City of Pelham, Georgia

Financial Statements

For the Fiscal Year Ended
June 30, 2019

CITY OF PELHAM, GEORGIA
For The Fiscal Year Ended June 30, 2019
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Perry L. Henry, LLC

Certified Public Accountant and Consultant

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Pelham, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the fiscal year ended June 30, 2019, 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 of 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 aggregate business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelham, Georgia as of June 30, 2019, 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

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, economical 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 Schedule – General Fund on page 37-38 and the Pension Plan on page 39-41 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 the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelham, Georgia, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia 48-8-21, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of special purpose local option sales tax proceeds, 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, 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 December 30, 2019 on our consideration of the City of Pelham, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 on an audit performed in accordance with *Government Auditing Standards* in considering the City of Pelham, Georgia's internal control over financial reporting and compliance.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
December 30, 2019

City of Pelham, Georgia
Statement of Net Position
June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Equivalents	$ 148,166	$ 126,887	$ 275,053	$ 43,403
Restricted assets	238,230	45,173	283,403	-
Receivables	79,181	142,590	221,771	10,298
Internal Balances	(1,038)	1,038	-	-
Due from Other Governmental Agencies	30,867	-	30,867	-
Prepaid Expenses	37,596	10,918	48,514	-
Capital Assets				
Land	541,113	673,651	1,214,764	-
Improvements other than buildings	4,608,572	12,260,484	16,869,056	-
Buildings & Building Improvements	3,469,685	62,343	3,532,028	-
Machinery and equipment	2,212,647	1,144,970	3,357,617	-
Less: Accumulated Depreciation	(4,157,884)	(6,451,041)	(10,608,925)	-
Total Capital Assets	6,674,133	7,690,407	14,364,540	-
Total Assets	7,207,135	8,017,013	15,224,148	53,701
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	236,762	-	236,762	-
Total Deferred Outflows of Resources	236,762	-	236,762	-
LIABILITIES				
Accounts payable and accrued expenses	88,200	204,061	292,261	-
Long-term liabilities				
Due within one year				
Bonds, capital leases and contracts	233,627	149,800	383,427	-
Accrued interest	-	1,746	1,746	-
Due in more than one year				
Bonds, capital leases and contracts	2,068,805	1,706,296	3,775,101	-
Compensated absences	76,982	8,691	85,673	-
Net Pension Obligation	836,147	-	836,147	-
Total Liabilities	3,303,761	2,070,594	5,374,355	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	260,881	-	260,881	-
Total Deferred Inflows of Resources	260,881	-	260,881	-
NET POSITION				
Net investment in capital assets	4,371,701	6,024,828	10,396,529	-
Restricted for:				
Capital projects	134,256	-	134,256	-
Unrestricted	(626,702)	(78,409)	(705,111)	53,701
Total Net Position	$ 3,879,255	$ 5,946,419	$ 9,825,674	$ 53,701

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

City of Pelham, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary Government								
Governmental activities:								
General Government	$ 1,146,758	$ 670,482	$ -	$ 79,664	$ (396,612)	$ -	$ (396,612)	
Public Safety	1,867,745	-	-	-	(1,867,745)	-	(1,867,745)	
Public Works	650,104	-	-	371,285	(278,819)	-	(278,819)	
Health, Welfare and Sanitation	56,365	57,528	-	-	1,163	-	1,163	
Culture and Recreation	47,186	-	-	-	(47,186)	-	(47,186)	
Housing and development	442,720	30,678	-	345,492	(66,550)	-	(66,550)	
Interest on Long-term debt	1,033	-	-	-	(1,033)	-	(1,033)	
Total governmental activities	4,211,911	758,688	-	796,441	(2,656,782)	-	(2,656,782)	
Business-type activities:								
Water	568,884	739,258	-	386,466	-	556,840	556,840	
Sanitation	421,306	535,265	-	-	-	113,959	113,959	
Sewer	476,571	637,304	-	-	-	160,733	160,733	
Gas	273,830	376,328	-	-	-	102,498	102,498	
Total business-type activities	1,740,591	2,288,155	-	386,466	-	934,030	934,030	
Total primary government	$ 5,952,502	$ 3,046,843	$ -	$ 1,182,907	(2,656,782)	934,030	(1,722,752)	
Component Unit								
Joint Development Authority of Mitchell Co & Pelham	$ 409,747	$ 4,925	$ 188,000	$ -				$ (216,822)
Total component units	$ 409,747	$ 4,925	$ 188,000	$ -				(216,822)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					774,555	-	774,555	-
Franchise taxes					198,947	-	198,947	-
Insurance premium tax					279,389	-	279,389	-
Alcoholic beverage tax					109,397	-	109,397	-
Other taxes					56,747	-	56,747	-
Unrestricted investment earnings					-	488	488	169
Miscellaneous					204,195	4,219	208,414	1,355
Special item - gain on sale of asset					5,327	-	5,327	208,272
Transfers					1,152,366	(1,152,366)	-	-
Total general revenues, special items, and transfers					2,780,923	(1,147,659)	1,633,264	209,796
Change in net position					124,141	(213,629)	(89,488)	(7,026)
Net position - beginning					3,755,114	6,160,048	9,915,162	60,727
Net position - ending					$ 3,879,255	$ 5,946,419	$ 9,825,674	$ 53,701

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

City of Pelham, Georgia
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	SPLOST Capital Project Fund	CDBG Housing Rehabilitation Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 148,167	$ -	$ 26,285	$ -	$ 174,452
Taxes receivable, net	77,848	-	-	-	77,848
Due from other funds	10	2,218	-	-	2,228
Receivable from other governments	-	30,867	-	-	30,867
Sanitation receivables	1,333	-	-	-	1,333
Restricted cash	102,090	102,209	-	-	204,299
Total assets	$ 329,448	$ 135,294	$ 26,285	$ -	$ 491,027
LIABILITIES					
Accounts payable	$ 58,679	$ -	$ -	$ -	$ 58,679
Due to other funds	2,218	1,038	10	-	3,266
Accrued salaries & wages	17,352	-	-	-	17,352
Other payables	4,526	-	-	-	4,526
Total liabilities	82,775	1,038	10	-	83,823
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	77,848	-	-	-	77,848
Total deferred inflows of resources	77,848	-	-	-	77,848
FUND BALANCES					
Restricted for:					
Capital Projects	-	134,256	-	-	134,256
Community Development Projects	-	-	26,275	-	26,275
Unassigned	168,825	-	-	-	168,825
Total fund balances	168,825	134,256	26,275	-	329,356
Total liabilities, deferred inflows of resources, and fund balances	$ 329,448	$ 135,294	$ 26,285	$ -	$ 491,027

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

City of Pelham, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balance, governmental funds	$	329,356
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		6,674,133
Payments for insurance in advance are reported as an expenditure of current financial resources in the period purchased in governmenal activities and therefore are not reported in the funds.		37,596
Pension net position is not a current financial resource and is not recognized at the fund financial reporting level but is reported in the governmental activities of theStatement of Net Position.		(836,147)
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		77,850
Deferred Outlows - Pension		236,762
Deferred Inflows - Pension		(260,881)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the government-wide statements.		(2,379,414)
Net Position of Governmental Activities in the Statement of Net Position	$	3,879,255

