Fund operates under the authority of OCGA 34-9-150.

The responsibility of the Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the purview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is also responsible for paying all costs 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. Coverage provides up to a maximum of $100,000 for each worker's compensation claim. There is no deductible under this Fund.

Responsibilities of the City regarding GIRMA or GMA are as follows:

To pay all contributions, assessments, or other sums due at such times and in such amounts as shall be established.

To allow GIRMA or GMA and its agents, reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA or GMA.

**NOTE 9 – RISK FINANCING ACTIVITY (CONTINUED)**

To allow attorneys appointed 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 Fund or Funds established by GIRMA or GMA.

To assist and cooperate in the defense and settlement of claims against the City.

**NOTE 10 – CONTINGENCIES**

The City, in conjunction with cities and counties in an eighteen county South Georgia area are members of the Southern Georgia Regional Commission (SGRC). Membership in a regional commission (RC) 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 RCs. Each county and municipality in the state is required by law to pay minimum annual dues to an RC. The RC board membership includes the Chief elected official of each county and the chief elected official of each municipality. The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond resources (O.C.G.A. 50-8-39.1). Separate financial statements are available from the Southern Georgia Regional Commission, Valdosta, Georgia. Management does not believe the SGRC is currently experiencing fiscal stress that could put a financial burden on the City.

In prior years, the City has received monies through various federal and state grants. These programs are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agencies for expenses disallowed under the terms of the grants. Management believes that the City will not incur significant losses on possible grant disallowances

**NOTE 11 – COMMITMENTS AND SUBSEQUENT EVENTS**

On April 12, 2017, the City entered into an operating lease to rent real estate for the use of the police department. The lease term is seven years from the commencement date and will automatically renew up to three additional one-year terms unless the City notifies the lessor. An annual rental payment of $24,000 is due on or before the fifteenth day following the commencement date.

The COVID-19 pandemic developed rapidly in 2020 and continues into 2021, with a significant number of cases. Measures taken by various governments to contain the virus has affected economic activity. Depending on the duration of the of the COVIS-19 crisis and continued negative impact on economic activity, the City could experience negative results and liquidity restraints. The exact impact on the City in the subsequent year cannot be predicted.

**NOTE 12 – RELATED ORGANIZATION**

The Housing Authority of the City of Hahira, Georgia is registered with the Department of Community Affairs (DCA) as a local government authority and is administered by the National Housing Authority. The mayor of the City appoints members to sit on the board of directors of the Authority. However, the City provides no financial support and is not obligated in any manner for the Authority.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | | |
| Budgetary adjusted fund balance, January 1 | $1,190,449 | $1,190,449 | $1,190,449 | $ - |
| Resources (inflows): | | | | |
| Taxes: | | | | |
| Property: | | | | |
| Real property | 345,000 | 345,000 | 339,369 | (5,631) |
| Personal property/rail road equip. | 87,000 | 87,000 | 109,730 | 22,730 |
| Intangible/transfer | 6,000 | 6,000 | 11,103 | 5,103 |
| Franchise | 169,000 | 169,000 | 181,277 | 12,277 |
| Sales and use: | | | | |
| Local option | 310,000 | 310,000 | 359,873 | 49,873 |
| Beer and wine | 75,000 | 75,000 | 89,028 | 14,028 |
| Hotel/motel | 4,500 | 4,500 | 5,080 | 580 |
| Business | 219,500 | 219,500 | 231,386 | 11,886 |
| Licenses and permits | 38,000 | 38,000 | 36,725 | (1,275) |
| Intergovernmental | 8,500 | 93,500 | 312,391 | 218,891 |
| Fines and forfeitures | 1,100,000 | 1,100,000 | 753,956 | (346,045) |
| Investment earnings | 1,500 | 1,500 | 7,401 | 5,901 |
| Rental income | 7,500 | 7,500 | 7,500 | - |
| Proceeds from sales of assets | - | - | 11,935 | 11,935 |
| Reimbursement for damaged property | - | - | 2,424 | 2,424 |
| Contributions | 3,500 | 3,500 | 80,879 | 77,379 |
| BHT revenue | 10,000 | 10,000 | 11,559 | 1,559 |
| Miscellaneous | 10,000 | 10,000 | 776 | (9,224) |
| Amounts available for appropriation | 3,585,449 | 3,670,449 | 3,742,841 | 72,392 |
| Charges to appropriation (outflows): | | | | |
| General government | | | | |
| Direct | | | | |
| Personnel services | 155,597 | 155,597 | 198,885 | 43,288 |
| Operating expenditures | 155,150 | 159,650 | 95,738 | (63,912) |
| Total general government | 310,747 | 315,247 | 294,622 | (20,625) |

