CITY OF PEMBROKE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Pembroke, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on pages 38 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pembroke, Georgia's basic financial statements. The schedule of projects paid with SPLOST proceeds and schedule of TSPLOST expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of projects paid with SPLOST proceeds, schedule of TSPLOST expenditures, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects paid with SPLOST proceeds, schedule of TSPLOST expenditures, and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021 on our consideration of the City of Pembroke, 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 of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pembroke, Georgia's internal control over financial reporting and compliance.

Lanier, Deal & Proctor

Statesboro, Georgia
October 7, 2021

CITY OF PEMBROKE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 7,184,796	$ (195,854)	$ 6,988,942	$ 3,165
Restricted cash and cash equivalents	-	409,015	409,015	-
Certificates of deposit	101,076	157,436	258,512	-
Receivables:				
Taxes	156,535	-	156,535	-
Accounts	36,908	88,039	124,947	-
Intergovernmental	537,573	-	537,573	-
Internal balances	304,381	(304,381)	-	-
Prepaid insurance	38,643	13,912	52,555	-
Total Current Assets	8,359,912	168,167	8,528,079	3,165
Noncurrent Assets:				
Capital assets:				
Nondepreciable capital assets	749,834	-	749,834	204,300
Depreciable capital assets, net	3,123,768	10,108,468	13,232,236	23,220
Total Capital Assets	3,873,602	10,108,468	13,982,070	227,520
Total Assets	12,233,514	10,276,635	22,510,149	230,685
DEFERRED OUTFLOWS OF RESOURCES				
Resources related to pensions	273,261	84,497	357,758	-
LIABILITIES				
Current Liabilities:				
Accounts payable	73,621	6,012	79,633	1,141
Escrow deposit	-	10,000	10,000	-
Accrued payroll	37,747	5,480	43,227	-
Unearned revenue	3,340	-	3,340	-
Compensated absences payable	4,569	2,328	6,897	-
Customer deposits	-	87,512	87,512	-
Notes payable	204,383	-	204,383	-
Capital leases payable	82,994	-	82,994	-
Revenue bonds payable	-	197,781	197,781	-
Total Current Liabilities	406,654	309,113	715,767	1,141
Long-Term Liabilities:				
Compensated absences payable (net of current portion)	18,275	9,311	27,586	-
Notes payable (net of current portion)	1,869,161	-	1,869,161	-
Revenue bonds payable (net of current portion)	-	4,173,030	4,173,030	-
Capital leases payable (net of current portion)	296,439	-	296,439	-
Net pension obligation	496,406	162,026	658,432	-
Total Long-Term Liabilities	2,680,281	4,344,367	7,024,648	-
Total Liabilities	3,086,935	4,653,480	7,740,415	1,141
DEFERRED INFLOWS OF RESOURCES				
Resources related to pensions	18,815	1,845	20,660	-
NET POSITION				
Net investment in capital assets	1,420,625	5,737,657	7,158,282	227,520
Restricted for:				
Capital projects	6,292,758	-	6,292,758	-
Other purposes	108,468	-	108,468	-
Debt service	-	272,138	272,138	-
Unrestricted	1,579,174	(303,988)	1,275,186	2,024
Total Net Position	$ 9,401,025	$ 5,705,807	$ 15,106,832	$ 229,544

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Program/Function	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary Government								
Governmental Activities:								
General government	$ 366,788	$ 62,254	-	-	$ (304,534)	-	$ (304,534)	-
Municipal court	61,493	-	-	-	(61,493)	-	(61,493)	-
Public safety	1,064,846	260,048	$ 134,211	$ 10,571	(660,016)	-	(660,016)	-
Streets and sanitation	959,183	106,176	746	1,514,530	662,269	-	662,269	-
Recreation and culture	69,968	330	-	-	(69,638)	-	(69,638)	-
Housing and development	753,626	675	-	612,134	(140,817)	-	(140,817)	-
Health and welfare	108,997	-	131,099	-	22,102	-	22,102	-
Interest	44,681	-	-	-	(44,681)	-	(44,681)	-
Total Govermental Activites	3,429,582	429,483	266,056	2,137,235	(596,808)	-	(596,808)	-
Business-Type Activities:								
Water Fund	1,415,338	1,097,402	-	257,886	-	$ (60,050)	(60,050)	-
Total - Primary Government	$ 4,844,920	$ 1,526,885	$ 266,056	$ 2,395,121	(596,808)	(60,050)	(656,858)	-
Component Unit								
Downtown Development Authority	$ 77,384	$ 12,893	$ 8,430	$ -	-	-	-	$ (56,061)
		General Revenues						
		Property taxes levied for:						
		General purposes			546,764	-	546,764	-
		Sales taxes			738,555	-	738,555	-
		Insurance premium tax			172,107	-	172,107	-
		Franchise taxes			120,199	-	120,199	-
		Other taxes			59,333	-	59,333	-
		Interest earned			4,048	3,668	7,716	-
		Home sales			438,623	-	438,623	-
		Other			73,782	-	73,782	-
		Total General Revenues			2,153,411	3,668	2,157,079	-
		Transfers			(143,643)	143,643	-	-
		Total General Revenues and Transfers			2,009,768	147,311	2,157,079	-
		Change in Net Position			1,412,960	87,261	1,500,221	(56,061)
		Net Position Beginning of Year			7,988,065	5,618,546	13,606,611	285,605
		Net Position End of Year			$ 9,401,025	$ 5,705,807	$ 15,106,832	$ 229,544

