CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT

APRIL 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
City of Sparta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sparta, Georgia, as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sparta, Georgia, as of April 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 31 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.

The City of Sparta, Georgia has not presented management's discussion and analysis that governmental 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 financials 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sparta, Georgia's basic financial statements. The schedules included in other supplementary information as described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules included in other supplementary information as described in the accompanying table of contents are the responsibility of management and were derived from and relate 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 schedules included in other supplementary information as described in the accompanying table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 1, 2021 on our consideration of the City of Sparta, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sparta, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.
Sandersville, Georgia
February 1, 2021

Financial Section

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET POSITION
APRIL 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 168,401	$ 543,176	$ 711,577
Restricted assets	-	352,526	352,526
Receivables, net of allowances for uncollectible:			
Taxes	53,996	-	53,996
Accounts	11,431	277,260	288,691
Intergovernmental	20,515	-	20,515
Other	1,124	48,804	49,928
Internal balances	-	-	-
Notes receivable	252,753	-	252,753
Prepaid expenses	-	-	-
Capital assets:			
Land and other non-depreciable assets	31,397	322,148	353,545
Other capital assets, net of depreciation	981,074	7,273,050	8,254,124
Other assets	-	-	-
Total assets	1,520,691	8,816,964	10,337,655
LIABILITIES			
Accounts payable	33,726	109,366	143,092
Accrued interest payable	-	91,494	91,494
Other current liabilities	17,758	1,940	19,698
Compensated absences payable - current	160,068	202,534	362,602
Short term notes payable	-	-	-
Customer deposits	-	124,235	124,235
Internal balances		-	-
Intergovernmental payable	128,449	-	128,449
Unearned revenues	-	-	-
Long-term obligations:			
Due within one year	21,497	298,517	320,014
Due in more than one year	15,937	6,927,857	6,943,794
Other liabilities	-	-	-
Total liabilities	377,435	7,755,943	8,133,378
NET POSITION			
Net investment in capital assets	975,037	368,824	1,343,861
Restricted for:			
Debt service	-	178,743	178,743
Capital outlay	-	-	-
Prepaid expenses	-	-	-
Special programs	336,718	-	336,718
Transportation improvements	-	-	-
Unrestricted	(168,499)	513,454	344,955
Total net position	$ 1,143,256	$ 1,061,021	$ 2,204,277

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 234,842	$ 15,435	$ -	$ -	$ (219,407)	$ -	$ (219,407)
Administration	89,452	-	-	-	(89,452)	-	(89,452)
Public safety	566,389	25,856	-	-	(540,533)	-	(540,533)
Public works	476,185	96,683	43,581	273,298	(62,623)	-	(62,623)
Culture and recreation	261	-	-	-	(261)	-	(261)
Debt service - interest	10,885	-	-	-	(10,885)	-	(10,885)
Total governmental activities	1,378,014	137,974	43,581	273,298	(923,161)	-	(923,161)
Business-type Activities:							
Water and sewer	2,655,536	2,172,493	-	-	-	(483,043)	(483,043)
Gas	595,403	636,569	-	-	-	41,166	41,166
Total business-type activities	3,250,939	2,809,062	-	-	-	(441,877)	(441,877)
Total primary government	$ 4,628,953	$ 2,947,036	$ 43,581	$ 273,298	(923,161)	(441,877)	(1,365,038)
	General revenues:						
	Property taxes				299,694	-	299,694
	Franchise fees				67,832	-	67,832
	Local option sales tax				198,065	-	198,065
	TSPLOST				39,127	-	39,127
	Insurance premium tax				106,589	-	106,589
	Motor vehicle/mobile home taxes				42,383	-	42,383
	Beer/liquor/wine taxes				56,294	-	56,294
	Occupation taxes				16,587	-	16,587
	Intangible taxes				2,035	-	2,035
	Unrestricted investment earnings				-	1,504	1,504
	Grant income				-	-	-
	Miscellaneous				62,946	-	62,946
	Proceeds from issuance of long-term debt				-	-	-
	Gain(Loss) on disposal of capital assets				-	(10,765)	(10,765)
	Transfers				339,226	(339,226)	-
	Total general revenues and transfers				1,230,778	(348,487)	882,291
	Change in net position				307,617	(790,364)	(482,747)
	Net position - beginning				835,639	1,851,385	2,687,024
	Net position - ending				$ 1,143,256	$ 1,061,021	$ 2,204,277

