# CITY OF PENDERGRASS, GEORGIA
## ANNUAL FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED
## DECEMBER 31, 2021

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To the Honorable Mayor and
Members of the City Council
City of Pendergrass, Georgia

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the City of Pendergrass, Georgia, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the City of Pendergrass, Georgia as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pendergrass, Georgia's basic financial statements. The accompanying Schedule of Special Local Option Sales Tax Projects as required by the Official Code of Georgia Annotated as described in the table of contents on page 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022, on our consideration of the City of Pendergrass's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Morris & Waters

Morris and Waters

Canton, Georgia
June 20, 2022

# CITY OF PENDERGRASS, GEORGIA
## STATEMENT OF NET POSITION
## DECEMBER 31, 2021

| | Primary Government |
|---|---|
| | Governmental Activities |
| **ASSETS** | |
| Current Assets: | |
| Cash and Cash Equivalents | $ 231,532 |
| Receivable (net) | 321,039 |
| Prepaid Items | 27,175 |
| Total Current Assets: | 579,746 |
| Noncurrent Assets: | |
| Capital Assets not being Depreciated | 55,572 |
| Capital Assets, Net of Depreciation | 690,724 |
| Total Noncurrent Assets: | 746,296 |
| Total Assets | 1,326,042 |
| **LIABILITIES** | |
| Accounts Payable | 72,388 |
| Accrued Liabilities | 7,596 |
| Unearned Revenue | 37,172 |
| Noncurrent Liabilities: | |
| Due Within One Year | |
| Notes Payable | 38,557 |
| Due in More Than One Year | |
| Notes Payable | 474,734 |
| Legal Judgement Payable | 1,077,937 |
| Total Liabilities | 1,708,384 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 716,758 |
| Restricted for Capital Projects | 17,957 |
| Unrestricted | (1,117,057) |
| Total Net Position | $ (382,342) |

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

# CITY OF PENDERGRASS, GEORGIA
## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2021

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | $ 564,543 | $ 564,153 | $ 104,936 | $ 164,970 | $ 269,516 |
| Judicial | 30,390 | - | - | - | (30,390) |
| Public Safety | 367,557 | 321,132 | - | - | (46,425) |
| Public Works | 129,146 | 10,077 | - | - | (119,069) |
| Interest | 370,124 | - | - | - | (370,124) |
| Total Governmental Activities | 1,461,760 | 895,362 | 104,936 | 164,970 | (296,492) |
| Total Primary Government | $ 1,461,760 | $ 895,362 | $ 104,936 | $ 164,970 | (296,492) |
| General Revenues: | | | | | |
| Taxes | | | | | |
| Property Taxes | | | | | $ 288,945 |
| Sales Taxes | | | | | 129,665 |
| Franchise Tax | | | | | 119,741 |
| Alcoholic Beverage Tax | | | | | 60,747 |
| Insurance Premium Tax | | | | | 36,328 |
| Motor Vehicle Tax | | | | | 36,266 |
| Miscellaneous | | | | | 25,012 |
| | | | | | 696,704 |
| Changes in Net Position | | | | | 400,212 |
| Net Position - Beginning | | | | | (782,554) |
| Net Position - Ending | | | | | $ (382,342) |

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

# CITY OF PENDERGRASS, GEORGIA
## GOVERNMENTAL FUNDS
## BALANCE SHEET
## DECEMBER 31, 2021

| | General | SPLOST | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 204,045 | $ 27,487 | $ 231,532 |
| Receivables (net of allowances for uncollectibles) | 321,039 | - | 321,039 |
| Interfund Receivable | 9,530 | - | 9,530 |
| Prepaid Items | 27,175 | - | 27,175 |
| Total Assets | 561,789 | 27,487 | 589,276 |
| **LIABILITIES** | | | |
| Liabilities: | | | |
| Accounts Payable | 72,388 | - | 72,388 |
| Accrued Liabilities | 7,596 | - | 7,596 |
| Interfund Payable | - | 9,530 | 9,530 |
| Unearned Revenues | 37,172 | - | 37,172 |
| Total Liabilities | 117,156 | 9,530 | 126,686 |
| **FUND BALANCE** | | | |
| Nonspendable for: | | | |
| Prepaid Items | 27,175 | - | 27,175 |
| Restricted for: | | | |
| Capital Projects | - | 17,957 | 17,957 |
| Unassigned | 417,458 | - | 417,458 |
| Total Fund Balances | 444,633 | 17,957 | 462,590 |
| Total Liabilities and Fund Balances | $ 561,789 | $ 27,487 | $ 589,276 |