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	TSPLOST	SPLOST	CHIP Grant	Total Governmental Funds
ASSETS					
Cash	$ 1,085,897	$ 882,140	$ 4,777,952	$ 438,807	$ 7,184,796
Certificates of deposit	101,076	-	-	-	101,076
Receivables:					
Taxes	156,535	-	-	-	156,535
Accounts	36,908	-	-	-	36,908
Intergovernmental	110,591	72,577	134,253	220,152	537,573
Prepaid insurance	38,643	-	-	-	38,643
Due from other funds	530,093	-	-	-	530,093
TOTAL ASSETS	$ 2,059,743	$ 954,717	$ 4,912,205	$ 658,959	$ 8,585,624
LIABILITIES					
Accounts payable	$ 66,210	$ 7,411	-	-	$ 73,621
Accrued payroll liabilities	37,747	-	-	-	37,747
Unearned revenue	3,340	-	-		3,340
Due to other funds	-	-	$ 5,510	$ 220,202	225,712
TOTAL LIABILITIES	107,297	7,411	5,510	220,202	340,420
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	29,546	-	-	-	29,546
FUND BALANCES					
Nonspendable	38,643	-	-	-	38,643
Restricted for:					
Capital projects	-	947,306	4,906,695	438,757	6,292,758
Roads	41,176	-	-	-	41,176
Public safety	67,292	-	-	-	67,292
Unassigned	1,775,789	-	-	-	1,775,789
TOTAL FUND BALANCES	1,922,900	947,306	4,906,695	438,757	8,215,658
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,059,743	$ 954,717	$ 4,912,205	$ 658,959	$ 8,585,624

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Amounts reported for governmental activities in the statement of net position are different because:			
Total Governmental Fund Balances			$ 8,215,658
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
	Cost	$ 7,565,564	
	Less accumulated depreciation	(3,691,962)	3,873,602
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds:			
	Property taxes		29,546
Deferred outflows and deferred inflows related to pensions is not reported in the governmental funds:			
	Deferred outflows of resources	273,261	
	Deferred inflows of resources	(18,815)	254,446
The City's net pension obligation is not reported in the governmental funds but is in the statement of net position.			(496,406)
Liabilities, including notes payable, capital leases payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position:			
	Notes payable	(2,073,544)	
	Capital leases payable	(379,433)	
	Compensated absences	(22,844)	(2,475,821)
Net Position Of Governmental Activities			$ 9,401,025

See accompanying notes to the basic financial statements.

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

	General	TSPLOST	SPLOST	CHIP Grant	Total Governmental Funds
REVENUES					
Taxes	$ 1,635,081	-	-	-	$ 1,635,081
Licenses and permits	42,017	-	-	-	42,017
Intergovernmental	396,977	$ 657,643	$ 724,342	$ 612,000	2,390,962
Charges for services	192,089	-	-	-	192,089
Fines and forfeitures	195,377	-	-	-	195,377
Interest	4,048	1,795	8,504	134	14,481
Other	75,678	-	-	-	75,678
Total revenues	2,541,267	659,438	732,846	612,134	4,545,685
EXPENDITURES					
Current:					
General government	316,868	-	-	-	316,868
Municipal court	53,705	-	-	-	53,705
Public safety	1,031,452	-	-	-	1,031,452
Streets and sanitation	928,173	-	-	-	928,173
Recreation and culture	40,861	-	-	-	40,861
Housing and development	67,118	-	-	-	67,118
Health and welfare	109,161	-	-	-	109,161
Capital outlay:					
General government	-	-	191,746	-	191,746
Public safety	-	-	58,430	-	58,430
Streets	-	282,082	-	-	282,082
Recreation and culture	-	-	74,558	-	74,558
Housing and development	-	-	-	683,194	683,194
Debt service:					
Principal	121,306	-	-	-	121,306
Interest	14,151	-	-	-	14,151
Debt issuance costs	-	-	30,530	-	30,530
Total expenditures	2,682,795	282,082	355,264	683,194	4,003,335
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(141,528)	377,356	377,582	(71,060)	542,350
OTHER FINANCING SOURCES (USES)					
Home sales	-	-	-	438,623	438,623
Proceeds from issuance of debt	-	-	2,030,000	-	2,030,000
Transfers in	10,680	-	-	71,194	81,874
Transfers out	(71,194)	(19,194)	(135,128)	-	(225,516)
Total other financing sources (uses)	(60,514)	(19,194)	1,894,872	509,817	2,324,981
NET CHANGE IN FUND BALANCES	(202,042)	358,162	2,272,454	438,757	2,867,331
FUND BALANCES, JANUARY 1, 2020	2,124,942	589,144	2,634,241	-	5,348,327
FUND BALANCES, DECEMBER 31, 2020	$ 1,922,900	$ 947,306	$ 4,906,695	$ 438,757	$ 8,215,658

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA

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

Amounts reported for governmental activities in the statement of activities are different because:			
Net Changes In Fund Balances - Total Governmental Funds			$ 2,867,331
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.			
	Depreciation expense	$ (343,924)	
	Capital outlay	858,677	514,753
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
	Property taxes:		
	Unavailable revenue @ 12/31/20	29,546	
	Unavailable revenue @ 12/31/19	(27,670)	1,876
Other financing sources for proceeds from issuance of debt are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements.			(2,030,000)
Repayment of notes payable and capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			121,306
The change in the net pension liability and pension related deferred outflows and deferred inflows is reported on the government-wide statement of activities but not in the governmental funds.			(63,010)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
	Compensated absences payable:		
	Liability @ 12/31/20	(22,844)	
	Liability @ 12/31/19	23,548	704
Change In Net Position of Governmental Activities			$ 1,412,960