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2020

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 87,514	$ 80,887	$ 168,401
Receivables, net of allowances for uncollectibles:			
Taxes	53,996	-	53,996
Accounts	11,431	-	11,431
Intergovernmental	17,437	3,078	20,515
Other	1,124	-	1,124
Notes receivable	-	252,753	252,753
Due from other funds	-	-	-
Total assets	$ 171,502	$ 336,718	$ 508,220
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 33,726	$ -	$ 33,726
Intergovernmental payable	128,449	-	128,449
Accrued expenses	17,758	-	17,758
Due to other funds	-	-	-
Total liabilities	179,933	-	179,933
Deferred Inflow of Resources -			
Unavailable revenues	81,222	-	81,222
Fund Balances:			
Restricted for:			
Special programs	-	336,718	336,718
Unassigned	(89,653)	-	(89,653)
Total fund balances	(89,653)	336,718	247,065
Total liabilities, deferred inflows of resources and fund balances	$ 171,502	$ 336,718	$ 508,220

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 4

RECONCILIATION OF THE BALANCE SHEET –GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended April 30, 2020

Fund balance - total governmental funds	$	247,065
Amounts reported for governmental activities in the statement of net assets are different because:		
Some liabilities are not due and payable in the current period and therefore are not reported in the funds -		
Compensated absences		(160,068)
Notes Payable		(36,288)
Capital Lease		(1,146)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		81,222
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,012,471
Net position of governmental activities	$	1,143,256

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended April 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 817,893	$ 39,127	$ 857,020
Licenses and permits	15,435	-	15,435
Fines and forfeitures	25,856	-	25,856
Charges for services	95,023	-	95,023
Intergovernmental revenues	273,298	43,581	316,879
Other revenues	60,399	2,547	62,946
Total revenues	1,287,904	85,255	1,373,159
EXPENDITURES			
Current:			
General government	276,038	-	276,038
Administration	89,452	-	89,452
Public safety	539,273	-	539,273
Public works	362,496	98,604	461,100
Intergovernmental payments	261	7,500	7,761
Debt Service -			
Principal	19,720	14,236	33,956
Interest and other charges	8,469	1,028	9,497
Total expenditures	1,295,709	121,368	1,417,077
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,805)	(36,113)	(43,918)
OTHER FINANCING SOURCE			
Transfers in	339,226	-	339,226
Total other financing source (use)	339,226	-	339,226
NET CHANGE IN FUND BALANCE	331,421	(36,113)	295,308
FUND BALANCE (DEFICIT), BEGINNING	(421,074)	372,831	(48,243)
FUND BALANCE, ENDING	$ (89,653)	$ 336,718	$ 247,065

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended April 30, 2020

Net change in fund balances - total governmental funds	$ 295,308
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Assets as follows -	
Total capital outlay reported as expenditures	44,745
Depreciation expenses on governmental capital assets are included in the governmental activities column in the Statement of Net Assets but are not shown in the governmental funds	(72,312)
The effect of various capital asset disposals and sales, net of accumulated depreciation	(3,646)
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	-
Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the funds. The amount of unavailable revenues recognized as revenue in the statement of activities is as follows:	
Property taxes	(28,414)
Charges for service	1,660
Grant Income	-
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	37,708
Notes payable	19,485
Capital leases	13,083
Change in net position of governmental activities	$ 307,617