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | | |
| Judicial | | | | |
| Direct | | | | |
| Personnel services | 37,000 | 37,000 | 21,608 | (15,392) |
| Total judicial | 37,000 | 37,000 | 21,608 | (15,392) |
| Public safety | | | | |
| Direct | | | | |
| Personnel services | 1,232,806 | 1,232,806 | 1,242,008 | 9,202 |
| Operating expenditures | 568,745 | 568,745 | 435,991 | (132,754) |
| Total public safety | 1,801,551 | 1,801,551 | 1,677,999 | (123,552) |
| Public works | | | | |
| Direct | | | | |
| Personnel services | 24,560 | 24,560 | 33,212 | 8,652 |
| Operating expenditures | 123,307 | 123,307 | 99,565 | (23,742) |
| Total public works | 147,867 | 147,867 | 132,777 | (15,090) |
| Health and welfare | | | | |
| Direct | | | | |
| Personnel services | 11,311 | 11,311 | 9,729 | (1,582) |
| Operating expenditures | 19,900 | 19,900 | 21,476 | 1,576 |
| Total health and welfare | 31,211 | 31,211 | 31,205 | (6) |
| Culture and recreation | | | | |
| Direct | | | | |
| Personnel services | 79,734 | 79,734 | 71,826 | (7,908) |
| Operating expenditures | 17,250 | 17,250 | 22,562 | 5,312 |
| Capital outlay | 7,950 | 92,950 | 82,316 | (10,634) |
| Total culture and recreation | 104,934 | 189,934 | 176,704 | (13,230) |
| Housing and development | | | | |
| Direct | | | | |
| Personnel services | 86,190 | 86,190 | 62,262 | (23,928) |
| Operating expenditures | 35,500 | 35,500 | 25,265 | (10,235) |
| Total housing and development | 121,690 | 121,690 | 87,527 | (34,163) |
| Total charges to appropriations | 2,555,000 | 2,644,500 | 2,422,442 | (222,058) |
| Budgetary fund balance, December 31 | $1,030,449 | $1,025,949 | $1,320,399 | $ 294,450 |

See accompanying note to budgetary comparison schedule.

CITY OF HAHIRA
SCHEDULE OF CHANGES IN GMEBS NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS*
DECEMBER 31, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Year Ended December 31 | | | | | | |
| **Total Pension Liability** | | | | | | |
| Service cost | $ 30,783 | $ 28,933 | $ 27,054 | $ 20,368 | $ 18,968 | $ 18,858 |
| Interest | 95,518 | 89,323 | 81,804 | 70,613 | 66,803 | 61,869 |
| Difference between expected and actual experience | 2,876 | 4,517 | 27,750 | 97,302 | 4,651 | 24,621 |
| Change in assumptions | (12,152) | - | 14,163 | - | - | (1,788) |
| Benefit payments | (41,835) | (42,209) | (46,327) | (41,433) | (41,082) | (38,715) |
| **Net Change in total pension liability** | 75,190 | 80,564 | 104,444 | 146,850 | 49,340 | 64,845 |
| **Total Pension Liability** | | | | | | |
| **Beginning** | 1,263,711 | 1,183,147 | 1,078,703 | 931,853 | 882,513 | 817,668 |
| **Ending** | 1,338,901 | 1,263,711 | 1,183,147 | 1,078,703 | 931,853 | 882,513 |
| **Plan fiduciary net position** | | | | | | |
| Contributions - employer | 68,851 | 61,136 | 50,808 | 40,231 | 41,999 | 39,163 |
| Net investment income | (66,032) | 31,262 | 94,279 | 85,592 | 1,732 | 60,026 |
| Benefit payments | (41,835) | (42,209) | (46,327) | (41,433) | (41,082) | (38,715) |
| Administrative expenses | (5,022) | (4,672) | (4,496) | (4,559) | (2,936) | (2,641) |
| **Net change in plan fiduciary net position** | (44,038) | 45,517 | 94,264 | 79,831 | (287) | 57,833 |
| **Plan fiduciary net position** | | | | | | |
| **Beginning** | 899,535 | 854,018 | 759,754 | 679,923 | 680,210 | 622,377 |
| **Ending** | 855,497 | 899,535 | 854,018 | 759,754 | 679,923 | 680,210 |
| **Net pension liability - ending** | $ 483,404 | $ 364,176 | $ 329,129 | $ 318,949 | $ 251,930 | $ 202,303 |
| **Plan fiduciary net position as a % of total pension liability** | 63.90% | 71.18% | 72.18% | 70.43% | 72.96% | 77.08% |
| Covered-employee payroll | $1,051,866 | $1,123,821 | $ 999,376 | $ 924,190 | $ 708,360 | $ 629,835 |
| Net pension liability as a % of covered employee payroll | 45.96% | 32.41% | 32.93% | 34.51% | 35.57% | 32.12% |

**Notes to Schedule**

*Benefit changes*. Effective January 1, 2015, the Plan was amended to provide for immediate participation for all employees. This change has no impact on service credited under the Plan and has no impact on benefits.

