CITY OF HEPHZIBAH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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To the City Commission
Hephzibah, Georgia

•Morris & Waters•

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Hephzibah, Georgia, (the City) as of and for the year ended June 30, 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, and each major fund of the City of Hephzibah, Georgia as of June 30, 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.

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Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 29 and Retirement Plan Schedule of Changes on Net Pension Liability on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hephzibah, Georgia's basic financial statements. The Schedule of Special Local Option Sales Tax Projects as required by the Official Code of Georgia Annotated as described in the table of contents on page 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Special Local Option Sales Tax is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Special Local Option Sales Tax is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the City of Hephzibah's internal control over financial reporting and on our tests of its compliance with certain provision 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.

Morris & Waters

Morris and Waters

Canton, Georgia
March 28, 2023

CITY OF HEPHZIBAH, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 9,145,299	$ 136,020	$ 9,281,319
Accounts Receivable (net)	32,505	40,404	72,909
Taxes Receivable (net)	67,828	-	67,828
Due from Other Governments	12,401	-	12,401
Prepaid Items	7,613	6,486	14,099
Total Current Assets:	9,265,646	182,910	9,448,556
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Capital Assets not being Depriciated	5,083,560	-	5,083,560
Capital Assets, net of Accumulated Depreciation	10,586,461	3,881,833	14,468,294
Total Noncurrent Assets:	15,670,021	3,881,833	19,551,854
Total Assets	$ 24,935,667	$ 4,064,743	$ 29,000,410
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Items	35,710	10,859	46,569
LIABILITIES			
Current Liabilities:			
Accounts and Contracts Payable	$ 78,256	$ 16,013	$ 94,269
Customer Deposits	-	59,991	59,991
Noncurrent Liabilities:			
Net Pension Liability	94,196	28,647	122,843
Total Liabilities	172,452	104,651	277,103
DEFERRED INFLOWS OF RESOURCES			
Pension Related Items	69,993	21,287	91,280
NET POSITION			
Net Investment in Capital Assets	15,670,021	3,881,833	19,551,854
Restricted - Capital Projects	5,608,654	-	5,608,654
Unrestricted	3,450,257	67,831	3,518,088
Total Net Position	$ 24,728,932	$ 3,949,664	$ 28,678,596

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	$ 808,718	$ 958,723	$ -	$ 167,848	$ 317,853	$ -	$ 317,853
Public Safety	1,174,171	110,654	-	-	(1,063,517)	-	(1,063,517)
Public Works	395,643	-	-	80,412	(315,231)	-	(315,231)
Total Governmental Activities	2,378,532	1,069,377	-	248,260	(1,060,895)	-	(1,060,895)
Business-Type Activities:							
Water and Sewerage	767,436	564,275	-	-	-	(203,161)	(203,161)
Total Business-Type Activities	767,436	564,275	-	-	-	(203,161)	(203,161)
Total Primary Government	$ 3,145,968	$ 1,633,652	$ -	$ 248,260	(1,060,895)	(203,161)	(1,264,056)
General Revenues:							
Taxes							
Sales Taxes					815,064	-	815,064
Franchise Tax					180,336	-	180,336
Alcoholic Beverage Tax					101,130	-	101,130
Insurance Premium Tax					306,823	-	306,823
Motor Vehicle Tax					168,214	-	168,214
Other Taxes					26,091	-	26,091
Unrestricted Investment Earnings					12,934	673	13,607
Miscellaneous Income					26,781	-	26,781
Total General Revenues					1,637,373	673	1,638,046
Other:							
Transfers In from Other Funds					-	123,198	123,198
Transfers Out to Other Funds					(123,198)	-	(123,198)
Changes in Net Position					453,280	(79,290)	373,990
Net Position - Beginning					24,275,652	4,028,954	28,304,606
Net Position - Ending					$ 24,728,932	$ 3,949,664	$ 28,678,596