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 7

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
April 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 423,195	$ 119,981	$ 543,176
Receivables, net	215,444	61,816	277,260
Other receivables	48,744	60	48,804
Due from other funds	-	-	-
Prepaid expenses	-	-	-
Total current assets	687,383	181,857	869,240
Noncurrent assets:			
Restricted assets - cash	352,526	-	352,526
Capital assets:			
Land and other non-depreciable assets	319,201	2,947	322,148
Other capital assets, net of depreciation	7,202,122	70,928	7,273,050
Total noncurrent assets	7,873,849	73,875	7,947,724
Total assets	8,561,232	255,732	8,816,964
LIABILITIES			
Current Liabilities:			
Bank overdraft	-	-	-
Bonds and notes payable, current portion	298,517	-	298,517
Accounts payable	85,747	23,619	109,366
Accrued interest payable	91,494	-	91,494
Accrued expenses	938	1,002	1,940
Due to other funds	-	-	-
Compensated absences payable - current	91,657	110,877	202,534
Customer deposits	124,235	-	124,235
Total current liabilities	692,588	135,498	828,086
Noncurrent liabilities-			
Bonds and notes payables, less current portion	6,927,857	-	6,927,857
Total noncurrent liabilities	6,927,857	-	6,927,857
Total liabilities	7,620,445	135,498	7,755,943
NET POSITION			
Net investment in capital assets	294,949	73,875	368,824
Unrestricted	467,095	46,359	513,454
Restricted for prepaid expenses	-	-	-
Restricted for debt service	178,743	-	178,743
Customer deposits	-	-	-
Total net position	$ 940,787	$ 120,234	$ 1,061,021

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 8

STATEMENT OF CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended April 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING REVENUES			
Water revenues	$ 984,365	$ -	$ 984,365
Sewer revenues	1,169,556	-	1,169,556
Gas revenues	-	630,944	630,944
Penalties	18,572	5,625	24,197
Total operating revenues	2,172,493	636,569	2,809,062
OPERATING EXPENSES			
Personnel costs	931,234	258,493	1,189,727
Natural gas purchases	-	239,343	239,343
Travel expenses	8,488	6,666	15,154
Office expenses	11,518	3,699	15,217
Insurance	14,740	15,740	30,480
Repairs and maintenance	95,543	19,070	114,613
Professional and technical services	74,858	18,329	93,187
Testing and monitoring	31,820	-	31,820
Depreciation	824,492	6,381	830,873
Pumping expense	125,074	-	125,074
Advertising	175	-	175
Supplies	55,363	10,243	65,606
Chemicals	91,758	-	91,758
Telephone	9,042	4,870	13,912
Utilities	80,015	3,740	83,755
Uniforms	-	7,450	7,450
Equipment lease and rental	52,057	-	52,057
Miscellaneous	13,141	1,167	14,308
Total operating expenses	2,419,318	595,191	3,014,509
OPERATING INCOME (LOSS)	(246,825)	41,378	(205,447)
NON-OPERATING REVENUE (EXPENSE)			
Interest income	1,402	102	1,504
Loss on disposal of capital asset	(5,478)	(5,287)	(10,765)
Other income	-	-	-
Other revenues	-	-	-
Bond issuance costs	-	-	-
Interest expense	(236,218)	(212)	(236,430)
Total non-operating revenue (expense)	(240,294)	(5,397)	(245,691)
Net income (loss) before transfer	(487,119)	35,981	(451,138)
Transfer to(from)other funds	(593,996)	254,770	(339,226)
CHANGE IN NET POSITION	(1,081,115)	290,751	(790,364)
TOTAL NET POSITION, BEGINNING	2,021,902	(170,517)	1,851,385
TOTAL NET POSITION, ENDING	$ 940,787	$ 120,234	$ 1,061,021