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

# CITY OF PENDERGRASS, GEORGIA
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
## TO THE STATEMENT OF NET POSITION
## DECEMBER 31, 2021

| | | |
|---|---|---|
| Total Fund Balances for Governmental Funds | | $ 462,590 |
| Total Net Position for Governmental Activities in the Statement of Net Position is different because: | | |
| Capital assets of $1,225,326 net of acccumulated depreciation of $479,030 are not financial resources and, therefore, are not reported in the funds. | | 746,296 |
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. | | |
| Capital Leases | (29,538) | |
| Notes Payable | (483,753) | |
| Legal Judgement Payable | (1,077,937) | |
| | | (1,591,228) |
| Total Net Position of Governmental Activities | | $ (382,342) |

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

# CITY OF PENDERGRASS, GEORGIA
## GOVERNMENTAL FUNDS
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
## FOR THE YEAR ENDED DECEMBER 31, 2021

| | General | SPLOST | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes | $ 671,692 | $ - | $ 671,692 |
| Licenses and Permits | 564,153 | - | 564,153 |
| Intergovernmental | 104,936 | 164,970 | 269,906 |
| Fines and Forfeitures | 321,132 | - | 321,132 |
| Charges for Services | 10,077 | - | 10,077 |
| Miscellaneous | 25,012 | - | 25,012 |
| Total Revenues | 1,697,002 | 164,970 | 1,861,972 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General Government | 545,820 | 14,490 | 560,310 |
| Judicial | 30,390 | - | 30,390 |
| Public Safety | 325,176 | 117,253 | 442,429 |
| Public Works | 110,201 | 6,757 | 116,958 |
| Capital Outlay | - | - | - |
| Debt Service | | | |
| Legal Judgement | 144,333 | - | 144,333 |
| Principal | 26,909 | 13,628 | 40,537 |
| Interest | 367,758 | 2,366 | 370,124 |
| Total Expenditures | 1,550,587 | 154,494 | 1,705,081 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 146,415 | 10,476 | 156,891 |
| Net Change in Fund Balances | 146,415 | 10,476 | 156,891 |
| Fund Balances - Beginning of Year | 298,218 | 7,481 | 305,699 |
| Fund Balances - End of Year | $ 444,633 | $ 17,957 | $ 462,590 |

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

# CITY OF PENDERGRASS, GEORGIA
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

| | | |
|---|---|---|
| Net Change in Fund Balance - Total Governmental Funds | | $ 156,891 |
| Total Change in Net Position reported for Governmental Activities in the Statement of Activities is different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense. This is the amount by which depreciation of $100,642 was exceeded by capital outlay of ($159,093) in the current period. | | 58,451 |
| Under the modified accrual basis of accounting used by governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as those amountsare deferred and amortized in the statement of activities. This adjustment combines the net change of two balances. | | |
| Legal Judgement payments | 144,333 | |
| Principal payments on long-term debt | 40,537 | |
| | | 184,870 |
| Change in Net Position of Governmental Activities | | $ 400,212 |

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

## *Note 1 - Summary of Significant Accounting Policies*

The City of Pendergrass ("The City") operates under a Mayor-Council form of government. The following services are provided to the citizens of Pendergrass: public safety inclusive of police and fire protection, highways and streets, sanitation, cultural activities, public improvements, planning and community development, and general administrative services.