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	General	TSPLOST	SPLOST	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 3,527,066	$ 883,252	$ 4,734,981	$ 9,145,299
Accounts Receivable	32,505	-	-	32,505
Taxes Receivable	67,828	-	-	67,828
Due from Other Governments	-	12,401	-	12,401
Prepaids	7,613	-	-	7,613
Interfund Receivable	23,075	-	63,980	87,055
Total Assets	$ 3,658,087	$ 895,653	$ 4,798,961	$ 9,352,701
LIABILITIES				
Current Liabilities:				
Accounts and Contracts Payable	$ 78,256	$ -	$ -	$ 78,256
Interfund Payable	1,095	85,960	-	87,055
Total Liabilities	79,351	85,960	-	165,311
FUND BALANCE				
Nonspendable:				
Prepaid Items	7,613	-	-	7,613
Restricted:				
Capital Projects	-	809,693	4,798,961	5,608,654
Unassigned	3,571,123	-	-	3,571,123
Total Fund Balances	3,578,736	809,693	4,798,961	9,187,390
Total Liabilities and Fund Balances	$ 3,658,087	$ 895,653	$ 4,798,961	$ 9,352,701

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances for Governmental Funds	**$ 9,187,390**
Total Net Position for Governmental Activities in the Statement of Net Position is different because:	
Capital assets of $19,551,884 net of acccumulated depreciation of $3,881,863 are not financial resources and, therefore, are not reported in the funds.	**15,670,021**
Long Term Liability - net pension liability, is not due and payable in the current period and therefore, not reported in the governmental funds financial statements, but are reported in the governmental activities column of the Statement of Net Position	**(94,196)**
Deferred outflows of resources related to pensions	**35,710**
Deferred Inflows of resources related to pensions	**(69,993)**
Total Net Position of Governmental Activities	**$ 24,728,932**

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	General	TSPLOST	SPLOST	Total Governmental Funds
REVENUES				
Taxes	$ 1,597,658	$ -	$ -	$ 1,597,658
Licenses and Permits	15,937	-	-	15,937
Intergovernmental	80,412	134,615	-	215,027
Fines and Forfeitures	110,654	-	-	110,654
Rents Received	942,786	-	-	942,786
Investment Income	12,934	3,224	30,009	46,167
Miscellaneous	26,781	-	-	26,781
Total Revenues	2,787,162	137,839	30,009	2,955,010
EXPENDITURES				
Current:				
General Government	262,502	-	-	262,502
Public Safety	1,113,262	-	-	1,113,262
Public Works	291,287	-	-	291,287
Capital Outlay:				
General Government	-	-	19,066	19,066
Public Safety	-	-	771,697	771,697
Public Works	557,372	85,960	2,522,191	3,165,523
Total Expenditures	2,224,423	85,960	3,312,954	5,623,337
Excess (Deficiency) of Revenues Over (Under) Expenditures	562,739	51,879	(3,282,945)	(2,668,327)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers Out	-	-	(123,198)	(123,198)
Total Other Financing Sources (Uses)	-	-	(123,198)	(123,198)
Net Change in Fund Balances	562,739	51,879	(3,406,143)	(2,791,525)
Fund Balances - Beginning of Year	3,015,997	757,814	8,205,104	11,978,915
Fund Balances - End of Year	$ 3,578,736	$ 809,693	$ 4,798,961	$ 9,187,390

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance - Total Governmental Funds	$ (2,791,525)
Total Change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which depreciation of $588,452 was exceeded by net capital outlay of ($3,852,736) in the current period.	3,264,284
Long term liabilities - changes in net pension liability, does not consume current financial resources and therefore they are not reported as expenditures in governmental funds	34,007
Deferred outflows and inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.	
Change in deferred outflows of resources related to pensions	(56,290)
Change in deferred inflows of resources related to pensions	2,804
Change in Net Position of Governmental Activities	$ 453,280

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Water and Sewerage
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 136,020
Accounts Receivable (Net of Allowance for Uncollectibles)	40,404
Prepaids Expenses	6,486
Total Current Assets	182,910
Capital Assets Net of Accumulated Depreciation	
Capital Assets	6,633,751
Accumulated Depreciation	(2,751,918)
Total Noncurrent Assets	3,881,833
Total Assets	4,064,743
Deferred Outflow of Resources	10,859
LIABILITIES	
Current Liabilities:	
Accounts and Contracts Payable	16,013
Customer Deposits	59,991
Total Current Liabilities	76,004
Non-Current Liabilities:	
Net Pension Liability	28,647
Total Non-Current Liabilities	28,647
Total Liabilities	104,651
Deferred Inflows of Resources	21,287
NET POSITION	
Net Investment in Capital Assets	3,881,833
Unrestricted	67,831
Total Net Position	3,949,664
Total Liabilities and Net Position	$ 4,054,315

