CITY OF PENDERGRASS, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023

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

•Morris & Waters•

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS and Governmental Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 Retirement Plan Schedule of Changes on Net Pension Liability on page 27 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.

Supplementary 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 Schedule of Special Local Option Sales Tax Projects as required by the Official Code of Georgia Annotated as described in the table of contents 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 25, 2024, 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 25, 2024

CITY OF PENDERGRASS, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government
	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 223,993
Receivable (net)	297,091
Prepaid Items	72,210
Total Current Assets:	593,294
Noncurrent Assets:	
Capital Assets not being Depreciated	55,572
Capital Assets, Net of Depreciation	853,702
Total Noncurrent Assets:	909,274
Total Assets	1,502,568
Deferred Outflows of Resources	
Pension Related Items	56
LIABILITIES	
Accounts Payable	118,407
Accrued Liabilities	13,398
Noncurrent Liabilities:	
Due Within One Year	
Notes Payable	27,510
Due in More Than One Year	
Notes Payable	409,357
Net Pension Liability	20,803
Total Liabilities	589,475
NET POSITION	
Net Investment in Capital Assets	909,274
Restricted for Capital Projects	3,231
Unrestricted	644
Total Net Position	$ 913,149

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, 2023

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	$ 1,141,181	$ 248,207	$ -	$ 330,092	$ (562,882)
Judicial	84,823	6,723	-	-	(78,100)
Public Safety	805,269	296,637	10,000	-	(498,632)
Public Works	136,753	17,061	-	-	(119,692)
Interest	13,708	-	-	-	(13,708)
Total Governmental Activities	2,181,734	568,628	10,000	330,092	(1,273,014)
Total Primary Government	$ 2,181,734	$ 568,628	$ 10,000	$ 330,092	(1,273,014)
General Revenues:					
Taxes					
Property Taxes					$ 586,143
Sales Taxes					492,621
Franchise Tax					172,647
Alcoholic Beverage Tax					58,176
Insurance Premium Tax					150,084
Motor Vehicle Tax					75,141
Donations					26,918
Miscellaneous					3,204
					1,564,934
Changes in Net Position					291,920
Net Position - Beginning					621,229
Net Position - Ending					$ 913,149

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

CITY OF PENDERGRASS, GEORGIA
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2023

	General	SPLOST	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 204,536	$ 19,457	$ 223,993
Receivables (net of allowances for uncollectibles)	255,795	41,296	297,091
Interfund Receivable	57,522	-	57,522
Prepaid Items	72,210	-	72,210
Total Assets	590,063	60,753	650,816
LIABILITIES			
Liabilities:			
Accounts Payable	118,407	-	118,407
Accrued Liabilities	13,398	-	13,398
Interfund Payable	-	57,522	57,522
Total Liabilities	131,805	57,522	189,327
FUND BALANCE			
Nonspendable for:			
Prepaid Items	72,210	-	72,210
Restricted for:			
Capital Projects	-	3,231	3,231
Unassigned	386,048	-	386,048
Total Fund Balances	458,258	3,231	461,489
Total Liabilities and Fund Balances	$ 590,063	$ 60,753	$ 650,816

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, 2023

Total Fund Balances for Governmental Funds		**$ 461,489**
Total Net Position for Governmental Activities in the Statement of Net Position is different because:		
Capital assets of $1,685,031 net of acccumulated depreciation of $775,757 are not financial resources and, therefore, are not reported in the funds.		**909,274**
Deferred outflows of resources related to pensions		**56**
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position.		
Net Pension Plan Liability	**(20,803)**	
Notes Payable	**(436,867)**	
		(457,670)
Total Net Position of Governmental Activities		**$ 913,149**