*Year 2015 was the 1st year of implementation; therefore, only six years are shown.

CITY OF HAHIRA
SCHEDULE OF GMEBS RETIREMENT PLAN CONTRIBUTIONS
LAST TEN YEARS*
DECEMBER 31, 2020

| **Year ended December 31** | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | __** | $ 68,073 | $ 58,824 | $ 43,322 | $ 44,014 | $ 41,328 |
| Contribution in relation to the actuarially determined contribution | __** | $ 68,073 | $ 64,434 | $ 39,712 | $ 44,014 | $ 41,328 |
| Contribution deficiency (excess) | __** | $ - | $ (3,610) | $ 3,610 | $ - | $ - |
| Covered-employee payroll | __** | $1,123,821 | $ 999,376 | $ 924,190 | $ 708,360 | $ 629,835 |
| Contribution as a % of covered employee payroll | __** | 6.06% | 6.25% | 4.30% | 6.21% | 6.56% |

**Notes to Schedule of Contributions – see Note 8 for details**

*Year 2015 was the first year of implementation, therefore only six years are shown.

**2020 information will be determined after fiscal year end and will be included in the 2021 valuation report.

CITY OF HAHIRA
SCHEDULE OF GFPF COLLECTIVE NET PENSION AND EMPLOYER LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Nonemployer Contributing Entity | | | | |
| Net pension liability as of June 30 | | | | |
| Total collective pension liability (TPL) | $ 1,103,481,927 | $ 1,065,924,289 | $ 1,007,204,835 | $ 970,155,843 |
| Fiduciary collective net position (FNP) | 934,350,220 | 894,870,607 | 843,413,792 | 766,677,306 |
| Net collective pension liability (NPL) | $ 169,131,707 | $ 171,053,682 | $ 163,791,043 | $ 203,478,537 |
| Collective FNP as a percentage of TPL | 84.67% | 83.95% | 83.74% | 79.03% |
| Collective pension expense (PE) | $ 48,352,850 | $ 43,330,422 | $ 36,038,356 | $ 45,770,646 |
| Collective deferred outflows of resources | $ 29,025,455 | $ 36,565,443 | $ 36,429,006 | $ 69,512,128 |
| Collective deferred inflows of resources | $ 22,607,398 | $ 17,774,410 | $ 17,285,444 | $ 8,794,764 |
| Employer's Proportionate Share | | | | |
| Employer allocation percentage** | 0.051775% | 0.029667% | 0.022519% | 0.022592% |
| Employer's allocable share of: | | | | |
| Deferred outflows of resources | $ - | $ - | $ - | $ - |
| Deferred inflows of resources | $ - | $ - | $ - | $ - |
| Employer's allocable share of NPL | $ - | $ - | $ - | $ - |
| Portion of the nonemployer contributing entity's porportionate share of collective NPL associated with the employer | 87,568 | 50,746 | 36,884 | 45,970 |
| Total employer's share of collective NPL | $ 87,568 | $ 50,746 | $ 36,884 | $ 45,970 |
| Employer's covered payroll | $ - | $ - | $ - | $ - |
| Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll | 0% | 0% | 0% | 0% |

*Year 2015 was the 1st year of implementation; however, 2015 information is unavailable; therefore, only four years are shown.

**The State makes all contributions to the plan on behalf of employees of the participating employers. The proportionate share percentage has been determined based on these contributions.

**NOTE A - BUDGETS**

The City's Finance Ordinance requires the governing authority to adopt budgets for all governmental fund types (general and special revenue funds). An annual budget is also prepared for the City's enterprise fund. Budgets for capital projects fund are adopted on a total project basis rather than on an annual basis. The annual budgets are prepared in accordance with the basis of accounting utilized by that fund. The legal level of budgetary control is the department level.

The budget may be amended by the Mayor and Council during or after the public hearing except that no amendment shall be effective with a public hearing if (1) a new item of appropriation is added in excess of one percent of the total amount of appropriations stated in the initially approved budget, (2) there is an increase or decrease in any item of appropriations by more than 10%, or (3) there is an increase in appropriations requiring an increase in taxes by more than 5%. Notice of hearings on budget amendments must be advertised at least three days prior to the date set for the hearing.