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2020

	Water and Sewerage
OPERATING REVENUES	
Charges for Services	$ 480,037
Rental Income	39,458
Miscellaneous Income	44,780
Total Operating Revenues	564,275
OPERATING EXPENSES	
Personnel Services	305,551
Maintenance, Operations, and Contracted Services	58,606
Materials and Supplies	190,823
Depreciation and Amortization	212,456
Total Operating Expenses	767,436
Total Operating Loss	(203,161)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	673
Total Nonoperating Revenues (Expenses)	673
Loss before Transfers	(202,488)
Transfers From Other Funds	123,198
Transfers To Other Funds	-
Changes in Net Position	(79,290)
Net Position - Beginning	4,028,954
Net Position - Ending	$ 3,949,664

The notes to the financial statements are an integral part of this statement.

CITY OF HEPHZIBAH, GEORGIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	Water and Sewerage
Cash Flows from Operating Activities:	
Cash Received from Customers	$ 585,337
Cash Payments to Suppliers and Service Providers	(210,004)
Cash Payments to Employees	(305,551)
Net Cash provided by (Required for)	
Operating Activities	69,782
Cash Flows from Investing Activities:	
Interest Income	673
Net Cash Flows From Investing Activities	673
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(224,423)
Transfers in from SPLOST	123,198
Net Cash Used by Capital and Related Financing Activities	(101,225)
Net decrease in Cash and Cash Equivalents	(30,770)
Cash and Equivalents at Beginning of Year	166,790
Cash and Equivalents at End of Year	$ 136,020
Reconciliation of Operating Loss to Net	
Cash Provided from Operating Activities:	
Operating Loss	$ (203,161)
Adjustments to Reconcile Operating	
Loss to Net Cash Provided by (Required for)	
Operating Activities:	
Depreciation and Amortization	212,456
Decrease in Accounts Receivable	21,062
Decrease in Prepaid Expenses	11,580
Decrease in Deferred Outflows of Resources	11,324
Increase in Accounts Payable	12,610
Increase in Customer Deposits	2,602
Increase in Net Pension Liability	5,209
Decrease in Deferred Inflows of Resources	(3,900)
Net Cash Provided by (Required for)	
Operating Activities	$ 69,782

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The City of Hephzibah ("The City") was incorporated by an act of the Georgia Legislature. The City of Hephzibah operates under a Chairman and Commissioner form of government. All members serve on a part-time basis. The Chairman and Commissioner appoint a City Clerk who is responsible for the daily operations of the City. The following services are provided to the citizens of Hephzibah: highways and streets, sanitation, public safety, public improvements, planning and community development, water and sewer, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements or APB opinions issued after November 30, 1989. The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The financial statements of the reporting entity include those of the City of Hephzibah, Georgia (the primary government). Component units are legally separate organizations for which the City is financially accountable for the entity or the exclusion of such entity would cause the City's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of the entity's governing body and either the City can impose its will on the entity or the potential exists for the entity to provide specific financial benefits or impose specific financial burdens on the City. Based on this definition, the City has no component units or other organizations that are required to be reported in these financial statements. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Fiduciary funds are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the City at the fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City has elected not to allocate indirect expenses among its programs, functions and segments in the Statement of Activities. The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and, (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. To identify which functional program a revenue pertains to, the determining factor

for *charges for services* is that function which *generates* the revenue; and for *grants and contributions*, the determining factor is that function to which the revenue is *restricted.* Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for both governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's three major governmental funds:

The General Fund – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's unrestricted fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

SPLOST Capital Projects Fund – This fund accounts for SLOST revenue received for the specific purpose of construction and renovation projects in the City.

Transportation Fund (TIA SPLOST)– This fund accounts for the City's share of a one percent sales tax to fund transportation improvements.

Proprietary Funds – Proprietary fund financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, and a statement of cash flows. Proprietary operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. The City's policy for defining operating and non-operating revenues and expenses in proprietary funds is based on the following concepts. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing business. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable to proprietary funds are similar to those used by businesses in the private sector.