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	$ 1,497,091	$ 1,635,081	$ 137,990
Licenses and permits	40,550	42,017	1,467
Intergovernmental	256,000	396,977	140,977
Charges for services	237,030	192,089	(44,941)
Fines and forfeitures	297,000	195,377	(101,623)
Interest income	3,710	4,048	338
Other	192,857	75,678	(117,179)
Total revenues	2,524,238	2,541,267	17,029
EXPENDITURES			
Current:			
General government	347,949	316,868	31,081
Municipal court	68,430	53,705	14,725
Public safety	877,025	1,031,452	(154,427)
Streets and sanitation	734,759	928,173	(193,414)
Health and welfare	131,000	109,161	21,839
Recreation and culture	73,160	40,861	32,299
Housing and development	188,932	67,118	121,814
Debt service:			
Principal	87,722	121,306	(33,584)
Interest	23,061	14,151	8,910
Total expenditures	2,532,038	2,682,795	(150,757)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,800)	(141,528)	(133,728)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	7,800	-	(7,800)
Transfers in	-	10,680	10,680
Transfers out	-	(71,194)	(71,194)
Total other financing sources (uses)	7,800	(60,514)	(68,314)
NET CHANGE IN FUND BALANCE	$ -	(202,042)	$ (202,042)
FUND BALANCE, JANUARY 1, 2020		2,124,942	
FUND BALANCE, DECEMBER 31, 2020		$ 1,922,900	

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
CHIP GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	$ 612,000	$ 612,000	-
Interest income	-	134	$ 134
Total revenues	612,000	612,134	134
EXPENDITURES			
Capital:			
Housing and development	672,900	683,194	(10,294)
Total expenditures	672,900	683,194	(10,294)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(60,900)	(71,060)	(10,160)
OTHER FINANCING SOURCES (USES)			
Home sales	-	438,623	438,623
Transfers in	60,900	71,194	10,294
Total other financing sources (uses)	60,900	509,817	448,917
NET CHANGE IN FUND BALANCE	$ -	438,757	$ 438,757
FUND BALANCE, JANUARY 1, 2020		-	
FUND BALANCE, DECEMBER 31, 2020		$ 438,757	

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER FUND
DECEMBER 31, 2020

ASSETS	
Current Assets	
Cash and cash equivalents	$ (195,854)
Restricted cash and cash equivalents	409,015
Certificates of deposit	157,436
Accounts receivable	88,039
Prepaid insurance	13,912
Total Current Assets	472,548
Noncurrent Assets	
Capital Assets	
Water and sewer system	14,514,276
Machinery and equipment	474,020
Less accumulated depreciation	(4,879,828)
Total Capital Assets	10,108,468
Total Assets	10,581,016
DEFERRED OUTFLOWS OF RESOURCES	
Resources related to pensions	84,497
LIABILITIES	
Current Liabilities	
Accounts payable	6,012
Escrow deposit	10,000
Accrued payroll	5,480
Compensated absences payable	2,328
Due to other funds	304,381
Customer deposits	87,512
Revenue bonds payable	197,781
Total Current Liabilities	613,494
Long-term Liabilites	
Compensated absences payable (net of current portion)	9,311
Revenue bonds payable (net of current portion)	4,173,030
Net pension obligation	162,026
Total Long-term Liabilities	4,344,367
Total Liabilites	4,957,861
DEFERRED INFLOWS OF RESOURCES	
Resources related to pensions	1,845
NET POSITION	
Net investment in capital assets	5,737,657
Restricted for debt service	272,138
Unrestricted	(303,988)
Total Net Position	$ 5,705,807

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

OPERATING REVENUES	
Water and sewer sales	$ 1,010,468
Other	86,934
Total operating revenues	1,097,402
OPERATING EXPENSES	
Salaries	267,989
Payroll taxes	19,490
Retirement	39,476
Depreciation	396,567
Professional fees	25,978
Utilities	159,580
Rent	50,000
Repair and maintenance	77,370
Insurance	71,907
Chemicals	24,096
Postage	7,671
Lab fees	9,221
Fuel	10,079
Telephone	8,965
Supplies	33,351
Small equipment	13,375
Prison detail	16,207
Contracted services	48,152
Uniforms	6,656
Equipment rental	1,232
Other	13,610
Total operating expenses	1,300,972
OPERATING INCOME (LOSS)	(203,570)
NONOPERATING REVENUE (EXPENSE)	
Interest income	3,668
Interest expense	(114,366)
Total nonoperating revenue (expense)	(110,698)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(314,268)
Capital contributions	257,886
Transfers in	154,323
Transfers out	(10,680)
CHANGE IN NET POSITION	87,261
NET POSITION, BEGINNING OF YEAR	5,618,546
NET POSITION, END OF YEAR	$ 5,705,807

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 1,103,475
Cash payments for employees	(302,324)
Cash payments for goods and services	(628,738)
Net cash provided by operating activities	172,413
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from (to) other funds	(105,980)
Transfers out	(10,680)
Net cash used by noncapital financing activities	(116,660)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in from SPLOST and TSPLOST funds	154,323
Capital grants	257,886
Purchase of capital assets	(314,813)
Principal payments on long-term debt	(192,758)
Interest payments	(114,366)
Net cash used by capital and related financing activities	(209,728)
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificates of deposit	(2,879)
Interest received	3,668
Net cash provided by investing activities	789
NET DECREASE IN CASH AND CASH EQUIVALENTS	(153,186)
CASH AND CASH EQUIVALENTS, JANUARY 1, 2020	366,347
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2020	$ 213,161
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (203,570)
Adjustments:	
Depreciation	396,567
(Increase) decrease in operating assets:	
Accounts receivable	(1,149)
Prepaid insurance	(7,254)
(Increase) decrease in deferred outflows of resources - resources related to pensions	(40,925)
Increase (decrease) in operating liabilities:	
Accounts payable	(54,034)
Escrow deposit	10,000
Accrued payroll	3,274
Customer deposits	7,222
Compensated absences payable	1,459
Net pension obligation	81,441
Increase (decrease) in deferred inflows of resources - resources related to pensions	(20,618)
Net cash provided by operating activities	$ 172,413

See accompanying notes to the basic financial statements.