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

### *1-A. Reporting Entity*

The financial statements of the reporting entity include those of City of Pendergrass, Georgia (the primary government). Component units are legally separate organizations for which the City is financially accountable for the entity or the exclusion of such entity would cause the City's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of the entity's governing body and either the City can impose its will on the entity or the potential exists for the entity to provide specific financial benefits or impose specific financial burdens on the City. Based on this definition, the City has one component unit that is required to be reported in these financial statements. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

A brief description of the blended component unit follows:

***Downtown Development Authority*** – The Downtown Development Authority provides a means to develop and promote for the public and general welfare trade, commerce, industry, and employment opportunities within the City for the purpose of revitalizing and redeveloping the central business district. The Downtown Development Authority is used as a flow through for grant monies and expenditures for real estate development projects. All seven elected board members reside in the City of Pendergrass and will serve in the best interest of the City. Separate financial statements for the Downtown Development Authority are not prepared. Financial information for the Downtown Development Authority may be obtained from the Clerk of the City of Pendergrass. There was no financial activity for the Downtown Development Authority for the year ended December 31, 2021.

### *1-B. Basis of Presentation*

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities and fund financial statements, which provide a more detailed level of financial information. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The City has no enterprise funds. Fiduciary funds are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental activities of the City at the fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City has elected not to allocate indirect expenses among its programs, functions and segments in the Statement of Activities. The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an

assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and, (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. To identify which functional program a revenue pertains to, the determining factor for *charges for services* is that function which *generates* the revenue; and for *grants and contributions*, the determining factor is that function to which the revenue is *restricted.* Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

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

> ***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 two major governmental funds:
>
> > ***The General Fund*** – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund's unrestricted fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.
> >
> > ***The SPLOST Fund*** – This fund accounts for revenue received from SPLOST for the specific purpose of purchasing capital assets, construction and renovation projects in the City.

### *1-C. Measurement Focus*

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

***Fund Financial Statements*** – Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. All governmental funds are reported using the *flow of current financial resources measurement focus* and the *modified accrual basis of accounting.* With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are

reported. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

### *1-D. Basis of Accounting*

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

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

***Revenues - Non-exchange Transactions*** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 30 days for sales taxes and within 60 days for all other revenues) before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

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

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

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

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

### *1-E. Assets, Liabilities and Fund Equity*

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

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits (in excess of FDIC insurance) may not be returned. As of December 31, 2021, the City's entire bank balance was insured or collateralized with securities by the pledging financial institution's trust department or agent in the City's name.

#### *1-E-2. Receivables*

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

#### *1-E-3. Inventory and Prepaid Items*

Inventory is valued at the lower of cost (first in, first out) or market and consists of expendable supplies. The City uses the "consumption" method to record inventory.

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

#### *1-E-4. Capital Assets*

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of $5,000 per item that has an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized. All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| Assets | Estimated Useful Life in Years |
|---|---|
| Infrastructure | 30 |
| Buildings | 40 |
| Vehicles | 3-10 |
| Machinery and Equipment | 5-20 |
| Improvements | 10-30 |

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

### *1-E-5. Compensated Absences*

At this time, the City does not provide for compensated absences.

### *1-E-6. Accrued Liabilities and Long-term Obligations*

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

### *1-E-7. Fund Equity*

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

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

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

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

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

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

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

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

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

Restricted fund balance is made up of funds which can only be used for construction of public facilities, public facilities debt reduction, roads, streets, bridges, equipment purchases, and public safety equipment and improvements. At December 31, 2021 the balance in restricted fund balance was $17,957.

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

### *1-E-8. Deferred outflows/inflows of resources*

In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate 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 in the form of expense or expenditure until that time. Currently, the City has no items that qualify for reporting as a deferred outflow of resources.

Also, in addition to liabilities, the financial statements of the City will sometimes report a separate section for deferred inflows of resources. This separate 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 in the form of revenue until that time. Currently, the City has no items that qualify for reporting as a deferred inflow of resources.

### *1-E-9. Estimates*

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

## *Note 2 – Stewardship, Compliance and Accountability*

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

## *Note 3 - Detailed Notes on All Funds*

### *3-A. Deposits and Investments*

***Deposits* – Custodial credit risk –** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is to ensure that all deposits in excess of the FDIC limit for governments be collateralized by the financial institution with securities held by the financial institution in the City's name. For custodial credit risk purposes the deposits in banks are classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in its name; 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; and, 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name. All cash bank balances as of the balance sheet date are entirely insured or collateralized with securities held by the City's agent in the City's name. As of December 31, 2021, the City had no "investments" as defined by generally accepted accounting principles.