In October 2004, the City Finance Ordinance was amended to provide that: (1) the budget shall state the objectives and services to be provided in a clear general summary for each department, (2) each departmental budget shall include totals for the categories of: salaries and wages, supplies, contracted services and capital outlays, (3) the general fund budget includes designated sections for revenues, debt service, and capital expenditures, (4) the total proposed expenditures shall not exceed the total anticipated revenues.

Department managers may transfer appropriations in any fund among the various accounts within a department with certain restrictions. Transfers within a department, which increase salaries, require approval of the City Council. Any increase in appropriation for any fund or department within a fund requires approval of the City Council. Except for appropriations for capital expenditures, all appropriations, to the extent not expended or encumbered, lapse at the close of the period for which the appropriation was budgeted. Appropriations for capital expenditures continue in effect until the purpose for which it was made has been accomplished or abandoned. Capital appropriations are deemed abandoned after three years when there has been no disbursement or encumbrance of the appropriation.

The Mayor and Council advertise and conduct public hearings on the proposed budget in accordance with ordinances and state law requirements. The budget for the year ended December 31, 2020 was adopted by the council on September 5, 2019 and amended on January 7, 2021.

**NOTE B - BUDGET - TO - ACTUAL RECONCILIATION**

An explanation of the difference between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles are as follows:

| | General Fund |
|---|---|
| Sources/inflows of resources: | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | $ 3,742,841 |
| Differences - budget to GAAP: | |
| Reimbursements for damaged property are considered to be other financing sources in the statement of revenues, expenditures and changes in fund balances | (2,424) |
| Pension fund contribution provided by Georgia Firefigher's Pension Fund | 25,035 |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes | (1,190,449) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | $ 2,575,003 |
| Uses/outflows of resources: | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 2,422,442 |
| Differences - budget to GAAP: | |
| Pension fund expense funded by Georgia Firefigher's Pension Fund | 25,035 |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | $ 2,447,477 |

**INDIVIDUAL FUND SCHEDULES**

CITY OF HAHIRA
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | Special Revenue Funds | | | Capital Project Fund | |
|---|---|---|---|---|---|
| | Drug Seized Fund | Downtown Development Authority | Total | TSPLOST | Total Other Governmental Funds |
| **ASSETS** | | | | | |
| Cash: | | | | | |
| Restricted | $ 132 | $ 33,392 | $ 33,524 | $ 50,899 | $ 84,423 |
| Intergovermental receivable | - | - | - | 4,730 | 4,730 |
| Total assets | $ 132 | $ 33,392 | $ 33,524 | $ 55,629 | $ 89,153 |
| **LIABILITIES AND FUND BALANCE** | | | | | |
| Liabilities: | | | | | |
| Interfund balance | $ - | $ 256 | $ 256 | $ 50 | $ 306 |
| Fund balance: | | | | | |
| Restricted | 132 | 33,136 | 33,268 | 55,579 | $ 88,847 |
| Total liabilities and and fund balance | $ 132 | $ 33,392 | $ 33,524 | $ 55,629 | $ 89,153 |

CITY OF HAHIRA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Special Revenue Funds | | | Capital Project Funds | |
|---|---|---|---|---|---|
| | Drug Seized Fund | Downtown Development Authority | Total | TSPLOST | Total Other Governmental Funds |
| **REVENUES** | | | | | |
| TSPLOST revenue | $ - | $ - | $ - | $ 46,950 | $ 46,950 |
| Fines and forfeitures | 950 | - | 950 | - | 950 |
| Investment earnings | | 59 | 59 | 105 | 164 |
| Total revenues | 950 | 59 | 1,009 | 47,055 | 48,064 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| Public safety | 1,687 | - | 1,687 | - | 1,687 |
| Housing and development | - | 2,008 | 2,008 | - | 2,008 |
| Capital outlay: | | | | | - |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Public works | - | - | - | 47,701 | 47,701 |
| Culture and recreation | - | - | - | - | - |
| Debt service: | | | | | |
| Public safety | - | - | - | - | - |
| Total expenditures | 1,687 | 2,008 | 3,695 | 47,701 | 51,396 |
| Excess (deficiency) of revenues over (under) expenditures | (737) | (1,949) | (2,686) | (646) | (3,332) |
| Fund balances - beginning | 869 | 35,085 | 35,954 | 56,225 | 92,179 |
| Fund balances - ending | $ 132 | $ 33,136 | $ 33,268 | $ 55,579 | $ 88,847 |