The City of Pembroke was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture and recreation, planning and zoning, and general administrative services. In addition, the City operates a water and sewer system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, in its government-wide and proprietary fund financial statements, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The Downtown Development Authority of the City of Pembroke is a public corporation created to promote industry, trade, and economic growth. The City appoints the members of the authority's board and assists in its funding. Separate financial statements are not prepared.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants and the City's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

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

Major individual governmental funds are reported in separate columns.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

SPLOST Fund – This capital projects fund accounts for the special purpose local option sales tax collected to be used for various capital improvements within the City.

TSPLOST Fund – This fund accounts for the transportation special purpose local option sales tax collected for transportation capital improvements within the City.

CHIP Grant Fund – This fund accounts for the Community Home Investment Program grant funds used to provide affordable housing for low-income families.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City's only major enterprise fund is the water and sewer fund which accounts for the water and sewer provided to the City's constituents.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities

1-D. Basis of Accounting

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

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

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

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

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

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonexpendable as this amount is not available for general appropriation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets represent amounts set aside to meet the requirements of applicable covenants of the water and sewer revenue bonds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the City fund financial statements. Capital assets utilized by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges and water lines. For roads and bridges, the City will only capitalize infrastructure constructed after June 30, 2003. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land, right-of-way and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	7-40 years
Machinery and equipment	3-10 years
Infrastructure	10-40 years
Water and sewer system	15-40 years

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for the deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is resources related to pensions reported at the government-wide level for governmental and business-type activities and at the fund level for enterprise funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also has deferred inflows of resources related to its pension plan reported at the government-wide level for governmental and business-type activities and at the fund level for its proprietary fund.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "*when due."*

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as obligations of those funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

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

Nonspendable – Fund balances are reported as nonspendable when 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. Only the City Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. Only the City Council is authorized to assign fund balance by resolution.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow Assumptions - The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. 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 the assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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. 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the water and sewer services and includes administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

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

Interfund Activity

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations for the following departments within the general fund:

	Overexpenditures
Public safety	$ 154,427
Streets and sanitation	193,414
Debt service - principal	33,584

These over expenditures were funded primarily by excess revenues over amounts budgeted and available fund balance.

The CHIP grant fund had over expenditures of $10,294 which were funded by additional transfers from the general fund.

NOTE 3 – DEPOSITS

At December 31, 2020, the carrying amount of the City's deposits (checking and certificates of deposit) was $7,656,469 and the bank balance was $7,591,063. Of the bank balance, $750,000 was covered by federal depository insurance and $6,841,063 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about September 15th of each year and are payable within sixty days. The Bryan County Tax Commissioner bills and collects the City's property taxes. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended December 31, 2020, property taxes were levied on August 11, 2020, and were due November 15, 2020.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability. The allowance for uncollectible accounts netted against accounts receivable at December 31, 2020 for the general fund and the water and sewer fund totaled $5,000 and $3,766, respectively.

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General	SPLOST	$ 5,510
	Water and Sewer	304,381
	CHIP grant	220,202
		$ 530,093

Interfund balances at December 31, 2020 represent charges for services or reimbursable expenses. The City expects to repay all interfund balances within one year.

During the year ended December 31, 2020, the SPLOST and TSPLOST fund transferred $135,128 and $19,194, respectively to the Water and Sewer fund to help fund water and sewer system improvements and equipment purchases. The Water and Sewer fund transferred $10,680 to the General fund to help pay for a software upgrade. The General fund transferred $71,194 to the CHIP grant fund to help fund project expenditures.

NOTE 7 – CAPITAL ASSETS

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

	Balance 1/1/2020	Additions	Deductions	Balance 12/31/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 434,143	-	-	$ 434,143
Construction in progress	38,755	$ 281,896	$ 4,960	315,691
Total capital assets not being depreciated	472,898	281,896	4,960	749,834
Capital assets being depreciated:				
Buildings and other improvements	2,052,036	-	-	2,052,036
Machinery and equipment	2,074,219	322,804	-	2,397,023
Infrastructure	2,107,734	258,937	-	2,366,671
Total capital assets being depreciated	6,233,989	581,741	-	6,815,730
Total capital assets	6,706,887	863,637	4,960	7,565,564
Accumulated depreciation:				
Buildings and other improvements	1,389,348	38,844	-	1,428,192
Machinery and equipment	1,351,739	196,209	-	1,547,948
Infrastructure	606,951	108,871	-	715,822
Total accumulated depreciation	3,348,038	343,924	-	3,691,962
Governmental activities capital assets, net	$ 3,358,849	$ 519,713	$ 4,960	$ 3,873,602

Governmental activities depreciation expense:

General government	$ 45,411
Municipal court	3,643
Public safety	139,779
Recreation	29,107
Streets and sanitation	125,984
Total governmental activities depreciation expense	$ 343,924

NOTE 7 – CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City's enterprise fund:

	Balance 1/1/2020	Additions	Deductions	Balance 12/31/2020
Business-type activities:				
Capital assets being depreciated:				
Water and sewer system	$ 14,267,062	$ 247,214	-	$ 14,514,276
Machinery and equipment	406,421	67,599	-	474,020
Total capital assets being depreciated	14,673,483	314,813	-	14,988,296
Total capital assets	14,673,483	314,813	-	14,988,296
Accumulated depreciation:				
Water and sewer system	4,120,269	376,166	-	4,496,435
Machinery and equipment	362,992	20,401	-	383,393
Total accumulated depreciation	4,483,261	396,567	-	4,879,828
Business-type activities capital assets, net	$ 10,190,222	$ (81,754)	$ -	$ 10,108,468