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 9

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended April 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
OPERATING ACTIVITIES			
Receipts from customers	$ 2,150,263	$ 679,434	$ 2,829,697
Payments to suppliers	(590,025)	(380,894)	(970,919)
Payments to employees	(907,965)	(223,070)	(1,131,035)
Payments to others	(145,776)	(31,066)	(176,842)
Payments from (to) other funds	344,208	(318,099)	26,109
Net cash provided by (used in) operating activities	850,705	(273,695)	577,010
NONCAPITAL FINANCING ACTIVITIES			
Transfer from (to) other funds	(593,996)	254,770	(339,226)
Net cash provided by (used in) by noncapital financing activities	(593,996)	254,770	(339,226)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(199,732)	(2,187)	(201,919)
Principal payments on capital debt	(293,749)	(6,646)	(300,395)
Interest payments on capital debt	(241,481)	(243)	(241,724)
Net cash used in capital and related financing activities	(734,962)	(9,076)	(744,038)
INVESTING ACTIVITIES			
Interest income	1,402	102	1,504
Net cash provided by investing activities	1,402	102	1,504
NET DECREASE IN CASH AND CASH EQUIVALENTS	(476,851)	(27,899)	(504,750)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			
Restricted	565,048	-	565,048
Unrestricted	687,524	147,880	835,404
Total cash and cash equivalents	1,252,572	147,880	1,400,452
CASH AND CASH EQUIVALENTS, END OF YEAR			
Restricted	352,526	-	352,526
Unrestricted	423,195	119,981	543,176
Total cash and cash equivalents	$ 775,721	$ 119,981	$ 895,702
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income(loss)	$ (246,825)	$ 41,378	$ (205,447)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	824,492	6,381	830,873
Net change in assets and liabilities attributable to operations:			
Accounts receivable	22,995	18,213	41,208
Other receivables	(48,360)	24,652	(23,708)
Customers deposits	3,135	-	3,135
Accounts payable	(23,692)	(84,130)	(107,822)
Accrued expenses payable	(20,232)	(7,460)	(27,692)
Due from other funds	-	(318,537)	(318,537)
Prepaid expenses	716	716	1,432
Compensated absences payable	(5,732)	45,092	39,360
Due to other funds	344,208	-	344,208
Net cash provided by operating activities	$ 850,705	$ (273,695)	$ 577,010
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ 423,195	$ 119,981	$ 543,176
Restricted cash and cash equivalents	352,526	-	352,526
Total cash and cash equivalents	$ 775,721	$ 119,981	$ 895,702

The accompanying Notes to the Financial Statements are an integral part of this statement

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sparta, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the City are described below.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. As of April 30, 2020, the City of Sparta, Georgia had no component units.

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they will be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City of Sparta, Georgia. It is used to account for all financial resources of the general Government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the provision of water/sewer services to the residents of the City. The Natural Gas Fund accounts for the provision of natural gas services to the residents of the City.

Additionally, the City reports the following fund type -

The Special Revenue Funds accounts for revenue sources that are legally restricted to expenditure for specific purposes. The City currently utilizes the Redevelopment Fund and the TSPLOST Discretionary Fund as Special Revenue Funds.

The Capital Projects Fund accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The City currently utilizes the LMIG Fund as a Capital Projects Fund.

GASB 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and used to account for fixed assets and long-term liabilities that are not reflected on the balance sheet of Governmental type funds due to the current financial resources measurement focus that they use.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Governmental activities have been consolidated in the government-wide financial statements. Total governmental funds have been combined with general fixed assets and long term liabilities. The effect of interfund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as operating transfers between funds. The net operating loss from internal service funds has been charged to the functional expense categories based on employee insurance claims submitted by department. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including operating grants, investment earnings and interest expense.

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

C. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments - Cash includes amounts in both interest-bearing and non-interest-bearing demand deposits. State statutes authorize the Government to invest in obligations of the U.S. Treasury, obligations of the State of Georgia or any other states, obligations fully insured or guaranteed by the United States government or governmental agency, Local Government Investment Pool, commercial paper, corporate bonds, obligation of other political subdivisions of the State of Georgia and repurchase agreements. Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

   For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The current portion of these interfund receivables and payables are classified as "due from other funds" or "due to other funds" in the governmental funds.