**STATE COMPLIANCE SECTION**

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020

| Project | Original Estimated Cost | Revised Estimated Cost | Expenditures Prior Years | Expenditures Current Period | Expenditures Total | Estimated Percent Completed |
|---|---|---|---|---|---|---|
| **SPLOST VII - 2013 Issue** | | | | | | |
| Referendum Expenditures: | | | | | | |
| Construction and improvements to: | | | | | | |
| Roads, streets, bridges, sidewalks, paths and trails | $ 750,000 | $ 647,066 | $ 270,916 | $ 5,870 | $ 276,786 | |
| Water and sewer facilities | 1,250,000 | 1,078,445 | 832,501 | 48,633 | 881,134 | |
| Construction of, improvements to and major capital equipment for: | | | | | | |
| Public safety -police and firefighting: rescue equipment, computer and communication equipment, vehicles, acquisition of property | 800,000 | 690,203 | 827,547 | 210,888 | 1,038,435 | |
| Administrative: Facilities, computer equipment and technology upgrades | 558,480 | 481,830 | 93,770 | 13,288 | 107,058 | |
| Parks and recreation | 400,000 | 345,101 | 463,237 | 475,994 | 939,231 | |
| Totals | $ 3,758,480 | $ 3,242,645 | $ 2,487,971 | $ 754,673 | $ 3,242,644 | 100.00% |

Prepared on the modified accrual basis of accounting.

CITY OF HAHIRA
ONE PERCENT SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE (CONTINUTED)
FOR THE YEAR ENDED DECEMBER 31, 2020

| Project | Original Estimated Cost | Expenditures Prior Years | Expenditures Current Period | Expenditures Total | Estimated Percent Completed |
|---|---|---|---|---|---|
| **SPLOST VIII - 2019 Issue** | | | | | |
| Referendum Expenditures: | | | | | |
| Construction and improvements to: | | | | | |
| Roads, streets, bridges, sidewalks, paths and trails | $ 500,000 | $ - | $ 12,035 | $ 12,035 | |
| Water and sewer facilities | 1,245,586 | - | - | - | |
| Construction of, improvements to and major capital equipment for: | | | | | |
| Public safety -police and firefighting: rescue equipment, computer and communication equipment, vehicles, acquisition of property | 1,000,000 | - | 12,958 | 12,958 | |
| Administrative: | 350,000 | - | - | - | |
| Facilities, computer equipment and technology upgrades | | | | | |
| Parks and recreation | 350,000 | - | 89,956 | 89,956 | |
| Totals | $ 3,445,586 | $ - | $ 114,949 | $ 114,949 | 3.34% |

Prepared on the modified accrual basis of accounting.

CITY OF HAHIRA
ONE PERCENT TRANSPORTATION SPECIAL PURPOSE SALES TAX
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020

| Project | Original Estimated Cost | Expenditures Prior Years | Expenditures Current Period | Expenditures Total | Estimated Percent Completed |
|---|---|---|---|---|---|
| **TSPLOST - 2018 Issue** | | | | | |
| Referendum Expenditures: | | | | | |
| General transportation projects | $ 396,755 | $ 84 | $ 47,701 | $ 47,785 | |
| Totals | $ 396,755 | $ 84 | $ 47,701 | $ 47,785 | 0.00% |

Prepared on the modified accrual basis of accounting.

**FEDERAL COMPLIANCE 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*

To the Mayor and Council
City of Hahira, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hahira, Georgia ("the City"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated June 1, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control (2020-001) that we consider to be a material weakness.



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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**The City's Response to Findings**

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

**Purpose of this Report**

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

Respectfully submitted,

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

June 1, 2021

CITY OF HAHIRA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

**2020-001**

Criteria: Proper segregation of accounting functions strengthens internal control.

Condition: Inadequate segregation of accounting duties among personnel.

Cause: Limited staff size and resources.

Effect: Due to limited staff size certain functions are not segregated including collection/deposit of cash; accounts payable and recording of general ledger and payroll processing and general ledger. Errors, intentional or otherwise, and fraud could occur in the processing of financial transactions and preparation of financial statements.

Recommendation: We recommend that increased management oversight of the accounting function be utilized to mitigate risk.

Management Response: Management concurs with this finding. See management's Corrective Action Plan separately submitted.

CITY OF HAHIRA, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

| Audit Reference Number | |
|---|---|
| 2019-001 | Uncorrected in current year and recited as 2020-001. |
| 2019-002 | Corrected in current year. |