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, 2023

	General	SPLOST	Total Governmental Funds
REVENUES			
Taxes	$ 1,534,812	$ -	$ 1,534,812
Licenses and Permits	248,207	-	248,207
Intergovernmental	10,000	330,092	340,092
Fines and Forfeitures	296,637	-	296,637
Charges for Services	23,784	-	23,784
Donations	26,918	-	26,918
Miscellaneous	3,204	-	3,204
Total Revenues	2,143,562	330,092	2,473,654
EXPENDITURES			
Current:			
General Government	1,101,038	-	1,101,038
Judicial	84,823	-	84,823
Public Safety	640,850	32,645	673,495
Public Works	118,577	-	118,577
Capital Outlay			
General Government	-	48,204	48,204
Public Safety	9,000	221,776	230,776
Public Works	4,325	17,504	21,829
Debt Service			
Principal	239,511	14,769	254,280
Interest	12,483	1,225	13,708
Total Expenditures	2,210,607	336,123	2,546,730
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,045)	(6,031)	(73,076)
Net Change in Fund Balances	(67,045)	(6,031)	(73,076)
Fund Balances - Beginning of Year	525,303	9,262	534,565
Fund Balances - End of Year	$ 458,258	$ 3,231	$ 461,489

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, 2023

Net Change in Fund Balance - Total Governmental Funds	**$**	**(73,076)**
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 $169,346 was exceeded by capital outlay of ($300,809) in the current period.		**131,463**
Deferred outflows and inflows of resources related to pensions is not available during the current period and therefore is not reported in the funds.		
Change in deferred outflows of resources related to pensions		**56**
Long term liabilities - changes in net pension liability, does not consume current financial resources and therefore they are not reported as expenditures in governmental funds		**(20,803)**
Under the modified accrual basis of accounting used by governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as those amountsare deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Principal payments on debt		**254,280**
		-
Change in Net Position of Governmental Activities	**$**	**291,920**

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

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, 2023

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes:				
Property	$ 400,000	$ 400,000	$ 586,143	$ 186,143
Sales	230,000	230,000	492,621	262,621
Franchise	150,000	150,000	172,647	22,647
Alcoholic Beverage	50,000	50,000	58,176	8,176
Insurance Premium	36,000	36,000	150,084	114,084
Motor Vehicle	30,000	30,000	75,141	45,141
Licenses & Permits	397,000	397,000	248,207	(148,793)
Fines & Forfeitures	240,000	240,000	296,637	56,637
Intergovernmental			10,000	10,000
Charges For Services	24,650	24,650	23,784	(866)
Donations	-	-	26,918	26,918
Other Revenues	1,000	1,000	3,204	2,204
Total Revenues	1,558,650	1,558,650	2,143,562	584,912
EXPENDITURES				
Current:				
General Government	609,755	609,755	1,101,038	(491,283)
Judicial	80,900	80,900	84,823	(3,923)
Public Safety	701,199	701,199	649,850	51,349
Public Works	166,796	166,796	122,902	43,894
Debt Service				
Principal	-	-	239,511	(239,511)
Interest	-	-	12,483	(12,483)
Total Expenditures	1,558,650	1,558,650	2,210,607	(651,957)
Excess of Revenues Over Expenditures	-	-	(67,045)	(67,045)
Net Change in Fund Balances	-	-	(67,045)	(67,045)
Fund Balance, Beginning Of Year	525,303	525,303	525,303	-
Fund Balance, End Of Year	$ 525,303	$ 525,303	$ 458,258	$ (67,045)

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, 2023.

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, 2023, 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, 2023 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, 2023 the balance in restricted fund balance was $3,231.

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

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

1-E-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, 2023, the City had no "investments" as defined by generally accepted accounting principles.

3-B. Receivables

Receivables at December 31, 2023 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, 2023 consist of the following:

Governmental Funds:

	General	SPLOST
Taxes	$ 210,103	$ -
Intergovernmental	45,692	41,296
Less Allowance for uncollectible	-	-
Net Receivable	$ 255,795	$ 41,296

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, 2023.

3-E. Excess of Expenditures Over Appropriations

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

General Government	$ 491,283
Judicial	$ 3,923
Debt Service Principal	$ 239,511
Debt Service Interest	$ 12,483

3-F. Capital Assets

Capital asset activity for the year ended December 31, 2023 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	215,909	66,453	-	282,362
Vehicles	518,443	174,527	-	692,970
Improvements	443,449	59,829	-	503,278
Total capital assets, being depreciated	1,328,650	300,809	-	1,629,459
Less accumulated depreciation for:				
Buildings	(108,763)	(2,620)	-	(111,383)
Machinery and equipment	(93,561)	(42,713)	-	(136,274)
Vehicles	(334,475)	(107,237)	-	(441,712)
Improvements	(69,612)	(16,776)	-	(86,388)
Total accumulated depreciation	(606,411)	(169,346)	-	(775,757)
Total capital assets being depreciated, net	722,239	131,463	-	853,702
Total governmental activities capital assets, net	$ 777,811	$ 131,463	$ -	$ 909,274