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

City of Pelham, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General Fund	SPLOST Capital Project Fund	CDBG Housing Rehabilitation Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	$ 941,954	$ -	$ -	$ -	$ 941,954
Sales and Miscellaneous Taxes	433,219	-	-	30,678	463,897
Fees and Fines	598,509	-	-	-	598,509
Licenses and Permits	71,609	-	-	-	71,609
Intergovernmental	79,664	371,285	345,492	-	796,441
Charges for Services	-	-	-	-	-
Contributions and Donations	1,220	-	-	-	1,220
Miscellaneous	260,867	-	-	-	260,867
Total revenues	2,387,042	371,285	345,492	30,678	3,134,497
EXPENDITURES					
Current:					
General Government	968,006	-	-	-	968,006
Judicial	2,294	-	-	-	2,294
Public Safety	1,773,554	-	-	-	1,773,554
Public Works	585,652	-	-	-	585,652
Culture and Recreation	10,291	-	-	-	10,291
Housing and Development	90,697	-	-	30,678	121,375
Capital Outlay:					
General Government	-	-	319,717	-	319,717
Public Safety	59,722	53,718	-	-	113,440
Public Works	179,204	10,588	-	-	189,792
Housing and development	21,730	-	-	-	21,730
Culture and Recreation	-	12,882	-	-	12,882
Debt Service:					
Principal	105,997	121,607	-	-	227,604
Interest and other charges	136,184	9,519	-	-	145,703
Total expenditures	3,933,331	208,314	319,717	30,678	4,492,040
Excess (deficiency) of revenues over expenditures	(1,546,289)	162,971	25,775	-	(1,357,543)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,310,507	-	-	-	1,310,507
Transfers out	-	(158,141)	-	-	(158,141)
Total other financing sources and uses	1,310,507	(158,141)	-	-	1,152,366
SPECIAL ITEM					
Proceeds from sale of assets	5,327	-	-	-	5,327
Net change in fund balances	(230,455)	4,830	25,775	-	(199,850)
Fund balances - beginning	399,280	129,426	500	-	529,206
Fund balances - ending	$ 168,825	$ 134,256	$ 26,275	$ -	$ 329,356

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

City of Pelham, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds:	$	(199,850)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocate over the asset's useful life. This results in the following adjustment:		
Capital outlay reported as expenditures		375,195
Depreciation expense during the current fiscal period		(306,113)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		43,863
Some capital additions were financed through debt agreements. In governmental funds, a long-term debt agreement is considered a source of financing, but in the Statement of Net Position, the debt is reported as a liability In the governmental funds, repayment of debt agreements are considered an expense. This amount is the net effect of these differences.		229,822
Some expenses reported in the Statement of Activities do not require the use c current financial resources and therefore, these are not reported as expenditures in governmental funds:		
Changes in compensated absences		(20,538)
Change in NPO and Deferred Inflows		2,356
Governmental funds recognize expenditures for insurance using the purchases method. However, the Statement of Activities uses the consumption method and thus only the amount of insurance benefits consumed are recognized.		(594)
Change in net position of governmental activities	$	124,141

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

City of Pelham, Georgia
Statement of Net Position
Proprietary Funds
Business-type Activities-Enterprise Funds
June 30, 2019

	Enterprise Funds	
	Water, Sanitation, Sewer, & Gas	Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 126,888	$ 126,888
Accounts Receivable, net	133,725	133,725
Due from Other Funds	1,038	1,038
Other receivables	8,865	8,865
Prepaid Expenses	10,918	10,918
Restricted Cash:		
Revenue Bond Covenant Accounts	30,246	30,246
Capital Projects/Outlays	14,927	14,927
Total Current Assets	326,607	326,607
Non-current Assets:		
Capital Assets:		
Land and Improvements	673,651	673,651
Utility System	12,260,484	12,260,484
Buildings	62,343	62,343
Equipment and Furniture	1,144,970	1,144,970
Less Accumulated Depreciation	(6,451,041)	(6,451,041)
Total Non-current Assets	7,690,407	7,690,407
Total Assets	8,017,014	8,017,014
LIABILITIES		
Current Liabilities:		
Accounts Payable	99,421	99,421
Salaries payable	2,815	2,815
Accrued Interest Payable	1,746	1,746
Customer Deposits	98,575	98,575
Other Accrued Expenses	3,252	3,252
Capital lease obligation	39,808	39,808
Bonds, Notes and Loans Payable	109,992	109,992
Total Current Liabilities	355,609	355,609
Non-current Liabilities:		
Compensated Absences	8,691	8,691
Capital lease obligation	150,708	150,708
Bonds, Notes and Loans Payable	1,555,587	1,555,587
Total Non-current Liabilities	1,714,986	1,714,986
Total Liabilities	2,070,595	2,070,595
NET POSITION		
Net investment in capital assets	6,024,828	6,024,828
Unrestricted	(78,409)	(78,409)
Total Net Position	$ 5,946,419	$ 5,946,419

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

City of Pelham, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Business-type Activities-Enterprise Funds
For the Year Ended June 30, 2019

	Enterprise Funds	
	Water, Sanitation, Sewer, & Gas	Total
OPERATING REVENUES		
Charges for services	$ 2,288,155	$ 2,288,155
Miscellaneous	4,219	4,219
Total operating revenues	2,292,374	2,292,374
OPERATING EXPENSES		
Personal services	477,007	477,007
Contractual services	465,602	465,602
Repairs and maintenance	31,801	31,801
Other supplies and expenses	382,752	382,752
Depreciation	320,170	320,170
Total Operating Expenses	1,677,332	1,677,332
Operating income (loss)	615,042	615,042
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	488	488
Operating grants and contributions	386,466	386,466
Interest expense	(63,259)	(63,259)
Total non-operating revenue (expenses)	323,695	323,695
Income (loss) before contributions and transfers	938,737	938,737
Transfers in	158,141	158,141
Transfers out	(1,310,507)	(1,310,507)
Income (loss) after contributions and transfers	(1,152,366)	(1,152,366)
Change in net position	(213,629)	(213,629)
Total net position - beginning	6,160,048	6,160,048
Total net position - ending	$ 5,946,419	$ 5,946,419

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
Business-type Activities-Enterprise Funds
For the Fiscal Year Ended June 30, 2019

	Water, Sanitation, Sewer & Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 2,301,109	$ 2,301,109
Payments to suppliers	(802,127)	(802,127)
Payments to employees	(477,007)	(477,007)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,021,975	1,021,975
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers to/from other funds	(1,310,507)	(1,310,507)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	(1,310,507)	(1,310,507)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant proceeds	386,466	386,466
Transfer in from SPLOST	158,141	158,141
Capital Lease Proceeds	63,070	63,070
Change in Due From SPLOST	(1,038)	(1,038)
Acquisition and construction of capital assets	(652,426)	(652,426)
Principal payments on debt	(114,112)	(114,112)
Principal payments on revenue bonds	(31,536)	(31,536)
Interest paid	(63,259)	(63,259)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(254,694)	(254,694)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	488	488
NET CASH PROVIDED FROM INVESTING ACTIVITIES	488	488
NET INCREASE IN CASH AND CASH EQUIVALENTS	(542,738)	(542,738)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	714,799	714,799
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 172,061	$ 172,061

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
Business-type Activities-Enterprise Funds
For the Fiscal Year Ended June 30, 2019

	Water, Sanitation, Sewer & Gas	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 615,042	$ 615,042
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	320,170	320,170
(Increase) decrease in current assets		
Accounts receivable	8,735	8,735
Prepaid expenses	(3,724)	(3,724)
(Decrease) increase in current liabilities		
Accounts payable	78,906	78,906
Accrued liabilities	(780)	(780)
Deposits	3,626	3,626
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,021,975	$ 1,021,975

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

City of Pelham, Georgia
Statement of Net Position
Component Units
June 30, 2019

	Joint Development Authority of Mitchell Co & Pelham	Totals
	December 31, 2018	Totals
ASSETS		
Cash and Equivalents	$ 43,403	$ 43,403
Notes Receivable	10,298	10,298
Total assets	53,701	53,701
NET POSITION		
Unrestricted	53,701	53,701
Total net position	$ 53,701	$ 53,701