   Non-current portions of long-term interfund loans receivable/payable are reported as "advances to other funds" or "advances from other funds". Advances receivable in the Governmental funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation and are not expendable available financial resources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

All trade and property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 92 percent of outstanding property taxes at April 30, 2020.

Property taxes are levied as of January 1 by the City of Sparta on property values assessed as of the same date by Hancock County Government. The City's property taxes are levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City. The tax levy is usually billed by the City on October 1.

The City bills and collects its own property taxes and the City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred in the general fund.

3. Prepaid Items - For prepaid expenditures in the government-wide and fund financial statements, the City reports the expenditures during the benefiting period.

4. Restricted Assets – Certain assets, cash, of the Water and Sewer Fund are classified as restricted assets because their use is completely restricted to the payment of the revenue and bonds payable.

5. Capital Assets – Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General infrastructure assets acquired prior to May 1, 2004 are not reported in the basic financial statements.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

   Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB statement 37 prohibits the capitalization of interest on assets constructed for use in governmental activities. However, interest from debt not considered to be general long-term debt may be included as part of the cost of assets constructed for business-type activities. The total interest expense incurred by the City during the current fiscal year was $245,927. Of this amount, $-0- was included as part of the cost of capital assets under construction in connection with public building construction projects.

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

Assets	Years
Buildings	15-35
Infrastructure	20
Furniture and fixtures	7-10
Machinery and equipment	5-15
Vehicles	3-10

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Compensated Absences - It is the Government's policy to permit employees to accumulate earned but unused paid leave benefits. All paid leave benefits are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

   In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position 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 until then. The City has no items that fell under this financial statement element.

   In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports one of these items, unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Fund Equity - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Contributed capital is recorded in the proprietary fund that has received contributions from the general fund. Prior contributed capital amounts have been restated as either net assets restricted, unrestricted or invested in capital assets, net of related debt.

Fund Balance

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Assigned – Funds balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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

The City uses restricted amounts to be spent when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balances when expending funds.

Deficit Fund Balance – The general fund and the gas fund had a deficit fund balance as of April 30, 2020.

Net Position

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position."

10. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The annual budget is the financial plan for the operation of the City of Sparta, Georgia for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the Government. The City of Sparta budgets are adopted on a basis generally consistent with GAAP inasmuch as encumbrances are not recorded. Annual appropriated budgets are adopted for the General Fund and the Redevelopment Fund. Prior to the fiscal year end, the Council prepares a proposed operating budget for the year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them. The City holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Sparta, Georgia. The budget is then revised and adopted or amended by the City shortly after the beginning of the year to which it applies. The budget so adopted may be revised during the year only by formal action of the City in a regular meeting and no increase shall be made therein without provision also being made for financing same. The City Clerk is delegated to transfer sums within departments. No increase in the departmental budgets for the City may be made without the approval of the City Council and amendments to the budget. The General Fund is subject to budgetary control on a department basis. For the year ended April 30, 2020, no fund had expenditures in excess of appropriations.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2020.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2020, none of the government's bank balance was exposed to custodial credit risk, as these deposits were fully insured and collateralized.

As of April 30, 2020, the City did not have a formal investment policy. Additional disclosures with regards to deposits and investments can be located in the Summary of Significant Accounting Policies under the Assets, Liabilities and Equity section.

B. Property Taxes

State law requires that property taxes be based on assessed value that is 40% of fair market value. All real and personal property are valued as of January 1 of each year and must be declared and reported on a return for tax purposes by May 1. Upon completion of all assessments and tax returns, the information is turned over to the Hancock County Tax Appraiser, for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. If not, the commissioner may require an across the board percentage adjustment to all real property. The City distributes tax notices and collects tax payments. Property taxes are usually levied on assessed valuation on August 20 and are due by November 20 and considered delinquent by November 21. Property taxes are attached as an enforceable lien on the day the taxes become delinquent. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected within 60 days of year-end).