NOTE 8 – NOTES PAYABLE

Governmental Activities
The notes payable outstanding at December 31, 2020, consisted of the following:

	Governmental Activities
Note payable to John Deere Financial, payable in monthly installments of $543 at 0% interest through November, 2023, secured by equipment	$ 19,011
Note payable to KS State Bank, payable in annual installments of $3,178 including interest at 6.34%, through December, 2022, secured by computer equipment	5,799
Note payable to KS State Bank, payable in annual installments of $10,114 including interest at 5.27%, through October, 2022, secured by computer equipment and software	18,734
Note payable to Truist Bank, payable in monthly installments of $18,606 including interest at 1.92%, through December, 2030, secured by real estate	2,030,000
	$ 2,073,544

As of December 31, 2020, annual debt service requirements for governmental activities are as follows:

Year ending December 31	Principal	Interest	Total
2021	$ 204,383	$ 38,700	$ 243,083
2022	208,643	34,440	243,083
2023	199,175	30,073	229,248
2024	196,942	26,331	223,273
2025	200,757	22,516	223,273
2026-2030	1,063,644	52,722	1,116,365
	$ 2,073,544	$ 204,781	$ 2,278,325

NOTE 9 – WATER AND SEWER REVENUE BONDS

In June, 2016, the City issued a City of Pembroke Water and Sewer Refunding Revenue Bond, Series 2016, for $4,210,000. The bond was issued to pay the cost of refunding and defeasing the City of Pembroke Water and Sewer Revenue Bond, Series 2003A; the City of Pembroke Water and Sewer Revenue Bond, Series 2003B; the City of Pembroke Water and Sewer Revenue Bond, Series 2013; and a note from First Bank of Coastal Georgia dated December 14, 2015. Additionally, a portion of the net proceeds was deposited into a debt service reserve account.

The bond has an interest rate of 2.57% for the first 15 years. After that, the interest rate will be at a monthly variable rate equal to 70% of the Wall Street Journal prime rate not to exceed a rate of 10%.

The bond requires monthly principal and interest payments of $22,445 from July, 2016 through June, 2036. The principal amount outstanding at December 31, 2020 was $3,440,462.

The bond is secured by a lien on the revenues of the water and sewer system. The City will be required to create a special fund designated as the City of Pembroke Water and Sewer Revenue Bond Sinking Fund (Sinking Fund), which will include a debt service and a reserve account.

In April 2019, the City issued a City of Pembroke Water and Sewer Revenue Bond, Series 2019, for $954,000 through the United States Department of Agriculture. The bond was issued to pay the cost of acquiring property in Bulloch County, drilling a new well, connecting to the City's water system, and constructing a 250,000-gallon elevated storage tank for the water system. As of December 31, 2020, the principal amount outstanding was $930,349.

The bonds payable outstanding at December 31, 2020, consisted of the following:

	Business-Type Activities
Series 2016 Water and Sewer Refunding Revenue Bonds, payable in monthly installments of $22,445 from July, 2016 through June, 2036, including interest at 2.57%	$ 3,440,462
Series 2019 Water and Sewer Revenue Bonds, payable in monthly installments of $3,149 from May, 2019 through April, 2059, including interest at 2.50%	930,349
	$ 4,370,811

NOTE 9 – WATER AND SEWER REVENUE BONDS (Continued)

As of December 31, 2020, annual debt service requirements are as follows:

Year ending December 31	Business-Type Activities		
	Principal	Interest	Total
2021	$ 197,781	$ 109,344	307,125
2022	202,914	104,211	307,125
2023	208,180	98,945	307,125
2024	213,583	93,542	307,125
2025	219,125	88,000	307,125
2026-2030	1,183,935	351,690	1,535,625
2031-2035	1,345,749	189,876	1,535,625
2036-2040	245,744	77,904	323,648
2041-2045	127,384	61,556	188,940
2046-2050	144,327	44,613	188,940
2051-2055	163,522	25,418	188,940
2055-2059	118,567	5,033	123,600
	$ 4,370,811	$ 1,250,132	$ 5,620,943

NOTE 10 – CAPITAL LEASES

The City has entered into lease agreements for financing the acquisition of police vehicles and equipment costing $167,709 and two fire trucks costing $496,310. Amortization of the cost is included in depreciation expense in the government-wide financial statements and accumulated depreciation was $250,135, at December 31, 2020. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2020:

Year ending December 31	Governmental Activities
2021	$ 94,284
2022	84,323
2023	84,323
2024	77,105
2025	69,891
Total minimum lease payments	409,926
Less amount representing interest	30,493
Present value of future minimum lease payments	$ 379,433

NOTE 11 – CHANGES IN LONG-TERM DEBT

	Outstanding January 1, 2020	Additions	Reductions	Outstanding December 31, 2020	Amounts Due in One Year
Governmental Activities					
Compensated absences	$ 23,548	$ 11,483	$ 12,187	$ 22,844	$ 4,569
Notes payable	84,588	2,030,000	41,044	2,073,544	204,383
Capital leases payable	459,695	-	80,262	379,433	82,994
Total Governmental Activities	$ 567,831	$ 2,041,483	$ 133,493	$ 2,475,821	$ 291,946
Business-Type Activities					
Compensated absences	$ 10,180	$ 1,459	-	$ 11,639	$ 2,328
Revenue bonds payable	4,563,569	-	$ 192,758	4,370,811	197,781
Total Business-Type Activities	$ 4,573,749	$ 1,459	$ 192,758	$ 4,382,450	$ 200,109

The compensated absences liability and capital lease payments will be paid from the general fund for governmental activities and from the water and sewer fund for business-type activities. Principal and interest payments related to notes payable for governmental activities will be paid from the general fund and the SPLOST fund. Revenue bonds payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

NOTE 12 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City's defined benefit pension plan, the City of Pembroke Retirement Plan (the "Plan"), provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The City is assigned the authority to establish and amend benefit provisions of the Plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

Benefits Provided

The Plan provides retirement benefits to eligible employees of the City. All regular employees meeting the eligibility requirements are covered under the plan. Municipal legal officers are not eligible to participate in the plan. In order to be eligible for participation, regular employees must work a minimum of thirty hours per week for at least five months per year. Regular employees qualify for immediate participation in the plan and participation is mandatory for all eligible employees.