City of Pelham, Georgia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2019

December 31, 2018		Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
Activities:	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Joint Development Authority of Mithcell Co & Pelham	Total
Component units:					
Joint Development Authority of Mitchell Co & Pelham	$ 409,747	$ 4,925	$ 188,000	$ (216,822)	$ (216,822)
Total component units	$ 409,747	$ 4,925	$ 188,000	(216,822)	(216,822)
	General Revenues:				
	Investment			169	169
	Miscellaneous			1,355	1,355
	Special item - gain on sale of asset			208,272	208,272
	Total General Revenues			209,796	209,796
	Change in Net Position			(7,026)	(7,026)
	Net position - beginning			60,727	60,727
	Net position - ending			$ 53,701	$ 53,701

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Pelham was incorporated September 14, 1881, under the laws of the State of Georgia. The City is a municipal corporation governed by an elected mayor and eight-member council, with its fiscal operations monitored by the City Manager. The City provides a range of municipal services as authorized by its Charter including police and fire protection, public works (streets and waste collection), public improvements, water, sanitation, sewer and gas services, telecommunication services and general administrative services. The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component unit. The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City implemented a new reporting model as required by the Governmental Accounting Standards Board beginning July 1, 2003. The implementation of the new reporting model affects the comparability with all prior years' reports.

The government–wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government–wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash

flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, alcoholic beverage taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *SPLOST Capital Projects Fund* is the fund used to account for all special local option sales tax revenues as well as the specifically identified projects for which the SPLOST tax was established.

The *CDBG Housing Rehabilitation Capital Project Fund* is the fund used to account for grant award draws and expenditures for capital projects.

The government reports the following major proprietary funds:

The *Water*, *Sanitation, Sewer* and *Gas Fund* accounts for the activities of the government's water distribution system, sewage treatment plant, sewage pumping station and collection systems.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are 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 government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government–wide financial statements. Exceptions to this general rule are payments between the government's various funds related to charges resulting from services provided through actual operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenue of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

State statutes authorize the City and the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution. For the purpose of the Statement of Cash Flows, the City considers cash on hand, cash in demand deposits and certificates of deposit to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government–wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivable and trade accounts receivable in excess of 90 days plus a percentage of receivable balances less than 90 days comprise the allowance for uncollectibles.

Property taxes are levied as of October 31, 2019 on property values assessed as of January 1, 2019. The billing, representing the current year tax levy, was mailed October 31, 2019. The billings are considered past due 90 days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are 90 days delinquent.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government–wide and fund financial statements of the proprietary funds. In the fund financial statements governmental funds record items as expenditures when purchased (purchases method) rather than when consumed.

4. Restricted Assets

Portions of the City’s assets are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, laws or regulations of other governments). Self-imposed restrictions that can be removed as easily as imposed are not considered restrictions for financial reporting purposes; although, restrictions can be imposed by the City’s constitutional provisions or by enabling legislation that

are not easily removed. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government–wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than $1,000 for vehicles and machinery and more than $5,000 for all other asset types (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets (e.g. roads, sidewalks, bridges and similar items) acquired before the implementation date became effective. Infrastructure acquired prior to July 1, 2003 has not been recorded for governmental activities. GASB Statement 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (July 1, 2003).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the general government during the current fiscal year was $145,703. Of these amounts, none were attributable to the cost of capital assets associated with construction projects.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	7-10 years
Improvements other than building	20-50 years

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government–wide and proprietary fund financial statements. The City's annual leave policy allows an employee to earn and accumulate up to 240 hours. Also, those employees with over ten years of service can accumulate an additional eight hours for each year not to exceed 120 hours, and it will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund has been used to liquidate compensated absences, unless associated with a specific proprietary fund in prior years.

7. Long-Term Obligations

In the government–wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental

activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

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. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based on primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable* – Fund balances are reported as nonspendable when 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.

- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- *Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.

- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee or the City's finance director to assign fund balances.

- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balance may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures 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 balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition,

construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.
The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

9. Deferred Inflows of Resources

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. The County does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes of $77,848 is listed as unavailable and is deferred to be recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted for the General Fund, Special Revenue and the proprietary funds on an annual basis. The budgets for the General and Special Revenue Funds are adopted on a cash plus 30 days basis, which is not consistent with generally accepted accounting principles. Project-length budgets are adopted for the Capital Projects Fund. Budgets are prepared for the proprietary funds as a management control device; (non-GAAP) hybrid basis of accounting is used in preparing the proprietary fund budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared and submitted by the City Manager to the administrative committee for their consideration and approval prior to presentation to the full Council for adoption, which is required prior to commencement of the ensuing fiscal year. After the budget requests have been reviewed, a public hearing is held for public comment. After the public hearing, a budget ordinance is adopted by the Mayor and Council. The City's policy for the legal level of budgetary control is at the individual department level. Only the Mayor and Council can amend the annual budget at the department level. Amendments that change the composition within a departmental budget can occur with the authorization of the City Manager.

Original budgeted amounts for the year ended June 30, 2019, were adopted by the City Council on June 12, 2018.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's behalf.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All the City's deposits are covered by a combination of federal depository insurance and securities pledged by financial institutions as collateral to protect the deposits of the City as required under state law. Therefore, the City has no custodial credit risk for its deposits.

B. RECEIVABLES

All trade and property taxes receivables are shown net of allowance for uncollectibles.

The City entered into a reimbursement agreement with James Workman to extend gas lines to his Chicken Houses. Total expense agreement was $67,000. Mr. Workman was to pay $42,000 prior to construction and $458 a month for five years at an interest rate of 3.8%. Payments started March 2016. The receivable on this agreement at June 30, 2019 was $8,865.

C. CAPITAL ASSETS

Primary Government

Governmental activities:	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 541,113	$ -	$ -	$ -	$ 541,113
Construction in progress	801,214	-	-	(801,214)	-
Total captial assets not being depreciated	1,342,327	-	-	(801,214)	541,113
Capital assets, being depreciated					
Buildings	3,469,685	-	-	-	3,469,685
Improvements, other than buildings	3,582,318	225,040	-	801,214	4,608,572
Machinery and equipment	2,062,492	150,155	-	-	2,212,647
Total captial assets, being depreciated	9,114,495	375,195	-	801,214	10,290,904
Less accumulated depreciation for					
Buildings	(1,305,433)	(77,879)	-	-	(1,383,312)
Improvements, other than buildings	(1,363,941)	(113,620)	-	-	(1,477,561)
Machinery and equipment	(1,182,397)	(114,614)	-	-	(1,297,011)
Total accumulated depreciation	(3,851,771)	(306,113)	-	-	(4,157,884)
Total capital assets, being depreciated, net	5,262,724	69,082	-	801,214	6,133,020
Governmental activities capital assets, net	$ 6,605,051	$ 69,082	$ -	$ -	$ 6,674,133

Business-type activities	Beginning Balance	Increase	Decrease	Transfer	Ending Balance
Capital assets, not being depreciated					
Land	$ 673,651	$ -	$ -	$ -	$ 673,651
Construction in progress	205,629	-	-	(205,629)	-
Total captial assets not being depreciated	879,280	-	-	(205,629)	673,651
Capital assets, being depreciated					
Buildings	62,343	-	-	-	62,343
Improvements, other than buildings	11,566,542	488,313	-	205,629	12,260,484
Machinery and equipment	980,857	164,113	-	-	1,144,970
Total captial assets, being depreciated	12,609,742	652,426	-	205,629	13,467,797
Less accumulated depreciation for					
Buildings	(41,248)	(1,126)	-	-	(42,374)
Improvements, other than buildings	(5,852,983)	(231,411)	-	-	(6,084,394)
Machinery and equipment	(236,640)	(87,633)	-	-	(324,273)
Total accumulated depreciation	(6,130,871)	(320,170)	-	-	(6,451,041)
Total capital assets, being depreciated, net	6,478,871	332,256	-	205,629	7,016,756
Business-type activities capital assets, net	$ 7,358,151	$ 332,256	$ -	$ -	$ 7,690,407