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

The City levied a tax of 14.544 mills on the tax value of all taxable property in the City for calendar year 2019. The net digest for 2019 on property in the City was $18,364,734 and the tax levied amounted to $267,097. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected as of year-end) as net current assets. In the accompanying financial statements, the portion of the property tax levy for the tax year 2018 collected during the current year, and within 60 days of year-end, has been recognized as revenue.

The City had no tax abatements during the year ending April 30, 2020.

Property taxes receivable, shown net of allowance for uncollectibles, at April 30, 2020, is composed of the following:

Year of Levy:	
2019	$ 59,996
2018	59,805
2017	21,576
2016	14,802
2015	15,367
2014	16,707
2013	11,982
Prior to 2013	44,614
Total taxes receivable	244,849
Less - allowance for uncollectibles	(190,853)
Net receivable	$ 53,996

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2019	10%	$ 59,996	$ 6,000
2018	100%	59,805	59,805
2017	100%	21,576	21,576
2016	100%	14,802	14,802
2015	100%	15,367	15,367
2014	100%	16,707	16,707
2013	100%	11,982	11,982
Prior to 2013	100%	44,614	44,614
Total		$ 244,849	$ 190,853

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

C. Accounts Receivable

Primary Government

Receivables at April 30, 2020 for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Natural Gas Fund	Non-major Funds
Receivables:				
Taxes	$ 244,849	$ -	$ -	$ -
Notes	-	-	-	252,753
Intergovernmental	17,437	-	-	3,078
Accounts	20,287	388,412	109,708	-
Other	1,124	48,744	60	-
Gross receivables	283,697	437,156	109,768	255,831
Less: allowance for uncollectibles	(199,709)	(172,968)	(47,892)	-
Net total receivables	$ 83,988	$ 264,188	$ 61,876	$ 255,831

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

D. Capital Assets

Primary Government

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 15,500	$ -	$ -	$ 15,500
Construction in progress	504,765	15,897	(504,765)	15,897
Total capital assets not being depreciated	520,265	15,897	(504,765)	31,397
Other capital assets:				
Buildings and improvements	331,992	9,588	-	341,580
Infrastructure	406,119	517,705	-	923,824
Furniture and fixtures	6,978	-	(6,978)	-
Machinery and equipment	165,233	6,321	(16,856)	154,698
Autos and trucks	897,052	-	(12,800)	884,252
Total other capital assets at historical cost	1,807,374	533,614	(36,634)	2,304,354
Less accumulated depreciation:				
Buildings and improvements	305,172	2,313	-	307,485
Infrastructure	65,290	10,642	-	75,932
Furniture and fixtures	3,332	-	(3,332)	-
Machinery and equipment	139,412	13,575	(16,855)	136,132
Autos and trucks	770,749	45,782	(12,800)	803,731
Total accumulated depreciation	1,283,955	72,312	(32,987)	1,323,280
Other capital assets, net	523,419	461,302	(3,647)	981,074
Governmental activities capital assets, net	$1,043,684	$ 477,199	$ (508,412)	$ 1,012,471

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 424,391	$ -	$ (102,243)	322,148
Total capital assets not being depreciated	424,391	-	(102,243)	322,148
Other capital assets:				
Buildings and improvements	48,961	30,400	-	79,361
Utility systems	22,339,458	210,428	-	22,549,886
Machinery and equipment	950,435	72,149	(110,024)	912,560
Furniture and fixtures	30,217	-	(21,243)	8,974
Total other capital assets at historical cost	23,369,071	312,977	(131,267)	23,550,781
Less accumulated depreciation:				
Buildings and improvements	29,264	1,426	-	30,690
Utility systems	15,029,471	760,251	-	15,789,722
Machinery and equipment	485,700	68,720	(102,904)	451,516
Furniture and fixtures	22,925	476	(17,598)	5,803
Total accumulated depreciation	15,567,360	830,873	(120,502)	16,277,731
Other capital assets, net	7,801,711	(517,896)	(10,765)	7,273,050
Business-type activities capital assets, net	$8,226,102	$ (517,896)	$ (113,008)	$ 7,595,198