The Water and Sewer Fund is classified as a major proprietary fund. This fund accounts for the provision of water and sewer services to City residents. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. All assets and liabilities associated with the operation of the City, including capital assets, as well as infrastructure assets purchased since January 1, 2003, and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities reports revenues and expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year that they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. All governmental funds are reported using the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting.* With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are reported. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements. Like the government-wide statements, all proprietary fund types are accounted for on the flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included in the Statements of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of the fiscal year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching

requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 30 days for sales taxes and within 60 days for all other revenues) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Deferred/Unearned Revenue - The City recognizes revenues and other governmental fund financial resources in the accounting period in which they become both measurable and available. When an asset is received in a governmental fund, but the revenue is not available, the City reports a deferred inflow of resources until such time as the revenue becomes available. The City limits the use of the term "deferred" to items reported as deferred outflows of resources or deferred inflows of resources.

1-E. Assets, Liabilities and Fund Equity

1-E-1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, certificates of deposit, as well as short-term investments with a maturity date within three months of the date acquired by the City. Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in any of the following types of obligations:

- Obligations of the State of Georgia or of any other state.
- Obligations of the United States Government.
- Obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency.
- Obligations of any corporation of the United States Government.
- Prime bankers' acceptances.
- The State of Georgia local government investment pool (i.e., Georgia Fund I).
- Repurchase agreements.
- Obligations of the other political subdivisions of the State of Georgia.

The City limits credit risk of the primary government by investing its cash with banks deposits, which are completely covered by federal depository insurance at June 30, 2020. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits (in excess of FDIC insurance) may not be returned. As of June 30, 2020, the City was not exposed to any custodial credit risk.

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

1-E-2. Receivables

All trade and tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water charges are accrued as receivables and revenue at June 30, 2020.

1-E-3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. At the fund reporting level, an equal amount of fund balance is restricted, as this amount is not available for general appropriation.

1-E-4. Capital Assets

Capital Assets are defined by the City as assets with an initial, individual cost which exceeds certain capitalization thresholds and have an estimated useful life in excess of two years. General capital assets are those assets not specifically related to activities reported in the proprietary funds. All general infrastructure assets (e.g., roads, bridges, sidewalks and similar items) acquired or constructed after December 31, 2002 are reported in the government-wide financial statements. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $1,000 per item. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Estimated Useful Life in Years
Buildings & Improvements	15-25
Improvements, other than Buildings	20
Machinery & Equipment	5-20
Vehicles	3
Furniture and Fixtures	5-10
Infrastructure	20
Water & Sewer Distribution System	12-40

At the inception of a capital lease, at the governmental fund reporting level, expenditures and an "other financing sources" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1-E-6. Compensated Absences

The City does not accrue vacation or sick leave. These benefits are recorded when paid.

1-E-7. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. Capital leases are recognized as a liability in the governmental fund financial statements when due. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

1-E-8. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City restricts those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unrestricted fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific purposes and are tentative management plans that are subject to change.

GASB Statement 54 distinguishes fund balance classifications based on the relative strength of the constraints that control the purposes for which specified amounts can be spent. Beginning with the most restrictive constraints, fund balance amounts will be, if applicable, reported in the following categories:

1) **Nonspendable fund balance –** amounts that are not in a spendable form (e.g., inventory) or are legally or contractually required to be maintained intact (e.g., permanent fund principal).

2) **Restricted fund balance –** amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation (e.g., grants or donations).

3) **Committed fund balance –** amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by referring to the formal action that imposed the constraint originally.

4) **Assigned fund balance –** amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the City Council or by a designee to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

5) **Unassigned fund balance –** includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. At June 30, 2020 the City did not have any Committed Fund Balance or Assigned Fund Balance. During the year ended June 30, 2020, the City did not commit any fund balance nor did they assign any fund balance.

Governmental Activities Restricted Fund Balance is made up of SPLOST and TSPLOST Funds which can only be used for capital projects. At June 30, 2020 the balance in Restricted Fund Balance for capital projects was $5,608,654.

Net Position - Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net positions are reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

1-E-9. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

1-E-10. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-11. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and in the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted). Transfers between governmental and business-type activities on the government-wide Statement of Activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

1-E-12. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information – The City adopts an annual operating budget for the General Fund and each special revenue fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund. The budgets are adopted on a basis consistent with GAAP. Budgets for capital projects funds are adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is generally the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council. During the year, the City Council approves budget revisions. All unexpended annual budget appropriations lapse at year-end. All agencies of the City submit requests for appropriations to the City's clerk so that a budget may be prepared. The proposed budget is presented to the City Council for review. The Council holds a public hearings and a final budget must be prepared and adopted no later than December 31. The adopted budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Council. Supplemental budgetary appropriations in funds were not considered material.