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

Governmenal activities:	
General government	$ 53,160
Public safety	71,318
Public works	92,931
Health and welfare	56,365
Culture and recreation	30,347
Housing and Development	1,992
Total depreciation expense-governmental activities	$ 306,113
Business-type activities:	
Water	$ 227,672
Sewer	84,332
Gas	8,166
Total depreciation expense-business-type activities	$ 320,170

Depreciation expense of $34,468 for Governmental and $22,507 for Business-type for assets acquired through capital leases for the year ended June 30, 2019 is included in current year depreciation expense.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Leased Assets:		
Buildings	$ 397,665	$ 235,579
Less: accumulated depreciation	(70,246)	(47,860)
Total	$ 327,419	$ 187,719

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D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

Due to/from other funds:

	Interfund Receivable (Due From)	Interfund Payable (Due To)
Governmental Funds		
General Fund	$ 10	$ 2,218
SPLOST Capital Project Fund	2,218	-
CDBG 17	-	10
SPLOST Capital Project Fund	-	1,038
Sub-total Governmental Funds	2,228	3,266
Proprietary Funds		
Water, Sanitation, Sewer and Gas Fund	1,038	-
Sub-total Proprietary Funds	1,038	-
Totals	$ 3,266	$ 3,266

Governmenal fund receivables-Major Funds	$ 2,228
Governmenal fund payables-Major Funds	(3,266)
Internal balances - Statement of Net Position	$ (1,038)
Proprietary fund receivables-Major Funds	$ 1,038
Internal balances - Statement of Net Position	$ 1,038

Due to/from balances between General Fund and CDBG are for starting a checkbook.

Due to/from balances between General Fund and SPLOST are for unqualified debt payments.

Due to/from balances between Proprietary Funds and SPLOST are for qualified debt payments.

Interfund transfers:

	Transfer In		
Transfer Out	**General Fund**	**Major Enterprise- Water, Sanitation, Sewer and Gas**	**Total**
SPLOST Capital Projects Fund	$ -	$ 158,141	$ 158,141
Major - Enterprise Funds - Water, Sanitation, Sewer and Gas	1,310,507	-	1,310,507
Totals	$ 1,310,507	$ 158,141	$ 1,468,648

Transfers from the SPLOST Fund in the amount of $158,141 were for capital expenditures moved to the Water, Sanitation, Sewer & Gas Fund.

All other transfers were for normal operating expenses.

E. LONG-TERM DEBT

Operating Leases

The City leases equipment under noncancelable leases and has a total of two operating leases at June 30, 2019.

The City of Pelham, GA has one operating lease with John Deere for a 2016 John Deere 310SL Backhoe Loader to be used in Highways & Streets Department. Total cost for leases were $7,021 for the year ended June 30, 2019.

The City of Pelham, GA has one operating lease with Balboa Capital for Police Cameras to be used in Police Department. Total cost for lease was $11,174 for the year ended June 30, 2019.

The future minimum lease payments for these leases are as follows:

Year Ending June 30	Backhoe	Cameras
2020	$ 7,021	$ 10,832
2021	58,050	10,832
2022	-	10,832
2023	-	5,417
	$ 65,071	$ 37,913

Capital Leases

Governmental Activities

The City entered into a lease on October 20, 2016 with Ford Credit. The lease is secured by three F250's with an original balance of $78,483. At June 30, 2019, the balance of the lease outstanding was $26,263.

The City entered into a lease on March 28, 2017 with BB&T. The lease is secured by four Dodge Chargers with an original balance of $140,000. At June 30, 2019, the balance of the lease outstanding was $80,485.

The City entered into a lease on August 29, 2017 with John Deere. The lease is secured by a Mowing Tractor with an original balance of $40,720. At June 30, 2019, the balance of the lease outstanding was $32,569.

The City entered into a lease on March 29, 2018 with BB&T. The lease is secured by Lighting with an original balance of $115,975. At June 30, 2019, the balance of the lease outstanding was $89,413.

The City entered into a lease on April 12, 2018 with BB&T. The lease is secured by a Dodge Ram 2500 with an original balance of $29,615. At June 30, 2019, the balance of the lease outstanding was $23,309.

The City entered into a lease on June 28, 2018 with John Deere. The lease is secured by three John Deere 960M ZTrak mowers with an original balance of $25,365. At June 30, 2019, the balance of the lease outstanding was $9,529.

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Capital Lease debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2020	$ 93,555	$ 10,124
2021	73,052	6,051
2022	62,191	2,929
2023	32,770	717
	$ 261,568	$ 19,821

Business-type Activities

The City entered into a lease on October 20, 2016 with Ford Credit. The lease is secured by two F250's with an original balance of $54,050. At June 30, 2019, the balance of the lease outstanding was $18,087.

The City entered into a lease on August 2, 2016 with Bancorp. The lease is secured by a John Deere Backhoe Loader with an original balance of $74,895. At June 30, 2019, the balance of the lease outstanding was $55,570.

The City entered into a lease on April 12, 2018 with BB&T. The lease is secured by a (2) Dodge Ram 1500s and a John Deere Gator with an original balance of $73,385. At June 30, 2019, the balance of the lease outstanding was $57,759.

The City entered into a lease on August 22, 2018 with Deere Credit. The lease is secured by an Excavator with an original balance of $63,070. At June 30, 2019, the balance of the lease outstanding was $59,101.

Year Ending June 30	Principal	Interest
2020	$ 39,808	$ 7,629
2021	30,248	5,938
2022	61,376	4,124
2023	18,496	2,868
2024	40,589	400
	$ 190,517	$ 20,959

Revenue Bonds

Governmental Activities

On May 5, 2016, the City issued $2,240,000 of 2016A and 2016B Series Revenue Bonds for the purpose of consolidating debt. The City had to pay issuance cost of $54,827 which has been fully expensed in accordance with GASB 65.

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Bonds will bear interest as set forth below:

Year Ending June 30	Principal	Interest
2020	$ 115,000	$ 115,738
2021	100,000	108,981
2022	105,000	103,106
2023	110,000	96,938
2024-2028	660,000	379,819
2029-2033	880,000	161,562
	$ 1,970,000	$ 966,144

Business-type Activities

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The proceeds of the 1993A and 1993B Water and Sewer Revenue Bonds were used for the purpose of expanding the Water and Sewer system to provide additional services to new customers.

Revenue bonds outstanding at year-end are as follows:

$1,025,000 Water and Sewer Revenue Bonds, series 1993A, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	$ 591,337
$100,000 Water and Sewer Revenue Bonds, series 1993B, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	57,697
Total Revenue Bonds	$ 649,034

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2020	$ 33,113	$ 32,452
2021	34,769	30,796
2022	36,507	29,058
2023	38,333	27,232
2024-2028	222,404	105,421
2029-2033	283,908	43,975
Totals	$ 649,034	$ 268,934

Notes Payable

Governmental Activities

The City entered into a note on May 18, 2016 with Ford Credit. The note is secured by a 2015 F150 with an original balance of $33,217. At June 30, 2019, the balance of the lease outstanding was $7,494.

The City entered into a note on November 10, 2015 with Family Bank. The note is secured by the (4) Dodge Chargers with an original balance of $147,300. This note was refinanced and consolidated with a short term note on December 8, 2017.

The City refinanced and consolidated two loans on December 8, 2017 with Family Bank. The note is secured by (5) Dodge Chargers with a new original balance of $89,368. At June 30, 2019, the balance of the note outstanding was $63,370.