Plan participants are eligible to receive early retirement benefits at the age of fifty-five with the completion of ten years of total credited service. Normal retirement benefits may be received at the age of sixty-five with five years of total credited service.

Normal retirement benefits are calculated based on a flat percentage of 2.0 percent of final average earnings multiplied by years of total credited service as an eligible regular employee. The number of years of total credited service which may be used to calculate the benefit is not limited. Monthly benefits are paid at $1/12^{th}$ of the calculated amount. The same formula is used for all participants who are regular employees. Final average earnings are the annual average of earnings paid to a participant by the City for the five consecutive years of credited service preceding the participant's most recent termination in which the participant's earnings were the highest. All elected or appointed members of the City eligible to participate will receive $17 per month for each year of total credited service.

For participants electing to receive early retirement benefits, the benefit will be reduced on an actuarially equivalent basis to account for early commencement of benefits.

Disability retirement benefits shall be computed in the same manner as the normal retirement benefit, based upon the participant's accrued benefit as of his disability retirement date. The minimum disability benefit will be no less than 20% of the participant's average monthly earnings for the twelve calendar month period immediately preceding his termination of employment as a result of a disability.

In-service death benefits are payable to the participant's pre-retirement beneficiary, equal to the actuarially equivalent of the reserve required for the participant's anticipated normal retirement benefit. For purposes of computing the actuarial reserve death benefit, the participant's total credited service shall include total credited service accrued prior to the date of the participant's death, plus one-half of the service between such date of death and what would otherwise have been the participant's normal retirement date. Terminated vested death benefits are payable to the participant's pre-retirement beneficiary, equal to the decreased monthly retirement benefit that would have otherwise been payable to the participant had he elected 100% joint and survivor benefit under the plan.

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

Employees Covered by Benefit Terms
At July 1, 2020, the most recent actuarial valuation, there were 78 participants as follows:

Active participants	36
Retirees and beneficiaries	21
Vested former employees	21
	78

Contributions
The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is $89,576. This minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards.

Net Pension Liability
The City's net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

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

Inflation	2.25 percent
Salary increases	Range of 3.00 to 8.50 percent, including inflation
Investment rate of return	7.375 percent, net of pension plan investment expenses, including infla

Mortality rates were based on the Pri-2012 Weighted Employee Mortality Table with rates multiplied by 1.25.

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

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

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major asset class are summarized in the following table:

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

Discount Rate

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a)-(b)
Balance, March 31, 2019	$ 1,749,469	$ 1,430,374	$ 319,095
Changes for the year:			
Service cost	55,453	-	55,453
Interest	132,011	-	132,011
Contributions from the employer	-	82,023	(82,023)
Net investment income	-	(98,732)	98,732
Difference between expected and actual experience	109,581	-	109,581
Benefit payments, including refunds of employee contributions	(89,539)	(89,539)	-
Administrative expenses		(9,069)	9,069
Other changes	16,514	-	16,514
Net Changes	224,020	(115,317)	339,337
Balance, March 31, 2020	$ 1,973,489	$ 1,315,057	$ 658,432

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

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

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

	Discount Rate - 1% (6.375%)	Current Discount Rate (7.375%)	Discount Rate + 1% (8.375%)
City's net pension liability	$ 919,957	$ 658,432	$ 443,095

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

For the year ended December 31, 2020, the City recognized pension expense of $162,159. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions after measurement date	$ 59,822	-
Differences in expected and actual experience	116,461	$ (20,660)
Effects of changes in assumptions	18,981	-
Net differences between projected and actual net investment income	162,494	-
	$ 357,758	$ (20,660)

City contributions subsequent to the measurement date of $59,822 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31	
2021	$ 63,945
2022	88,811
2023	83,442
2024	41,078
	$ 277,276

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2020 there was no pending litigation that would have a material effect on the financial statements.

NOTE 14 – 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; workers' compensation claims; and natural disasters. The City has joined the Georgia Interlocal Risk Management Agency, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. This membership allows the city to share liability, crime, motor vehicle and property damage risks.

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

The City of Pembroke retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $1,000 deductible.

There have been no settlements exceeding insurance coverage for each of the past three years.

Pursuant to Title 34, Chapter 9, Article 4 of the Official Code of Georgia Annotated, the City of Pembroke became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Pembroke) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

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

NOTE 14 – RISK MANAGEMENT (Continued)

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs assessed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 15 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten county Southeast Georgia area, is a member of the Coastal Regional Commission of Georgia (RC) and is required to pay annual dues thereto. During the year ended December 31, 2020, the City paid $2,855 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Regional Council membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of a RC. Separate financial statements may be obtained from:

Coastal Regional Commission of Georgia
1181 Coastal Drive SW
Darien, Georgia 31305

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 7, 2021 which is the date the financial statements were available to be issued. No subsequent events were noted.