### *3-B. Receivables*

Receivables at December 31, 2021 consisted of taxes, interest and accounts (billings for user charges, including unbilled utility receivables). Receivables and payables are recorded in the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability. Receivables at December 31, 2021 consist of the following:

**Governmental Funds:**

| | General |
|---|---|
| Taxes | $ 208,348 |
| Intergovernmental | 13,484 |
| Other | 99,207 |
| Less Allowance for uncollectible | - |
| Net Receivable | $ 321,039 |

### *3-C. Property Taxes*

The City Council levied property taxes on assessed valuations as of October 1 and the taxes are due on or before December 20th each year, and attach as an enforceable lien on property as of January 1. The billings are considered past due 60 days after the tax billing date or January 1 of the following year whichever is later, at which time the applicable property is subject to lien and penalties and interest are assessed.

### *3-D. Deficit Fund Balance*

The City had no deficit fund balances at December 31, 2021.

### *3-E. Excess of Expenditures Over Appropriations*

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

| | |
|---|---|
| General Government | $833,366 |
| Judicial | $ 27,690 |
| Public Safety | $160,176 |
| Public Works | $ 54,601 |

### *3-F. Capital Assets*

Capital asset activity for the year ended December 31, 2021 was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 55,572 | $ - | $ - | $ 55,572 |
| Total capital assets, not being depreciated | 55,572 | - | - | 55,572 |
| Capital assets being depreciated: | | | | |
| Buildings | 150,849 | - | - | 150,849 |
| Machinery and equipment | 117,240 | 52,015 | - | 169,255 |
| Vehicles | 323,288 | 94,288 | - | 417,576 |
| Improvements | 419,284 | 12,790 | - | 432,074 |
| Total capital assets, being depreciated | 1,010,661 | 159,093 | - | 1,169,754 |
| Less accumulated depreciation for: | | | | |
| Buildings | (103,523) | (2,620) | - | (106,143) |
| Machinery and equipment | (39,763) | (23,723) | - | (63,486) |
| Vehicles | (195,062) | (59,896) | | (254,958) |
| Improvements | (40,040) | (14,403) | - | (54,443) |
| Total accumulated depreciation | (378,388) | (100,642) | - | (479,030) |
| Total capital assets being depreciated, net | 632,273 | 58,451 | - | 690,724 |
| Total governmental activities capital assets, net | $ 687,845 | $ 58,451 | $ - | $ 746,296 |

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

| | |
|---|---|
| Governmental Activities: | |
| General Government | $ 17,023 |
| Public Safety | 71,431 |
| Public Works | 12,188 |
| Total depreciation expense-government activities | $ 100,642 |

### *3-G. – Long Term Debt*

#### Changes in Long – Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

| | Balance Dec 31, 2020 | Additions | Reductions | Balance Dec 31, 2021 | Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Capital Leases | $ 43,166 | $ - | $ 13,628 | $ 29,538 | $ 14,375 |
| Notes Payable | 510,662 | - | 26,909 | 483,753 | 24,182 |
| Legal Judgement Payable | 1,222,270 | - | 144,333 | 1,077,937 | - |
| Total Business-type long term liabilities | $ 1,776,098 | $ - | $ 184,870 | $ 1,591,228 | $ 38,557 |

#### Capital Leases

The City entered into a capital lease agreement on November 27, 2020 for the purchase of machinery and equipment in the amount of $58, 891. The effective interest rate is 5.50% per annum. The lease agreement requires four annual payments of $15,994 with the first payment being made on December 27, 2020. Ownership of the related asset will transfer to the City at the end of the lease term. The Capital Lease outstanding as of December 31, 2021 is $29,538.

Capital Lease payable requirements to maturity are as follows:

| Year | Principal | Interest |
|---|---|---|
| 2022 | $ 14,375 | $ 1,619 |
| 2023 | 15,163 | 831 |
| | $ 29,538 | $ 2,450 |

The depreciation and amortization expense related to this asset under capital lease is $8,413 for the year ended December 31, 2021. This amount is included with depreciation expense on page 18.