The City entered into a note on June 27, 2016 with Curley's & Associates, Inc. The note was to purchase property with a value of $76,629 in exchange for a note payable and property tax forgiveness. The original note balance of $33,654 was secured at 0% interest with payments to start July 2016 at $1,000 monthly. At June 30, 2019, the balance of the note outstanding was $0.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2020	$ 25,072	$ 2,404
2021	18,547	1,493
2022	18,601	749
2023	8,644	95
	$ 70,864	$ 4,741

Business-type Activities

The City established a note on January 31, 2003 with the Georgia Environmental Facilities Authority for $462,640 bearing interest at 0%. The debt was used for the construction of a water tank. Seventy-eight quarterly payments of $5,931 are due beginning July 1, 2005. At June 30, 2019, the balance of the note outstanding was $130,489.

The City established a note on July 31, 2008 with the Georgia Environmental Facilities Authority for an amount up to $949,240 bearing interest at 4.10%. The debt was used for the build of an additional sprayfield. Two-hundred and forty-five monthly payments of $3,881 are due beginning May 1, 2010. At June 30, 2019, the balance of the note outstanding was $406,843.

The City established a note on March 27, 2018 with the Georgia Environmental Facilities Authority for an amount up to $504,293 bearing interest at .89%. The debt was used for the replacement of water meters. Two-hundred and forty-five monthly payments of $2,283 are due beginning June 1, 2018. At June 30, 2019, the balance of the note outstanding was $479,214.

Notes payable debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2020	$ 76,879	$ 20,820
2021	78,314	19,385
2022	79,801	17,898
2023	81,343	16,356
2024-2028	348,841	56,619
2029-2033	216,958	20,955
2034-2038	134,410	3,229
	$ 1,016,546	$ 155,262

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Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities					
Capital leases payable	$ 354,019	$ -	$ (92,451)	$ 261,568	$ 93,555
Revenue bonds	2,075,000	-	(105,000)	1,970,000	115,000
Notes payable	103,234	-	(32,370)	70,864	25,072
Compensated absences	56,444	49,339	(28,801)	76,982	-
Total long-term liabilties-Governmental Activities	$ 2,588,697	$ 49,339	$ (258,622)	$ 2,379,414	$ 233,627
Business-type activities					
Capital leases payable	$ 165,436	$ 63,070	$ (37,989)	$ 190,517	$ 39,808
Revenue bonds	680,570	-	(31,537)	649,033	33,113
Notes payable	1,092,668	-	(76,122)	1,016,546	76,879
Compensated absences	6,995	7,009	(5,313)	8,691	-
Total long-term liabilties-Business-type Activities	$ 1,945,669	$ 70,079	$ (150,961)	$ 1,864,787	$ 149,800

F. RESTRICTED ASSETS

General Fund. Specific general funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's General Fund Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the General Fund Revenue Bonds. The funding for the retirement of the bonds is provided partially from the 2012 and 2018 SPLOST Referendum's and from operations. The balance in the Sinking Fund at June 30, 2019 is $0.

Liabilities payable from restricted assets:	
Current portion of bonds payable	$ 115,000
Interest payable	115,738
Total liabilities payable from restricted assets	$ 230,738

Enterprise Funds. Specific enterprise funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's Water and Sewer Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the Water and Sewer Revenue Bonds. The funding for the retirement of the bonds is provided from the operations of the Water and Sewer operations. The balance in the Sinking Fund at June 30, 2019 is $30,246.

Liabilities payable from restricted assets:	
Current portion of bonds payable	$ 33,113
Interest payable	32,452
Total liabilities payable from restricted assets	$ 65,565

IV. SPECIAL ITEM – SALE OF CAPITAL ASSETS

During the fiscal year ended June 30, 2019, the City sold capital assets, which are transactions the City considers infrequent in occurrence. The City has reported these transactions as special items in the government-wide financial statements as required by GASB 34, paragraph 56.

The transactions consisted of the disposition of four Military Field Kitchen Trailers and miscellaneous small equipment.

V. OTHER INFORMATION

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, for which the City carries commercial insurance. The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

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 aware of one claim, which the City could be liable for which was outstanding and unpaid at June 30, 2019. The City has entered into a settlement agreement pending the final approval by the Court, which is resulting in a relatively small payment above the coverage amount in addition to the deductible and attorney fee. No provisions have been made in the financial statements for the year ended June 30, 2019 for any estimate of potential unpaid claims.

B. CONTINGENT LIABILITIES

Grants:

The City participates in Federal and State-assisted grant programs. These programs are subject to program compliance audits by the grantor or its representative. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Litigation:

The City Attorney represented that there is no pending or threatened litigation against the City, and additionally, there are no unasserted claims or assessments.

Intergovernmental Agreement:

On July 1, 2007, the City entered into an agreement with Mitchell County and The Joint Development Authority of Mitchell County and Pelham upon which the City pledged an annual sum not to exceed the equivalent of 2.5 mills of the ad valorem tax levied by Pelham on the real property within its boundaries with said payment or payments to be made only if the income generated by the operation of the Hand Trading Company Building by the JDA is not sufficient to service the debt secured by the Hand Trading Company Building property. The original amount of this note was 2 million dollars and revenues were not sufficient to make the payments for the 2018 fiscal year.

C. JOINT VENTURES

Southwest Georgia Regional Commission. The City of Pelham, in conjunction with cities and counties in the fourteen (14) county Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC). Membership in an 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 the RC. The RC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and Municipal Board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a county.

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 its resources. (O.C.G.A. 50-8-39)

Separate financial statements may be obtained: Southwest Georgia Regional Commission, P.O. Box 346, 30 West Broad Street, Camilla, Georgia 31730-0346.

D. RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations; however, the City's accountability for the organizations does not extend beyond making appointments. The City Council appoints board members to the Housing Authority and the Library Board.

E. PENSION PLAN

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple employer public retirement system that acts as a common investment and administrative agent for cities, counties, authorities and agencies in the State of Georgia. The plan is also a defined benefit plan. Regular, full-time employees who work at least 30 hours per week may participate in the plan after completion of one year of continuous service. Normal retirement age is 65, provided the employee has at least 5 years of credited service. Early retirement is permitted between ages 55 and 65 provided the employee has at least 10 years of credited service. City employees who retire at or after normal retirement age with ten years of credited service are entitled to an annual retirement benefit payable for life. The monthly benefit is determined by first calculating the employee's average monthly earnings from the consecutive 5-year period prior to retirement in which earnings are the highest. The sum of 1% of the average monthly earnings which are less than or equal to the amount for covered compensation for the employee's year of birth and 1.75% of average monthly earnings in excess of the covered compensation is multiplied by the number of years of credited service at retirement age to calculate the dollar value of the monthly retirement benefit.

Also, the pension plan provides for death benefits and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance obligations to contribute are established by Council resolutions; amendments to the plan must also be authorized by resolution of the Council. Employees are not required to contribute to the plan. The Georgia Municipal Benefits System issues a publicly available financial report, which may be obtained by contacting The Burgess Building in Atlanta, Georgia.

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the entry age normal actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Net Investment Return

The long-term expected rate of return on pension plan investments was determined using a 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 asset allocation as of March 31, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	45.00%	6.40%
International equity	20.00%	7.40%
Real estate	10.00%	5.10%
Global fixed income	5.00%	3.03%
Domestic fixed income	20.00%	1.75%
Cash	0.00%	
Total	100.00%	

Rate of Return: 7.50% On-going basis, based on long-term expected rate of return on pension plan investments.