Governmental activities depreciation expense:	
General Government	$ 17,171
Public Safety	27,116
Street Maintenance	28,025
Total governmental activities depreciation expense:	$ 72,312
Business-type activities:	
Water	824,492
Natural Gas	6,381
Total business-type activities depreciation expense	$ 830,873

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

E. Interfund Receivables, Payables and Transfers

The City had no interfund balances as of April 30, 2020.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Transfers within the Primary Government were as follows:

	Transfers In			
Transfers Out	General Fund	Other Nonmajor Governmental Funds	Gas Fund	Total Transfers Out
Water Fund	$ 436,352	$ -	$ 157,644	$ 593,996
General Fund	-	-	97,126	97,126
Total Transfers in	$ 436,352	$ -	$ 254,770	$ 691,122

F. Landfill Post-Closure Care

The City's landfill was closed on April 1, 1994 under Georgia Environmental Protection Division (EPD) guidelines. Since that time, 9 ground water monitoring wells, 2 surface water locators and 9 methane monitoring locations have been installed under EPD Solid Waste Guidelines. Since closure, the City has monitored the site and will continue such monitoring, as prescribed by the EPD guidelines. During the fiscal year ended April 30, 2020, the City had $14,305 in post-closure expenditures. Future annual costs associated with these requirements are estimated at $11,885 per year for the remaining period of required monitoring. This annual estimate is based on costs experienced during the initial years of required monitoring. Due to the immateriality of the estimated post-closure costs, no liability has been established for the post-closure costs. In the future, significant economic inflation or deflation, technology or applicable laws or regulations may change future estimates of the annual costs. As of April 30, 2020, financial assurance requirements are no longer required by the City in relation to the landfill.

G. Short - Term Debt

The City uses a line of credit to provide operating funds on a short – term basis throughout the year. Short-term liability activity for the primary government for the year ended April 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 200,000	$ -	$ 200,000	$ -

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

H. Long-Term Debt

Primary Government Notes Payable

On February 28, 2017, the City refinanced the remaining balance of USDA bonds 1980-A, 1981, 1990-A, 1990-B, 2000-A and 2000-B with Texas Capital Bank as series 2017 bonds. As part of the refinance, the costs incurred by the City included $369,750 as bond issuance costs, $56,188 as municipal bond insurance, $244,325 was included to be deposited into a debt service reserve fund for the purpose of repaying the bond payments, and $651,977 was deposited into a construction fund for the purpose of buying equipment for the water fund. Subsequent to April 30, 2020, this debt is now being serviced by Ameris Bank under the same terms.

The following is a summary of long-term debt at April 30, 2020:

Water and Sewer Fund:	Total	Current	Long-term
Water and sewer bonds, 2014-A Series, issued in the amount of $336,000 for water and sewer improvements. 2.5% interest rate with payments of approximately $13,300 due in annual installments to February 6, 2044. The bonds are redeemable at par.	$ 303,267	$ 5,445	$ 297,822
Water and sewer bonds, 2014-B Series, issued in the amount of $281,000 for water and sewer improvements. 2.125% interest rate with payments of approximately $10,000 due in annual installments to February 6, 2044. The bonds are redeemable at par.	251,393	5,171	246,222
Note payable - Georgia Environmental Finance Authority, $125,185 for water system improvements. 2.4% interest rate with 240 monthly payments of approximately $657 to March 1, 2036.	104,258	5,445	98,813
Water and sewer bonds - Texas Capital Bank issued in the amount of $7,420,000 for refinancing water and sewer bonds, maintaining a debt service reserve fund, and creating a construction fund. 3.33% interest with semi-annual installments to June 1, 2034. Payments range from approximately $246,000 to $251,500.	6,565,000	280,000	6,285,000
Note payable - Five Star Dodge, Inc., the City financed the purchase 2010 Ford Ranger, the note bears interest rate of 5.29% with monthly payments of $253 and matures on February 21, 2021.	2,456	2,456	-
Total Water and Sewer Fund	7,226,374	298,517	6,927,857
Total Long-Term liabilities for Business-Type Activities	$ 7,226,374	$ 298,517	$ 6,927,857