#### Notes Payable

The City refinanced an installment note with Michael Caldwell for legal fees incurred. Per the terms of the note agreement, principal payments of $2,000 are remitted on a monthly basis, with no interest fees. The City increased principal payments to $3,000 per month in September 1, 2017 and going forward. In 2018, the City refinanced this installment note through a new revenue note, Series 2018 from the blended Component Unit Downtown Development Authority. Per the terms of the note agreement, principal payments are required monthly and the note bears an interest rate of 2.50%. For the year ending December 31, 2021, the City made principal payments in the amount of $26,909. The amount outstanding as of December 31, 2021 is $483,753.

Note payable requirements to maturity are as follows:

| Year | Principal | Interest |
|---|---|---|
| 2022 | $ 24,182 | $ 11,818 |
| 2023 | 24,794 | 11,206 |
| 2024 | 25,421 | 10,579 |
| 2025 | 26,063 | 9,937 |
| 2026 | 26,722 | 9,278 |
| 2027-2031 | 144,097 | 35,903 |
| 2032-2036 | 163,262 | 16,738 |
| 2037-2038 | 49,212 | 913 |
| | $ 483,753 | $ 106,372 |

### *3-H. – Legal Judgement*

The City is occasionally a defendant in various lawsuits. On January 30, 2018, the Georgia Superior Court entered judgements in favor of two plaintiffs, former employees of the City, in the amounts of $518,000 and $547,600, and their attorney's fees of $156,670. As a result, the City recorded a legal judgement liability in the amount of $1,222,270. There is no payment schedule required by the judgement, however, interest accrues on the unpaid balance of the judgement at a rate of 7.5%. The city began making payments during the year ended December 31, 2021 and paid $144,333 toward the balance of the judgement. The amount outstanding as of December 31, 2021 is $1,077,937.

### *3-I. - Interfund Balances and Transfers*

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the the Statement of Net position. All due to/from balances are expected to be repaid within one year. Due to/from balances at December 31, 2021 were as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | SPLOST Fund | $9,530 |

## *Note 4 - Other Notes*

### *4-A. Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. There have been no significant reductions in insurance coverage during the current year.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also 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.

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

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

### *4-B. Contingencies and Commitments*

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

### *4-C. Joint Ventures*

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

Northeast Georgia Regional Commission
305 Research Dr.
Athens, GA 30503-1720

### *4-D. Related Party Transactions*

The City was not involved in any related party transactions during the fiscal year ended December 31, 2021.

CITY OF PENDERGRASS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
BUDGET & ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Budget | | | Variance with |
|---|---|---|---|---|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Taxes: | | | | |
| Property | $ 128,471 | $ 128,471 | $ 288,945 | $ 160,474 |
| Sales | 75,000 | 75,000 | 129,665 | 54,665 |
| Franchise | 93,000 | 93,000 | 119,741 | 26,741 |
| Alcoholic Beverage | 45,000 | 45,000 | 60,747 | 15,747 |
| Insurance Premium | 29,000 | 29,000 | 36,328 | 7,328 |
| Motor Vehicle | 2,850 | 2,850 | 36,266 | 33,416 |
| Licenses & Permits | 19,000 | 19,000 | 564,153 | 545,153 |
| Fines & Forfeitures | 65,000 | 65,000 | 321,132 | 256,132 |
| Intergovernmental | - | - | 104,936 | |
| Charges For Services | 1,000 | 1,000 | 10,077 | 9,077 |
| Other Revenues | 16,433 | 16,433 | 25,012 | 8,579 |
| Total Revenues | 474,754 | 474,754 | 1,697,002 | 1,117,312 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 251,454 | 251,454 | 1,084,820 | (833,366) |
| Judicial | 2,700 | 2,700 | 30,390 | (27,690) |
| Public Safety | 165,000 | 165,000 | 325,176 | (160,176) |
| Public Works | 55,600 | 55,600 | 110,201 | (54,601) |
| Total Expenditures | 474,754 | 474,754 | 1,550,587 | (1,075,833) |
| Excess of Revenues Over Expenditures | - | - | 146,415 | 146,415 |
| Net Change in Fund Balances | - | - | 146,415 | 146,415 |
| Fund Balance, Beginning Of Year | 298,218 | 298,218 | 298,218 | - |
| Fund Balance, End Of Year | $ 298,218 | $ 298,218 | $ 444,633 | $ 146,415 |