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

Governmental Activities:	
General Government	$ 19,396
Public Safety	131,774
Public Works	18,176
Total depreciation expense-government activities	$ 169,346

3-G. – Short Term Debt

During the Year ended December 31, 2022 the City entered into a short-term borrowing arrangement with Melvin Tolbert in order to pay off the legal judgement payable. The note has an interest rate of -0-%

Short-term liability activity for the year ended December 31, 2023, was as follows:

	Balance Dec. 31, 2022	Additions	Reductions	Balance Dec. 31, 2023	Due Within One Year
Short-Term Note payable	$ 200,000	$ -	$ 200,000	$ -	$ -

3-H. – Long Term Debt

Changes in Long – Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Balance Dec 31, 2022	Additions	Reductions	Balance Dec 31, 2023	Due Within One Year
Governmental Activities:					
Capital Leases	$ 29,538	$ -	$ 29,538	$ -	$ -
Notes Payable	461,609	-	24,742	436,867	27,510
Total Business-type long term liabilities	$ 491,147	$ -	$ 54,280	$ 436,867	$ 27,510

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, 2023 is $ - 0 -.

The depreciation and amortization expense related to this asset under capital lease is $8,413 for the year ended December 31, 2023. 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, 2023, the City made principal payments in the amount of $24,742. The amount outstanding as of December 31, 2023 is $436,867.

Note payable requirements to maturity are as follows:

Year	Principal	Interest
2024	$ 27,510	$ 11,490
2025	26,063	9,937
2026	26,722	9,278
2027	27,398	8,601
2028	28,091	7,909
2029-2033	151,477	28,523
2034-2038	149,606	8,520
	$ 436,867	$ 84,258

3-J. - 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, 2023 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	SPLOST Fund	$57,522

3-K. Employee Retirement Plan

Plan Description and Provisions - The City, as authorized by the Mayor and City Council, has established a defined benefit pension plan, (the "Plan"), which benefits all employees immediately upon employment and serve the City at least 40 hours per week. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), and is administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investment decisions on behalf of the pension plan. Investment income from securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404)688-0472.

Benefits Provided

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

Contributions

Employees are not permitted to contribute to the Plan. The City contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report. The plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards Law. The Board of Trustees of GMEBS has adopted an actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2023, the City's recommended contributions of $25,173 was 4.80% of expected payroll.

Plan Membership

As of July 1, 2023, the current Plan membership includes the following categories of participants:

Retirees and beneficiaries currently receiving benefits	-
Terminated vested participants	-
Active vested participants	2
Active nonvested participants	9
Total membership in the Plan	11

Actuarial assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The mortality and economic actuarial assumptions used in the July 1, 2023 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 building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of March 31, 2022, are summarized in the table below.

Asset class:	Target Allocation	Expected real rate of return
Domestic equity	45%	6.40%
International equity	20%	6.80%
Real estate	10%	3.90%
Global fixed income	5%	0.46%
Domestic fixed income	20%	0.40%
Cash	0%	-
	100%	

Discount rate

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

Changes on the Net Pension Liability of the City

The changes in the components of the net pension liability of the City for the year ended December 31, 2023, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2022	$ -	$ -	$ -
Changes for the year:			
Service Cost	-	-	-
Interest	-	-	-
Difference between expected and actual experience	-	-	-
Changes of benefit terms	23,902	-	23,902
Contributions-employer	-	4,162	(4,162)
Contributions-employee	-	-	-
Other	-	-	-
Net investment income	-	45	(45)
Benefit payments	-	-	-
Administrative expense	-	(1,108)	1,108
Net Changes	23,902	3,099	20,803
Balances at December 31, 2023	$ 23,902	$ 3,099	$ 20,803

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

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

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

	1% Decrease 6.375%	Current Discount rate 7.375%	1% Increase 8.375%
City's net pension liability (asset)	$ 27,442	$ 20,803	$ 15,820

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

For the year ended December 31, 2023 the City recognized pension expense of $16,647. At December 31, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	56	-
Total	$ 56	$ -

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 Dec 31,	Amount
2024	$ 14
2025	14
2026	14
2027	14

Changes on the Net Pension Liability of the City

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2023.