Significant actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

The significant actuarial assumptions used in the current valuation, as of January 1, 2019 are:

Net Investment Rate of Return	7.50 % per year
Projected Salary Increases	2.75 % plus service based merit increases
Cost of living adjustment	2.75%

Mortality rates 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 RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonable reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

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Net Pension Liability. The components of the net pension liability of participating entities were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017 *	$ 3,929,088	$ 3,165,226	$ 763,862
Changes for the year:			
Service Cost	60,374	-	60,374
Interest	290,928	-	290,928
Difference Between expected and actual expenses	161,054	-	161,054
Employer Contributions	-	144,684	(144,684)
Employee Contributions	-	-	-
Net Investment Income	-	310,634	(310,634)
Benefit Payments	(220,852)	(220,852)	-
Administrative Expense	-	(15,247)	15,247
Other Changes	-	-	-
Net Changes	291,504	219,219	72,285
Balances at September 30, 2018 **	$ 4,220,592	$ 3,384,445	$ 836,147

*Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2018 are used to measure TPL as of September 30, 2017. The balances as of September 30, 2017 constitute measurements of the NPL for the fiscal year ending June 30, 2018.

**Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2019 are used to measure TPL as of September 30, 2018. The balances as of September 30, 2018 constitute measurements of the NPL for the fiscal year ending June 30, 2019.

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 Plan members will be made at the current contribution rate and that contributions from employers 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 Plan members. 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.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
	$ 1,358,544	$ 836,147	$ 399,082

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

Pension expense for the year ended June 30, 2019

Service Cost	$	60,374
Interest on TPL		290,928
Employee contributions		-
Administrative cost		15,247
Expected return on assets		(233,964)
Expensed portion of current year period differences between expected and actual expenrience in TPL		40,262
Expensed portion of current year period assumption change		-
Current year plan changes		-
Expensed portion of current year period differences between projected and actual investment earnings		(15,334)
Current year recognition of deferred inflows and outflows established in prior years		(15,185)
Total expense	$	142,328

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

Projected recognition of deferred outflows/(inflows)

	Year Established	Outstanding Balance at July 1, 2018	Amount Recognized During FYE June 30, 2019	Outstanding Balance at June 30, 2019
Fiscal Year Outflows				
Total Outflows		$ 361,639	$ 124,877	$ 236,762
Fiscal Year Inflows				
Total Inflows		$ (376,015)	$ (115,134)	$ (260,881)
Total		$ (14,376)	$ 9,743	$ (24,119)

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Deferred Outflows/(Inflows) Recognized in Future Years

	2020	2021	2022	2023
Fiscal Year Outflows				
Total Outflows	$ 124,879	$ 71,619	$ 40,264	$ -
Fiscal Year Inflows				
Total Inflows	$ (94,521)	$ (94,521)	$ (56,505)	$ (15,334)
Total	$ 30,358	$ (22,902)	$ (16,241)	$ (15,334)

The following chart shows historical funding information on the basis used for determining contribution requirements. This funding information is based on the actuarial value of assets and the actuarial accrued liability, which includes projected increases in salaries not reflected on the previous measurements of funding status. If the chart were based on the market value of assets instead of the actuarial value of assets, the funded ratios would differ.

Funding History

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/(Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
3/1/2010	$ 2,936,641	$ 3,044,428	$ 107,787	96.46%	$ 1,309,991	8.23%
1/1/2011	2,999,550	3,305,975	306,425	90.73%	1,422,615	21.54%
1/1/2012	2,849,749	3,454,230	604,481	82.50%	1,384,487	43.66%
1/1/2013	2,844,847	3,568,311	723,464	79.73%	1,282,033	56.43%
1/1/2014	2,958,336	3,675,520	717,184	80.49%	1,165,752	61.52%
1/1/2015	2,939,206	3,509,569	570,363	83.75%	1,252,459	45.54%
1/1/2016	2,902,541	3,328,935	426,394	87.19%	731,207	58.31%
1/1/2017	3,017,875	3,471,175	453,300	86.94%	871,718	52.00%
1/1/2018	3,166,610	3,594,514	427,904	88.10%	1,075,865	39.77%
1/1/2019	3,316,781	3,851,012	534,231	86.13%	1,202,451	44.43%

** Not less than zero*

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Table of Plan Coverage as of Valuation Date

	For Valuation as of		
Category	**January 1, 2019**	**January 1, 2018**	**Change From Prior Year**
Active participants in valuation			
Number of employees	37	34	8.8%
Number of elected officials	8	8	0.0%
Average age	48.0	47.3	N/A
Average service	8.6	8.4	N/A
Total valuation payroll	$ 1,202,451	$ 1,075,865	11.8%
Average valuation payroll	32,499	31,643	2.7%
Account balances	N/A	N/A	N/A
Total active vested participants	19	18	5.6%
Vested terminated participants	20	20	0.0%
Retired participants			
Number in pay status	34	35	-2.9%
Average age	74.8	74.5	N/A
Average monthly benefit	$ 480	$ 469	2.3%
Disabled participants			
Number in pay status	1	1	0.0%
Average age	59.0	58.0	N/A
Average monthly benefit	$ 290	$ 283	2.5%
Beneficiaries	10	9	11.1%

Participant Population: 2009-2018

Year Ended	Active Participants	Vested Terminated Participants	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
12/31/2009	63	14	40	0.86
12/31/2010	62	14	42	0.90
12/31/2011	60	14	43	0.95
12/31/2012	51	13	46	1.16
12/31/2013	45	15	45	1.33
12/31/2014	49	16	43	1.20
12/31/2015	29	18	42	2.07
12/31/2016	33	19	45	1.94
12/31/2017	42	20	45	1.55
12/31/2018	45	20	45	1.44

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F. HOTEL/MOTEL LODGING TAX

The City of Pelham has levied a 5% lodging tax. A summary of the transactions for the year ending June 30, 2019 follows:

Lodging tax receipts	$ 30,678
Disbursement to promote tourism and economic development.	(12,271)
Disbursement for other purposes	(18,407)
Balance of lodging tax funds on hand at end of the year	$ -

The city expended 40% of these taxes received during the year to promote tourism and economic development within the city. The other 60% was used for other purposes.

G. FUND EQUITY

Fund Balances:

- ***Unassigned*** – The following fund balances are unassigned:

General Fund	
Fund Balance	$ 168,825
Total	$ 168,825

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VI. COMPONENT UNIT-JOINT DEVELOPMENT AUTHORITY OF MITCHELL COUNTY AND PELHAM

A. REPORTING ENTITY

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. CAPITAL ASSETS

Governmental activities:	Balance	Increase	Decrease	Balance
Capital assets, being depreciated				
Buildings & Building Improvements	$ 2,987,731	$ -	$ 2,987,731	$ -
Machinery and equipment	13,775	-	13,775	-
Total captial assets, being depreciated	3,001,506	-	3,001,506	-
Less accumulated depreciation for				
Buildings & Building Improvements	(876,955)	(134,316)	(1,011,271)	-
Machinery and equipment	(7,280)	(1,378)	(8,658)	-
Total accumulated depreciation	(884,235)	(135,694)	(1,019,929)	-
Total capital assets, being depreciated, net	2,117,271	(135,694)	1,981,577	-
Governmental activities capital assets, net	$ 2,117,271	$ (135,694)	$ 1,981,577	$ -

Buildings are depreciated over 40 years.

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C. LONG-TERM DEBT

The Authority established a note November 21, 2007 with Pelham Banking Company for $2,200,000 bearing interest at 6.0%. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 46 semi-annual payments of $89,427 due beginning December 2007. At December 31, 2018 the balance of the note outstanding was $0.

The Authority established a note December 1, 2007 with One Georgia for $500,000 bearing interest at 0%. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 80 quarterly payments of $6,414 due beginning December 2007. This note was modified on August 22, 2012.