CITY OF PEMBROKE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF PEMBROKE RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 (1)	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)
Total pension liability						
Service cost	$ 55,453	$ 54,096	$ 58,556	$ 57,515	$ 65,475	$ 50,064
Interest	132,011	120,236	117,456	113,520	104,898	99,754
Differences between expected and actual experience	109,581	68,552	(82,639)	(33,365)	24,858	(18,499)
Changes of assumptions	16,514	-	26,374	-	-	12,064
Benefit payments, including refunds of employee contributions	(89,539)	(84,926)	(87,582)	(86,209)	(81,739)	(72,284)
Net change in total pension liability	224,020	157,958	32,165	51,461	113,492	71,099
Total pension liability-beginning	1,749,469	1,591,511	1,559,346	1,507,885	1,394,393	1,323,294
Total pension liability-ending (a)	$ 1,973,489	$ 1,749,469	$ 1,591,511	$ 1,559,346	$ 1,507,885	$ 1,394,393
Plan fiduciary net position						
Contributions-employer	$ 82,023	$ 74,238	$ 91,263	$ 76,374	$ 77,939	$ 78,050
Net investment income	(98,732)	50,048	155,450	140,607	3,983	100,213
Benefit payments, including refunds of employee contributions	(89,539)	(84,926)	(87,582)	(86,209)	(81,739)	(72,284)
Administrative expense	(9,069)	(8,608)	(8,415)	(8,646)	(5,743)	(5,274)
Net change in plan fiduciary net position	(115,317)	30,752	150,716	122,126	(5,560)	100,705
Plan fiduciary net position-beginning	1,430,374	1,399,622	1,248,906	1,126,780	1,132,340	1,031,635
Plan fiduciary net position-ending (b)	$ 1,315,057	$ 1,430,374	$ 1,399,622	$ 1,248,906	$ 1,126,780	$ 1,132,340
Net pension liability-ending (a)-(b)	$ 658,432	$ 319,095	$ 191,889	$ 310,440	$ 381,105	$ 262,053
Plan fiduciary net position as a percentage of the total pension liability	66.64%	81.76%	87.94%	80.09%	74.73%	81.21%
Covered-employee payroll	$ 1,079,826	$ 928,791	$ 812,810	$ 785,198	$ 775,601	$ 782,586
Net pension liability as a percentage of covered-employee payroll	60.98%	34.36%	23.61%	39.54%	49.14%	33.49%

(1) Only fiscal years 2020, 2019, 2018, 2017, 2016, and 2015 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

Notes to Schedule:

Changes of assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years In age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the *sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1 25*
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sexdistinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sexdistinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%,
- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from nonmal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service
- The investment return assumption was decreased from 7.50% to 7.375%.

Benefit changes

Amounts reported for fiscal years ending in 2019 and later reflect that effective May 8, 2017, Officials can re-retire after returning to service after first retirement with no reduction in their monthly benefit for benefits received during their first retirement.

CITY OF PEMBROKE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF PEMBROKE RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	*	$ 73,955	$ 82,550	$ 84,750	$ 82,998	$ 76,253
Contributions in relation to the actuarially determined contribution	*	73,955	82,550	84,750	89,352	69,899
Contribution deficiency (excess)	*	-	$ -	$ -	$ (6,354)	$ 6,354
Covered-employee payroll	*	928,791	812,810	$ 785,198	$ 775,601	$ 782,586
Contributions as a percentage of covered-employee payroll	*	7.96%	10.16%	10.79%	11.52%	8.93%

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

Notes to Schedule:

Valuation Date	The actuarially determined contribution rate was determined as of July 1, 2020, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2021.

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 13 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	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	5% ages 55 to 59; 7% ages 60 to 61; 20% age 62; 10% ages 63-64; 35% age 65; 25% ages 66-71; 100% ages 72 and older.
Mortality	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF PROJECTS PAID
WITH SPLOST PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Project	Original Estimated Cost	Current Estimated Cost	Expenditures Prior Years	Expenditures Current Year	Total	Estimated Percentage of Completion
SPLOST VI						
Public safety building	$ 1,700,000	$1,158,207	$ 818,682	-	$ 818,682	70.7%
Public safety equipment	-	496,310	-	-	-	0.0%
TOS theater	905,000	905,000	-	-	-	0.0%
Recreation improvements	-	74,558	-	$ 74,558	74,558	100.0%
Street improvements	-	194,251	194,251	-	194,251	100.0%
Water sewer projects	445,000	445,000	318,012	40,628	358,640	80.6%
CDBG project match on water and sewer system improvements	55,000	73,055	73,055	-	73,055	100.0%
Storm drainage improvements	95,000	122,428	122,428	-	122,428	100.0%
Totals	$ 3,200,000	$3,468,809	$1,526,428	$ 115,186	$1,641,614	47.3%
SPLOST VII						
General government vehicles	-	$ 18,500	-	$ 18,500	$ 18,500	100.0%
Water improvements	$ 812,000	812,000	-	94,500	94,500	11.6%
Sewer improvements	812,000	812,000	-	-	-	0.0%
Street improvements	513,000	513,000	-	-	-	0.0%
Stormwater improvements	96,000	96,000	-	-	-	0.0%
Sidewalk improvements	117,000	117,000	-	-	-	0.0%
Municipal facilities	850,000	850,000	$ 16,120	231,676	247,796	29.2%
Totals	$ 3,200,000	$3,218,500	$ 16,120	$ 344,676	$ 360,796	11.2%
	Total SPLOST expenditures			$ 459,862		

Reconciliation of current year expenditures to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total SPLOST fund expenditures per Statement of Revenues, Expenditures and Changes in Fund Balances	$ 355,264
Transfers to other funds	135,128
Debt issuance costs	(30,530)
Total current year expenditures per above	$ 459,862

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF TSPLOST EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

2018 TSPLOST

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Streets	$ 2,667,500	$ 77,742	$ 264,645	$ 342,387	12.8%

Reconciliation of current year expenditures to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total TSPLOST fund expenditures per Statement of Revenues, Expenditures and Changes in Fund Balances	$ 282,082
DOT Grant expenditures	(36,631)
Transfers to other funds	19,194
Total current year expenditures per above	$ 264,645

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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*

To the City Council
City of Pembroke, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Pembroke, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Pembroke, Georgia's basic financial statements, and have issued our report thereon dated October 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pembroke, 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 Pembroke, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pembroke, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as 2020-1 and 2020-2 in the accompany schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as 2020-3 and 2020-4 in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

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

City of Pembroke, Georgia's Response to Findings

City of Pembroke, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Pembroke, 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.