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

CITY OF PENDERGRASS, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CHANGES ON NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Year End 2023
Total pension liability	
Service Cost	$ -
Interest	-
Changes of benefit terms/other	-
Differences between expected and actual experience	-
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
Other	23,902
Net change in total pension liability	23,902
Total pension liability - beginning	-
Total pension liability - ending	23,902
Plan fiduciary net position	
Contribution - employer	4,162
Net investment income	45
Benefit payments, including refunds of employee contributions	-
Administration expense	(1,108)
Net change in plan fiduciary net position	3,099
Plan fiduciary net position - beginning	0
Plan fiduciary net position - ending	3,099
Net pension asset (liability) - ending	$ (20,803)
Plan fiduciary net position as a percentage of total pension liability	12.97%
Covered-employee payroll	518,657
Net position asset (liability) as a percentage of covered-employee payroll	-4.01%

Schedule of City Contributions:

Actuarially determined contributions	**
Contributions in relation to the actuarially determined contribution	**
Contibution deficiency (excess)	-
City's covered - employee payroll	**
Contributions as a percentage of covered-employee payroll	**

** - 2023 information will be determined after the fiscal year end and will be included in the 2024 valuation report (excerp from the July 1, 2023 Actuarial Valuation Report)

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

City of Pendergrass, Georgia
Schedule of Findings and Responses
December 31, 2023

Finding 2023-1:	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 Clerk, Mayor and City Council to offset this deficiency. The City should have documentation that the all payments have been approved. The Mayor and City Council should review monthly financial reports and document this in the City's Council minutes.
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 city manager shall approve and sign off on all payments made by the city, including checks, electronic payments, and cash payments of any kind before a check or payment is generated by the finance director. Monthly, the mayor or his/her designee, shall review the monthly detailed profit and loss statements with the city manager before it is sent to the council members for their review. City council minutes shall clearly state that the council members agree they had an opportunity to review the monthly financial statements and approve or disapprove them.
Finding 2023-2:	The Cities expenditures exceeded appropriations at the legal level of control.
Recommendations:	We recommend that the City pass a budget that accurately reflects the expected expenditures and amend the budget throughout the year to account for unforeseen changes in these expenditures.
Views of Responsible Officials and Planned Corrective Actions:	We concur with the findings of our city auditor and plan on passing an accurate budget as well as amend the budget throughout the year to account for unforseen changes in revenues and expenditures.

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, 2023, 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 25, 2024.

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 2023-1 through 2023-2, 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.

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www.morris-waters.com

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

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 25, 2024

CITY OF PENDERGRASS, GEORGIA
SCHEDULE OF PROJECTS USING SPECIAL PURPOSE SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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)						100%
Recreational Facilities	$ 333,490	$ 349,052	$ 349,052	$ -	$ 349,052	
Roads, Streets, and Bridges	83,374	62,947	61,398	1,549	62,947	
Total	$ 416,864	$ 411,999	$ 410,450	$ 1,549	$ 411,999	
SPLOST #6 (Commenced on November, 1 2015)						100%
Public Facilities Debt Reduction	$ 100,122	$ 113,919	$ 113,919	$ -	$ 113,919	
Public Safety	75,092	585,438	533,013	52,425	585,438	
Streets and Bridges	75,091	90,630	90,630	-	90,630	
Construction of New Public Facility	250,305	62,022	62,022	-	62,022	
	$ 500,610	$ 852,009	$ 799,584	$ 52,425	$ 852,009	
SPLOST #7 (Commenced on November, 1 2015)						11%
Public Facilities Debt Payments	$ 500,000	$ 500,000	$ -	$ -	$ -	
Public Safety	700,000	700,000	-	201,996	201,996	
Roads, Streets, Sidewalks, Stormwater	400,000	400,000	-	42,330	42,330	
Public Safety Facility	500,000	500,000	-	-	-	
Streets Equipment	250,000	250,000	-	37,823	37,823	
Parks and Recreation	113,450	113,450	-	-	-	
	$ 2,463,450	$ 2,463,450	$ -	$ 282,149	$ 282,149	