The Authority modified a note on August 22, 2012 with One Georgia for $461,842 bearing interest at 0%. The Authority is to make 112 quarterly payments of $4,124 due beginning October 1, 2013. At December 31, 2018, the balance of the note outstanding was $0.

The Authority established a note November 2007 with The City of Pelham, GA for $235,000. The debt was used to fund the renovation improvements on the Hand Trading Co building. The Authority is to make 46 semi-annual payments of $89,427 due beginning December 2007. At December 31, 2018, the balance of the note outstanding was $0.

Notes payable debt service requirements to maturity are as follows:

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Component Unit					
Pelham Banking Company	$ 1,552,214	$ -	$ (1,552,214)	$ -	$ -
One Georgia	369,200	-	(369,200)	-	-
City of Pelham, Georgia	235,000	-	(235,000)	-	-
Total long-term liabilties-Governmental Activities	$ 2,156,414	$ -	$ (2,156,414)	$ -	$ -

D. SPECIAL ITEM – SALE OF CAPITAL ASSETS

During the year ended December 31, 2018, the Authority sold capital assets, which are transactions the Authority considers infrequent in occurrence. The Authority has reported these transactions as special items in the government-wide financial statements as required by GASB 34, paragraph 56.

The transactions consisted of the disposition of the Hand Trading Building and miscellaneous kitchen equipment.

Required Supplementary Information

City of Pelham, Georgia
Budgetary Basis Comparision Schedule
General Fund
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
REVENUES				
Taxes				
Property	$ 857,500	$ 857,500	$ 744,123	$ (113,377)
Franchise	46,416	46,416	198,947	152,531
Alcoholic Beverage	105,000	105,000	109,397	4,397
Insurance Premium	264,000	264,000	279,389	15,389
Intangible	151,000	151,000	5,363	(145,637)
Financial Institution	13,500	13,500	12,795	(705)
Sales and Miscellaneous Taxes	-	-	25,159	25,159
Fees and Fines	600,000	600,000	598,509	(1,491)
Licenses and Permits	60,500	60,500	71,609	11,109
Intergovernmental	197,041	197,041	79,664	(117,377)
Charges for Services	-	-	-	-
Contributions & Donations from Private Sources	-	-	1,220	1,220
Miscellaneous	130,400	130,400	260,867	130,467
TOTAL REVENUES	2,425,357	2,425,357	2,387,042	(38,315)
EXPENDITURES				
General Government				
Legislative	58,100	64,173	64,138	35
Financial	1,421,115	1,416,915	1,104,317	312,598
Buildings	-	4,894	4,867	27
Total General Government	1,479,215	1,485,982	1,173,322	312,660
Public Safety				
Police	1,314,901	1,433,649	1,383,872	49,777
Fire	357,283	422,191	422,155	36
Total Public Safety	1,672,184	1,855,840	1,806,027	49,813
Public Works				
Highway and Streets	827,839	827,839	644,813	183,026
Solid Waste Collection	-	3	3	-
Maintenance and Shop	-	139,602	139,570	32
Total Public Works	827,839	967,444	784,386	183,058
Culture and Recreation				
Recreation	-	29,669	23,610	6,059
Parks	-	18,001	16,993	1,008
Total Culture and Recreation	-	47,670	40,603	7,067
Housing and Development				
Code Enforcement	-	63,890	63,868	22
Economic Development and Assistance	-	27,332	27,290	42
Total Housing and Development	-	91,222	91,158	64
TOTAL EXPENDITURES - ALL DEPARTMENTS	3,979,238	4,448,158	3,895,491	552,667
Net Excess before Transfers	(1,553,881)	(2,022,801)	(1,508,449)	514,352
OTHER FINANCING SOURCES (USES)				
Transfers In	997,089	997,089	1,313,102	316,013
Transfers (Out)	-	-	(2,595)	(2,595)
TOTAL OTHER FINANCING SOURCES (USES)	997,089	997,089	1,310,507	313,418
SPECIAL ITEMS				
Proceeds from sale of capital assets	300,000	300,000	5,327	(294,673)
Total Special Items'	300,000	300,000	5,327	(294,673)
Net Excess (Deficit)	(256,792)	(725,712)	(192,615)	533,097
Fund balances - beginning of the year (GAAP basis)	399,280	399,280	399,280	-
Fund balances - end of the year (budgetary basis)	$ 142,488	$ (326,432)	206,665	$ 533,097
Adjustment for basis differences			(37,840)	
Fund balances - end of the year GAAP Basis			$ 168,825	

Note A - Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis

Financial Statements General Fund:	General Fund
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	$ 2,387,042
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 2,387,042
Expenditures	
Adjustments:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	$ 3,895,491
Adjustments:	
The City budgets for expenditures on the cash plus 30 days basis of accounting rather than all accounts payables that would be recognized using the modified accrual basis of accounting.	37,840
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	$ 3,933,331
Other financing sources	
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedule	$ 1,310,507
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balance - general fund.	$ 1,310,507

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2019

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2019	2018	2017	2016	2015
Service cost	$ 60,374	$ 52,377	$ 43,686	$ 93,496	$ 112,780
Interest	290,928	284,104	271,475	280,881	288,316
Differerences between expected and actual experience	161,054	125,419	78,341	(268,694)	(187,773)
Changes of assumption	-	(80,703)	-	-	(930,031)
Changes in benefit terms	-	-	-	-	(70,126)
Benefit payments, including refunds of employee contributions	(220,852)	(235,935)	(225,164)	(228,938)	(234,396)
Net change in total pension liability	291,504	145,262	168,338	(123,255)	(1,021,230)
Total Pension Liability as of beginning	3,929,088	3,783,826	3,615,488	3,738,743	4,759,973
Total Pension Liability as of ending (a)	$ 4,220,592	$ 3,929,088	$ 3,783,826	$ 3,615,488	$ 3,738,743
Employer contributions	$ 144,684	$ 169,966	$ 150,000	$ 15,800	$ 18,974
Net investment income	310,634	421,651	289,059	40,345	305,522
Benefit payments, including refunds of employer contributions	(220,852)	(235,935)	(225,164)	(228,938)	(234,396)
Administrative expense	(15,247)	(15,856)	(9,772)	(11,364)	(9,403)
Other	-	-	-	-	-
Net Change in fiduciary net position	219,219	339,826	204,123	(184,157)	80,697
Plan fiduciary net position - beginning	3,165,226	2,825,400	2,621,277	2,805,434	2,724,737
Plan fiduciary net position - ending (b)	3,384,445	3,165,226	2,825,400	2,621,277	2,805,434
Net Pension Liability - ending: (a)-(b)	$ 836,147	$ 763,862	$ 958,426	$ 994,211	$ 933,309
Plan's fiduciary net position as a percentage of the total pension liability	80.19%	80.56%	74.67%	72.50%	75.04%
Covered-employee payroll	$ 1,202,451	$ 1,075,865	$ 871,718	$ 731,207	$ 1,252,459
Net pension liability as a percentage of covered-employee payroll	69.5%	71.0%	110.0%	136.0%	74.5%

Note: This schedule will present 10 year of information once the data is available.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2019

SCHEDULE OF CONTRIBUTIONS

	2019	2018	2017	2016	2015
Actuarially determined contribution	--*	$ 142,922	$ 134,235	$ 183,915	$ 195,053
Contributions in relation to the actuarially determined contribution	--*	142,922	135,235	* 150,000	15,800
Contribution deficiency (excess)	--*	-	-	33,915	179,253
Covered-employee payroll	--*	1,075,865	871,718	* 731,207	1,252,459
Contributions as a percentage of covered-employee payroll	--*	13.28%	15.40%	20.51%	1.26%

* 2019 information will be determined after fiscal year end and will be included in the 2020 valuation report.