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

***Deposits* – Custodial credit risk –** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to ensure that all deposits in excess of the FDIC limit for governments be collateralized by the financial institution with securities held by the financial institution in the City's name. For custodial credit risk purposes the deposits in banks are classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name; 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and, 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name. All cash bank balances as of the balance sheet date are entirely insured or collateralized with securities held by the City's agent in the City's name. As of June 30, 2020, the City had no "investments" as defined by generally accepted accounting principles.

3-B. Receivables

Receivables at June 30, 2020 consisted of taxes and accounts (billings for user charges, including unbilled utility receivables). Receivables and payables are recorded in the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability. Receivables at June 30, 2020 consist of the following:

	General	Enterprise	Total
Taxes	$ 67,828	$ -	$ 67,828
Accounts	32,505	40,404	72,909
Less Allowance for uncollectible	-	-	-
Net Receivable	$ 100,333	$ 40,404	$ 140,737

3-C. Excess of Expenditures Over Appropriations

The City had excess expenditures over budgeted amounts in the following General Fund areas:

Public Safety	$ 254,962

3-D. Deficit Fund Net Position

The City had no deficit net position balances at June 30, 2020.

3-E. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 1,132,229	$ -	$ -	$ 1,132,229
Construction in Progress	1,959,218	3,731,809	(1,739,696)	3,951,331
Total capital assets, not being depreciated	3,091,447	3,731,809	(1,739,696)	5,083,560
Capital assets being depreciated:				
Buildings and Improvements	10,748,161	1,739,696	-	12,487,857
Furniture, Machinery and Equipment	1,859,540	120,927	-	1,980,467
Total capital assets, being depreciated	12,607,701	1,860,623	-	14,468,324
Less accumulated depreciation for:				
Buildings and Improvements	(1,625,407)	(520,065)	-	(2,145,472)
Furniture, Machinery and Equipment	(1,668,004)	(68,387)	-	(1,736,391)
Total accumulated depreciation	(3,293,411)	(588,452)	-	(3,881,863)
Total capital assets being depreciated, net	9,314,290	1,272,171	-	10,586,461
Total governmental activities capital assets, net	$ 12,405,737	$ 5,003,980	$ (1,739,696)	$ 15,670,021
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 79,145	$ -	$ -	$ 79,145
Total capital assets, not being depreciated	79,145	-	-	79,145
Capital assets being depreciated:				
Buildings and Improvements	90,015	-	-	90,015
Furniture, Machinery and Equipment	515,239	143,442	-	658,681
Water System	5,724,929	80,981	-	5,805,910
Total capital assets, being depreciated	6,330,183	224,423	-	6,554,606
Less accumulated depreciation for:				
Buildings and Improvements	(52,946)	(7,396)	-	(60,342)
Furniture, Machinery and Equipment	(422,363)	(45,547)	-	(467,910)
Water System	(2,064,153)	(159,513)	-	(2,223,666)
Total accumulated depreciation	(2,539,462)	(212,456)	-	(2,751,918)
Total capital assets being depreciated, net	3,790,721	11,967	-	3,802,688
Total business-type activities capital assets, net	$ 3,869,866	$ 11,967	$ -	$ 3,881,833

3-F. – Capital Assets – continued

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

Governmental Activities:	
General Government	$ 526,737
Public Safety	60,909
Public Works	806
Total Depreciation Expense	$ 588,452

3-G. Employee Retirement Plan

Plan Description and Provisions - The City, as authorized by the Mayor and City Council, has established a defined benefit pension plan, (the "Plan"), which benefits all employees immediately upon employment and serve the City at least 20 hours per week. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), and is administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investments on behalf of the pension plan. Investment income from securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404)688-0472.

Benefits Provided

The GMEBS Plan provides retirement, disability, and death benefits to plan members and beneficiaries. All City employees are eligible for participation in the plan after five months of employment. Vesting takes place after five years of service. Normal retirement benefits are available to employees who retire at or after age 65 with five years of service. Early retirement is available after age 55 with 10 years of service. Retirement benefits are based upon age, average compensation and years of service. Benefit provisions are established under Public Retirement System Standards Law (Georgia Code Section 47-20-10). Employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report

Contributions

Employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards Law. The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, the City's recommended contributions of $42,966 was 6.76% of expected payroll.