*City of Pendergrass, Georgia*
*Schedule of Findings and Responses*
*December 31, 2021*

| | |
|---|---|
| Finding 2020-1: | Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. |
| Effect: | Failure to implement offsetting controls in the cash receipts and disbursements functions could result in unauthorized or fraudulent transactions. |
| Recommendations: | Because of limited resources and personnel, management may not be able to properly address this finding, but checks and balances should be strengthened between the Accounting Department, City Manager, Mayor and City Council to offset this deficiency. We also recomend checks be signed by two authorized personnel and that management continue to exercise alert supervision of employees in order to protect the assets of the City. |
| Views of Responsible Officials and Planned Corrective Actions: | We concur with this recommendation. However, due to limited resources and personnel, we cannot fully correct the lack of segregation of duties. The Accounting Clerk is providing the City Manager, Mayor and City Council the financial records on a monthly basis. The monthly reports can be reviewed for any unusual items and compare the totals to date with projected budgeted totals. The Accounting Clerk provides the City Manager with a list of bills to be paid, which the council has approved. |

| | |
|---|---|
| Finding 2021-2: | During the course of the audit, it was noted that some of the uncleared checks and deposits on the bank reconciliation were not correct. |
| Effect: | This deficiency could result in errors an omissions in the financial statements as well as bank errors not being discovered on a timely basis. |
| Recommendations: | The City should review the bank reconciliations in detail each month paying close attention to uncleared items and determine if they are accurate. |
| Views of Responsible Officials and Planned Corrective Actions: | We concur and will review the bank reconciliations in detail on a regular basis. |

| | |
|---|---|
| Finding 2021-3: | The Cities expenditures exceeded appropriations at the legal level of control. |
| Recommendations: | We recommend that the City pass a budget that accurately reflects the expected expenditures and amend the budget throughout the year to account for unforeseen changes in these expenditures. |
| Views of Responsible Officials and Planned Corrective Actions: | We concur with the findings of our city auditor and plan on passing an accurate budget as well as amend the budget throughout the year to account for unforseen changes in revenues and expenditures. |

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

## Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Pendergrass, 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 and each major fund of the City of Pendergrass, Georgia ("the City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2022.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2021-1 through 2021-3, to be significant deficiencies.

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

Compliance and Other Matters

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

City of Pendergrass's Response to Finding

We noted certain matters that we reported to the management of the City in a separate letter dated June 20, 2022.

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

Purpose of this Report

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

Morris & Waters

Morris and Waters

Canton, Georgia
June 20, 2022

CITY OF PENDERGRASS, GEORGIA
SCHEDULE OF PROJECTS USING SPECIAL PURPOSE SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2021

| Cost | Original Estimated Cost | Current Estimated Cost | Expenditures | | | Estimated Percentage of Completion |
|---|---|---|---|---|---|---|
| | | | Prior Years | Current Year | Total To Date | |
| SPLOST #4 (Commenced on July, 1 2005) | | | | | | 94% |
| Recreational Facilities | $ 333,490 | $ 349,052 | $ 349,052 | $ - | $ 349,052 | |
| Roads, Streets, and Bridges | 83,374 | 87,265 | 61,398 | - | 61,398 | |
| Total | $ 416,864 | $ 436,317 | $ 410,450 | $ - | $ 410,450 | |
| SPLOST #6 (Commenced on November, 1 2015) | | | | | | 100% |
| Public Facilities Debt Reduction | $ 100,122 | $ 113,919 | $ 113,919 | $ - | $ 113,919 | |
| Public Safety | 75,092 | 353,743 | 236,491 | 117,252 | 353,743 | |
| Streets and Bridges | 75,091 | 68,682 | 45,930 | 22,752 | 68,682 | |
| Construction of New Public Facility | 250,305 | 32,716 | 18,226 | 14,490 | 32,716 | |
| | $ 500,610 | $ 569,060 | $ 414,566 | $ 154,494 | $ 569,060 | |