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

*** 2018 covered payroll is based on date collected as of September 30, 2017 for the 2018 actuarial valuation.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2019

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	The actuarially determined contribution rate was determined as of January 1, 2019, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending June 30, 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 beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less 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	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	2.75%
Retirement Age	
age 65-69	60%
70 and over	100%
Mortality	RP-2000-Combined

Supplementary Information

Combining Fund Statements and Schedules

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2019

	Hotel/Motel Tax Fund	Totals
ASSETS		
Intergovernmental receivable	$ -	$ -
Notes receivable	-	-
TOTAL ASSETS	$ -	$ -
LIABILITIES AND FUND BALANCE		
Deferred revenue	$ -	$ -
TOTAL LIABILITIES	-	-
FUND BALANCES		
Restricted for:		
Community Development Projects	-	-
TOTAL LIABILITES AND FUND BALANCE	$ -	$ -

City of Pelham, Georgia
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2019

	Hotel/Motel Tax Fund	Totals
REVENUES		
Hotel/Motel Tax	$ 30,678	$ 30,678
TOTAL REVENUES	30,678	30,678
EXPENDITURES		
Capital Outlay		
Housing and Development	30,678	30,678
TOTAL EXPENDITURES	30,678	30,678
Excess (Deficiency) of revenues over Expenditures before transfers	-	-
Net Change in Fund Balance	-	-
Fund Balance - Beginning of Year	-	-
Fund Balance - End of Year	$ -	$ -

City of Pelham, Georgia
Budgetary Comparision Schedule
Hotel/Motel - Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Hotel/Motel Tax	$ 15,160	$ 30,760	$ 30,678	$ (82)
TOTAL REVENUES	15,160	30,760	30,678	(82)
EXPENDITURES				
Housing and Development				
Economic Development and Assistance	15,160	30,760	30,678	82
Total Housing and Development	15,160	30,760	30,678	82
TOTAL EXPENDITURES - ALL DEPARTMENTS	15,160	30,760	30,678	82
Net Excess	$ -	$ -	$ -	$ -

State Reporting Requirements

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax
June 30, 2019

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2018						
Park & Recreational facilities construction and/or improvements	$ 154,000	$ 154,000	$ -	$ 19,379	$ 19,379	12.58%
Police vehicles and/or equipment	140,000	140,000	-	66,691	66,691	47.64%
Public Works and Water/Gas/Sewer vehicles and/or equipment	60,000	60,000	-	60,686	60,686	101.14%
Water & Sanitations Systems construction and/or improvements	120,000	120,000	-	108,236	108,236	90.20%
Retirement of general obligation debt for water and sewer improvements and Hand Trading Company Building	1,476,000	1,476,000	-	111,463	111,463	7.55%
Construction, maintenance, and improvement of city roads, streets, and bridges	382,030	382,030	-	-	-	0.00%
TOTAL	$ 2,332,030	$ 2,332,030	$ -	$ 366,455	$ 366,455	15.71%

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2019

	Grant #15p-x-101-2-5873
Total Program Year 2019 funds allocated to recipient	$ 500,000
Less: Total Program Year 2017 funds drawn down by recipient	(13,000)
Less: Total Program Year 2018 funds drawn down by recipient	(48,247)
Less: Total Program Year 2019 funds drawn down by recipient	(386,466)
* De-Obligated	(52,287)
Funds still available from Program Year 2019 Resources	$ -
Total Program Year 2019 funds held at beginning of year	$ -
Total Program Year 2017 funds drawn down and received by recipient	13,000
Total Program Year 2018 funds drawn down and received by recipient	48,247
Total Program Year 2019 funds drawn down and received by recipient	386,466
Less: Funds applied and expended to Program Year 2017 costs	(13,000)
Less: Funds applied and expended to Program Year 2018 costs	(48,247)
Less: Funds applied and expended to Program Year 2019 costs	(386,466)
TOTAL PROGRAM YEAR 2019 FUNDS HELD BY RECIPIENT	$ -

City of Pelham, Georgia
Community Development Block Grant
Budget to Actual Funds Schedule
June 30, 2019

		Grant #15p-x-101-2-5873				
	Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs
	P-03J-02	$ 470,000	$ 378,466	$ 39,247	$ 417,713	$ -
	A-21A-00	30,000	8,000	22,000	30,000	-
TOTAL		$ 500,000	$ 386,466	$ 61,247	$ 447,713	$ -

* De-Obligated $52,287

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2019

	Grant #17h-x-101-2-5951
Total Program Year 2019 funds allocated to recipient	$ 725,773
Less: Total Program Year 2018 funds drawn down by recipient	(7,500)
Less: Total Program Year 2019 funds drawn down by recipient	(345,492)
Funds still available from Program Year 2019 Resources	$ 372,781
Total Program Year 2018 funds held at beginning of year	$ -
Total Program Year 2018 funds drawn down and received by recipient	7,500
Total Program Year 2019 funds drawn down and received by recipient	345,492
Less: Funds applied and expended to Program Year 2018 costs	(7,000)
Less: Funds applied and expended to Program Year 2019 costs	(319,717)
TOTAL PROGRAM YEAR 2019 FUNDS HELD BY RECIPIENT	$ 26,275

City of Pelham, Georgia
Community Development Block Grant
Budget to Actual Funds Schedule
June 30, 2019

		Grant #17h-x-101-2-5951				
	Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs
	H-001-01	$ 8,500	$ 8,500	$ -	$ 8,500	$ -
	H-004-00	8,170	7,750	-	7,750	-
	H-14A-01	276,691	113,260	-	113,260	-
	H-14A-02	346,167	167,507	-	167,507	-
	C-022-00	35,470	-	-	-	-
	A-21A-00	50,775	22,700	7,000	29,700	-
TOTAL		$ 725,773	$ 319,717	$ 7,000	$ 326,717	$ -

Governmental Auditing Standards Requirements

Perry L. Henry, LLC

Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of
the City Council
City of Pelham, Georgia

We have audited, in accordance with audit 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 aggregate business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Pelham, Georgia's basic financial statements, and have issued our report dated thereon December 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pelham, Georgia'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 of Pelham, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pelham, Georgia'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, detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first

paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pelham, Georgia'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as item 2019-1.

City of Pelham's Response to Findings

City of Pelham, Georgia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. *The* City of Pelham, Georgia'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.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
December 30, 2019

2012-1

Condition: The City does not have adequate separation of duties in various functions of the City.

Criteria: Internal control is a process designed to provide reasonable assurance about your objectives with regard to reliability of:

(1) financial reporting,
(2) effectiveness and efficiency of operations, and
(3) Compliance with applicable laws and regulations.

Cause: There is an insufficient number of staff to properly segregate functions of all transaction cycles.

Effect: The City will be exposed to increased risk that the financial statements could be materially misstated whether by error or intentionally and not be detected in a timely manner.

Recommendation: The City should monitor the control environment and continue to strengthen controls where cost effective.

Management's Response: Management agrees. A corrective action plan will be issued under a separate cover.

2019-1

Criteria:

The City entered into various transfers and payments between the SPLOST, General and Enterprise funds regarding the purchase of several vehicles. Some vehicles were qualified SPLOST expenditures and some were not.

Condition:

Once all transactions were reviewed, it was determined that the General Fund owes the SPLOST fund $2,217.60 at year-end for non-qualified expenditures. This has resulted in comingling of SPLOST proceeds with those of other funds which is a violation of State Law.

Cause:

Miscommunications within management with the change in city managers were likely a contributing factor.

Effect:

Violation of state law.

Recommendation:

Repay amounts listed above and review all subsequent transactions to verify all expenditures paid using SPLOST proceeds are qualified.

Management's Response:

Management agrees with finding and will correct financial reporting as necessary. City management and leadership will work together and develop policies and procedures to prevent a recurrence of these events.