Plan Membership

As of January 1, 2020, the current Plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	4
Terminated vested participants	6
Active vested participants	16
Active nonvested participants	-
Total membership in the Plan	26

Actuarial assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:	
Net investment rate of return	7.375%
Projected salary increases	2.250%
Cost of living adjustments	N/A
Inflation	2.25%

Mortality rates for the January 1, 2020 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The mortality and economic actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using building-block method in which best-estimate 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of March 31, 2019, are summarized in the table below.

Asset class:	Target Allocation	Expected real rate of return
Domestic equity	45%	6.41%
International equity	20%	6.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Domestic fixed income	20%	1.96%
Cash	0%	-
	100%	

Discount rate

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

Changes on the Net Pension Liability of the City

The changes in the components of the net pension liability of the City for the year ended June 30, 2020, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2019	$914,200	$793,881	$ 120,319
Changes for the year:			
Service Cost	23,532	-	23,532
Interest	69,743	-	69,743
Difference between expected and actual experience	(34,182)	-	(34,182)
Changes of assumptions	-		-
Contributions-employer	-	58,409	(58,409)
Contributions-employee	-	-	-
Other	19,438	-	19,438
Net investment income	-	25,854	(25,854)
Benefit payments	(15,648)	(15,648)	-
Administrative expense	-	(8,256)	8,256
Net Changes	62,883	60,359	2,524
Balances at June 30, 2020	$ 977,083	$ 854,240	$122,843

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease 6.375%	Current Discount rate 7.375%	1% Increase 8.375%
City's net pension liability (asset)	$ 257,498	$ 122,843	$ 9,909

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

For the year ended June 30, 2020 the City recognized pension expense of $51,812. At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,613	$ (88,371)
Changes in assumptions	22,956	-
Net difference between projected and actual earnings on pension plan investments	-	(2,909)
Total	$ 46,569	$ (91,280)

Amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	$ (13,779)
2022	(10,196)
2023	(7,852)
2024	(10,427)
2025	(2,457)

Changes on the Net Pension Liability of the City

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2020.

3-H. - Interfund Balances and Transfers

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net position, except for any net residual amounts due between the aggregate governmental activities and the aggregate business-type activities, which are reclassified and presented as internal balances. All due to/from balances are expected to be repaid within one year. The composition of interfund balances at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Total
SPLOST Fund	TSPLOST Fund	$ 62,885
General Fund	TSPLOST Fund	$ 23,075
SPLOST Fund	General Fund	$ 1,095

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and, to return money to the fund from which it was originally provided once a project is completed. All transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer. Transfers for the year ended June 30, 2020 were as follows:

Transfers From	Transfers To	Total
SPLOST Fund	Water/Sewer Fund	$123,198

Note 4 - Other Notes

4-A. Risk Management

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 has joined together with other cities and counties in the state of Georgia as part of the Interlocal Risk Management Agency for property and liability insurance and the Georgia Municipal Association of Workers' Compensation Self Insurance Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association is the administrator of both risk pools.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all costs taxed against its 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.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims for which the City is liable for (up to the applicable deductible) that were outstanding and unpaid as of June 30, 2020. No provision has been made in the financial statements for the year ended June 30, 2020 for any estimate of potential unpaid claims.

4-B. Contingencies and Commitments

The City is a party to various legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

In the normal course of operations, the City receives grants from federal and state agencies. The grant programs are subject to audit by the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. These audits, if any, could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

4-C. Joint Ventures

The City is member, as required under Georgia law, in conjunction with other cities and counties in the area, of the Central Savannah River Regional Commission (RC) and as such is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. O.C.G.A. Section 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from the:

Central Savannah River Regional Commission
P.O. Box 2800
Augusta, GA 30914-2800

4-D. Related Party Transactions

The City was not involved in any related party transactions during the fiscal year ended June 30, 2020.

4-E. Internal Activity

It is the City's policy to eliminate or reclassify all internal activity and balances reported as interfund activity and balances in the fund financial statements in the government-wide Statement of Net position and Activities. These eliminations occur first within the governmental activities column and within the business-type activities column and then separately in the total primary government column.