Hanier, Deal + Proctor

Statesboro, Georgia
October 7, 2021

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Direct program:			
Water and Waste Disposal Systems for Rural Communities	10.760		$ 257,886
U.S. Department of Housing and Urban Development:			
Pass-through program from Georgia Department of Community Affairs:			
Home Investment Partnerships Program	14.239	CHIP 2018-110	612,000
U.S. Department of Treasury:			
Pass-through program from Georgia Governor's Office:			
COVID-19 - Coronavirus Relief Fund	21.019	14964-CRF	137,425
U.S. Department of Health and Human Services:			
Pass-through program from Substance Abuse and Mental Health Services Administration:			
Drug-Free Communities Support Program Grants	93.276	5H79SP020851-09	131,099
U.S. Department of Transportation:			
Pass-through program from Georgia Department of Transportation:			
Highway Planning and Construction Cluster	20.205	PI #0016634	36,361
Total expenditures of federal awards			$ 1,174,771

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Pembroke, Georgia under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Pembroke, Georgia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Pembroke, Georgia.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. City of Pembroke, Georgia has not elected to use the ten percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Pembroke, Georgia

Report on Compliance for Each Major Federal Program

We have audited City of Pembroke, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Pembroke, Georgia's major federal programs for the year ended December 31, 2020. City of Pembroke, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Pembroke, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Pembroke, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Pembroke, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Pembroke, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of City of Pembroke, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Pembroke, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Pembroke, Georgia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-5 that we consider to be a significant deficiency.

City of Pembroke, Georgia's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Pembroke, Georgia's response was subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lanier, Deal + Proctor

Statesboro, Georgia
October 7, 2021

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of City of Pembroke, Georgia.

2. Two significant deficiencies and two material weaknesses were disclosed during the audit of the financial statements in the 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*.

3. No instances of noncompliance material to the financial statements of City of Pembroke, Georgia were disclosed during the audit.

4. One significant deficiency in internal control over major federal award programs was reported in the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for City of Pembroke, Georgia expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.

7. The program tested as a major program was: Home Investment Partnerships Program, CFDA number 14.239

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. City of Pembroke, Georgia was determined not to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2020-1 Reconciliation of Accounts to Subsidiary Ledgers

Condition: The City does not reconcile accounts receivable and customer deposits to subsidiary ledgers generated from the computer system for utility billing purposes.

Criteria: The computer system is used to maintain subsidiary ledgers for accounts receivable and customer deposits. As a primary means of preventing and detecting errors or fraud in these accounts, the subsidiary ledgers should be reconciled to their respective general ledger accounts on a monthly basis.

Cause: The City does not have procedures in place to reconcile the subsidiary ledgers to general ledger accounts.

Effect: Without a monthly reconciliation, errors can accumulate in these accounts and become difficult to reconcile at year end.

Auditor's Recommendation: We recommend that the subsidiary ledgers generated from the computer system be utilized each month to perform a reconciliation of all associated accounts receivable and customer deposits accounts.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding and we will implement procedures to establish effective reconciliation processes for accounts receivable and customer deposits.

2020-2 Recording of Year End Accruals for the Financial Statements

Condition: The City's procedures to make sure all year end accruals such as receivables, prepaid items, and deferred revenue are included in the financial statements are inadequate.

Criteria: All revenues earned and realizable and all expenditures incurred should be recorded at the end of the year via journal entry.

Cause: The City does not have procedures in place to make sure all accruals are recorded at year end for the financial statements.

Effect: Many of the adjusting journal entries needed to record these accruals were material to the City's financial statements.

Auditor's Recommendation: When conducting the year end closing, we recommend the City review for all needed accruals for receivables, prepaid items, and deferred revenue.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to establish a process for ensuring the completeness of year end accruals for the City's financial statements.

SIGNIFICANT DEFICIENCIES

2020-3 Inadequate recordkeeping for CHIP grant award

Condition: The City was unable to provide source documentation to support compliance for the CHIP grant in a timely manner.

Criteria: All documentation related to grants including award documentation, revenues, and expenditures should be maintained by the City and be made readily available for review.

Cause: The City lacks adequate procedures for recordkeeping and monitoring of grant funds.

Effect: An extensive amount of additional time was required to obtain necessary documentation to test this grant for the annual audit.

Auditor's Recommendation: The City needs to establish proper controls and procedures to ensure adequate grant compliance and recordkeeping.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to establish effective recordkeeping and compliance for grants.

2020-4 Proceeds from Debt Issuance

Condition: During our audit, we noted that debt issuance proceeds were not recorded in the financial software.

Criteria: Proceeds from debt issuance should be recorded to ensure the accuracy and completeness of the City's financial statements.

Cause: Debt issuance proceeds were not recorded upon issuance.

Effect: Liabilities may not be properly reflected in the City's financial statements.

Auditor's Recommendation: We recommend a member of the finance staff be responsible for recording the issuance of new debt in the financial software.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding and the finance department will implement procedures for the review and posting of all debt incurred.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2020-5 Home Improvement Partnerships Program (CHIP grant) – CFDA No. 14.239

Significant Deficiency - As discussed in Finding 2020-3, the City was unable to provide adequate source documentation to support compliance for the CHIP grant in a timely manner because of inadequate procedures for recordkeeping and compliance related to grant funds. Procedures should be established for better grant compliance and recordkeeping.