CITY OF HEPHZIBAH, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CHANGES ON NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	Year End 2020	Year End 2019	Year End 2018	Year End 2017	Year End 2016	Year End 2015
Total pension liability						
Service Cost	$ 23,532	$ 25,379	$ 22,859	$ 19,526	$ 21,538	$ 18,058
Interest	69,743	70,592	62,898	56,106	52,897	53,755
Changes of benefit terms/other	-	-	-	-	-	-
Differences between expected and actual experience	(34,182)	(89,798)	22,085	37,711	(129)	(42,191)
Change of assumptions	19,438	-	13,510	-	-	-
Benefit payments, including refunds of employee contributions	(15,648)	(15,648)	(18,523)	(32,897)	(32,896)	(38,952)
Other	-	-	-	-	-	(4,775)
Net change in total pension liability	62,883	(9,475)	102,829	80,446	41,410	(14,105)
Total pension liability - beginning	914,200	923,675	820,846	740,400	698,990	713,095
Total pension liability - ending	977,083	914,200	923,675	820,846	740,400	698,990
Plan fiduciary net position						
Contribution - employer	58,409	54,624	46,173	45,088	50,230	51,793
Net investment income	25,854	69,961	89,314	58,500	5,232	50,913
Benefit payments, including refunds of employee contributions	(15,648)	(15,648)	(18,523)	(32,897)	(32,896)	(38,952)
Administration expense	(8,256)	(9,002)	(9,849)	(5,662)	(6,378)	(5,171)
Net change in plan fiduciary net position	60,359	99,935	107,115	65,029	16,188	58,583
Plan fiduciary net position - beginning	793,881	693,946	586,831	521,802	505,614	447,031
Plan fiduciary net position - ending	854,240	793,881	693,946	586,831	521,802	505,614
Net pension asset (liability) - ending	$ (122,843)	$ (120,319)	$ (229,729)	$ (234,015)	$ (218,598)	$ (193,376)
Plan fiduciary net position as a percentage of total pension liability	87.43%	86.84%	75.13%	71.49%	70.48%	72.33%
Covered-employee payroll	628,824	650,401	661,192	607,470	569,183	560,456
Net position asset (liability) as a percentage of covered-employee payroll	19.54%	18.50%	34.74%	38.52%	38.41%	34.50%
Schedule of City Contributions:						
Actuarially determined contributions	**	61,772	52,241	44,150	45,401	-
Contributions in relation to the actuarially determined contribution	**	61,772	52,241	47,933	41,618	-
Contibution deficiency (excess)	**	-	-	(3,783)	3,783	-
City's covered - employee payroll	**	650,401	661,192	607,470	569,183	560,456
Contributions as a percentage of covered-employee payroll	**	9.50%	7.90%	7.27%	7.98%	-

** - 2020 information will be determined after the fiscal year end and will be included in the 2021 valuation report (excerp from the July 1, 2020 Actuarial Valuation Report)

Historical information prior to the implementation of GASB 68 is not required.

CITY OF HEPHZIBAH, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
BUDGET & ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Sales	$ 750,000	$ 750,000	$ 815,064	$ 65,064
Franchise	182,000	182,000	180,336	(1,664)
Alcoholic Beverage	72,000	72,000	101,130	29,130
Insurance Premium	250,000	250,000	306,823	56,823
Motor Vehicle	101,000	101,000	168,214	67,214
Other	1,200	1,200	26,091	24,891
Intergovernmental	-	8,512	80,412	71,900
Licenses & Permits	38,350	38,350	15,937	(22,413)
Fines & Forfeitures	50,000	50,000	110,654	60,654
Rents Received	802,000	802,000	942,786	140,786
Investment Income	1,000	1,000	12,934	11,934
Other Revenues	5,000	5,000	26,781	21,781
Total Revenues	2,252,550	2,261,062	2,787,162	526,100
EXPENDITURES				
Current:				
General Government	429,670	429,670	262,502	167,168
Public Safety	858,300	858,300	1,113,262	(254,962)
Public Works	855,000	855,000	848,659	6,341
Total Expenditures	2,142,970	2,142,970	2,224,423	(81,453)
Excess of Revenues Over Expenditures	109,580	118,092	562,739	444,647
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	109,580	118,092	562,739	444,647
Fund Balance, Beginning Of Year	3,015,997	3,015,997	3,015,997	(8,284)
Fund Balance, End Of Year	$ 3,125,577	$ 3,134,089	$ 3,578,736	$ 436,363

City of Hephzibah, Georgia
Schedule of Findings and Responses
June 30, 2020

Finding 2020-1:	Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.
Effect:	Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions
Recommendations:	Because of limited resources and personnel, management may not be able to properly address this finding, but checks and balances should be strengthened between the Accounting Department, City Manager , Mayor and City Council to offset this deficiency.
Views of Responsible Officials and Planned Corrective Actions:	We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.
Finding 2020-2:	The Cities expenditures exceeded appropriations at the legal level of control.
Recommendations:	We recommend that the City pass a budget that accurately reflects the expected expenditures and amend the budget throughout the year to account for unforeseen changes in these expenditures.
Views of Responsible Officials and Planned Corrective Actions:	We concur with the findings of our city auditor and plan on passing an accurate budget as well as amend the budget throughout the year to account for unforseen changes in revenues and expenditures.
Finding 2020-3:	During the course of the audit it was noted that the TSPLOST Fund and the General Fund had a interfund balance owed to the SPLOST fund. SPLOST and TSPLOST funds can only be used for their intended purpose as stated in their respective referendums and should be repaid as soon as financially possible.
Recommendations:	The City should transfer funds from the General Fund and TSPLOST Fund to the SPLOST Fund as soon as possible.
Views of Responsible Officials and Planned Corrective Actions:	We concur and will transfer the funds from the General Fund and the TSPLOST Fund to the SPLOST Fund as soon as possible.

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*

Independent Auditor's Report

To the City Commission
Hephzibah, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Hephzibah, Georgia ("the City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2020-1 through 2020-3, to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weak-nesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

City of Hephzibah's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and accordingly, we express no opinion on them.

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 result 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.

Morris & Waters

Morris and Waters

Canton, Georgia
March 28, 2023

CITY OF HEPHZIBAH, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROJECTS
FOR THE YEAR ENDED JUNE 30, 2020

Cost	Original Estimated Cost	Adjusted Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total To Date	
SPLOST V (as re-stated)	$ 3,046,000	$ 3,494,204				100%
New Water Tank			915,335	-	915,335	
Supporting Water Lines			254,877	-	254,877	
Park Development			-	-	-	
Fire Ladder/Pumper Truck			197,824	7,589	205,413	
Police Vehicles/Supporting Equipment			131,432	101,861	233,293	
Water Department Vehicles and Equipment			114,640	34,809	149,449	
Paving City Streets			733,045	-	733,045	
Sewer Expansion			1,000,000	-	1,000,000	
City Hall Expansion			-	-	-	
Tractor/Supporting Equipment			2,792	-	2,792	
			$ 3,349,945	$ 144,259	$ 3,494,204	

Cost	Original Estimated Cost	Adjusted Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total To Date	
SPLOST VI (as re-stated)	$ 4,424,000	$ 4,424,000				64%
Water and Sewer System Improvements			1,608,418	88,389	1,696,807	
City Cemetary Expansion			235,048	-	235,048	
Public Safety Facilities, Equipment, and Vehicles			218,496	662,247	880,743	
			$ 2,061,962	$ 750,636	$ 2,812,598	

Cost	Original Estimated Cost	Adjusted Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total To Date	
SPLOST VII (as re-stated)	$ 6,500,000	$ 6,500,000				80%
Parks, Recreational, and Cultural Facilities			1,821,778	149,247	1,971,025	
Hephzibah Agricultural Center			128,549	2,372,864	2,501,413	
Water System Upgrades, Equipment, and Vehicles			358,981	-	358,981	
Public Safety Equipment and Vehicles			77,502	-	77,502	
Fire Department Facilities, Vehicles and Equipment			195,348	-	195,348	
Road Improvement Projects			18,573	80	18,653	
Alternative Energy Facilities			41,654	19,066	60,720	
City Hall Expansion			24,000	-	24,000	
			$ 2,666,385	$ 2,541,257	$ 5,207,642	

Cost	Expenditures		
	Prior Years	Current Year	Total To Date
TSPLOST			
Transportation Improvements	73,873	85,960	159,833
	$ 73,873	$ 85,960	$ 159,833