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

Long-term liability activity for governmental activities for the year ended April 30, 2020 was as follows:

	Total	Current	Long-Term
Note payable - Five Star Dodge, Inc., the City financed the purchase 2014 Dodge Ram, the note bears interest rate of 6.39% with monthly payments of $496 and matures on June 5, 2021.	$ 6,661	$ 5,698	$ 963
Note payable - USDA, the City financed the purchase of two 2016 Dodge Chargers, the note bears interest rate of 2.75% with monthly payments of $1,272 and matures on May 11, 2022.	29,627	14,653	14,974
Total Long-term Liability for Governmental Activities	$ 36,288	$ 20,351	$ 15,937

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Governmental Activities						
Compensated absences payable	$ 197,776	$ -	$ 37,708	$ 160,068	$ 160,068	$ -
Capital lease payable	14,229	-	13,083	1,146	1,146	-
N/P - Dodge Ram - Five Star Dodge, Inc.	11,910	-	5,249	6,661	5,698	963
N/P -Two Dodge Chargers - USDA	43,863	-	14,236	29,627	14,653	14,974
Total governmental activities	$ 267,778	$ -	$ 70,276	$ 197,502	$ 181,565	$ 15,937

The compensated absences liability will be paid from the General Fund. Debt service requirements to maturity for long-term debt is as follows:

Year Ending April 30	Principal	Interest
2021	$ 21,497	$ 866
2022	15,937	210
2023	-	-
2024	-	-
2025	-	-
2026 and therafter	-	-
	$ 37,434	$ 1,076

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Business-Type Activities						
Compensated absences payable	$ 163,174	$ 39,360	$ -	$ 202,534	$ 202,534	$ -
Notes payable - GEFA	109,574	-	5,316	104,258	5,445	98,813
N/P - F 250 - Five Star Dodge, Inc.	6,646	-	6,646	-	-	-
N/P - Ford Ranger - Five Star Dodge, Inc.	5,277	-	2,821	2,456	2,456	-
Water and sewer bonds - Series 2014-A	308,816	-	5,549	303,267	5,445	297,822
Water and sewer bonds - Series 2014-B	256,456	-	5,063	251,393	5,171	246,222
Water and sewer bonds - Texas Capital	6,840,000	-	275,000	6,565,000	280,000	6,285,000
Total business-type activities	$ 7,689,943	$ 39,360	$ 300,395	$ 7,428,908	$ 501,051	$ 6,927,857

Debt service requirements to maturity for business-type activities excluding compensated absences are as follows:

Year Ending April 30	Principal	Interest
2021	$ 298,517	$ 221,255
2022	306,797	213,851
2023	317,196	203,712
2024	327,604	193,231
2025	338,023	182,406
2026-2030	1,876,740	735,906
2031-2035	2,208,795	404,171
2036-2040	1,273,553	90,081
2041-2044	279,149	22,209
Total	$ 7,226,374	$ 2,266,821

NOTE 3. DETAILED NOTES ON ALL FUNDS, continued

I. Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of a Kubota tractor and cutter. This lease qualifies as a capital lease for accounting purposes (bargain purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is an analysis of the equipment leased under the capital lease as of April 30, 2020:

	Activities
Asset -	
Equipment	$ 65,609
Less: Accumulated depreciation	(46,072)
Total	$ 19,537

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2020 were as follows:

Year Ending April 30,	Governmental Activities
2021	$ 1,147
Total minimum lease payments	1,147
Less: amount representing interest	-
Present value of minimum lease payments	$ 1,147

The depreciation related with the above capital lease has been included in the depreciation expense reported in Note 3 D – Capital Assets.

NOTE 4. NOTE RECEIVABLE

A. Redevelopment Fund Note Receivable

In 1990, the City obtained a Community Development Block Grant to use as loan funds as part of the rehabilitation of a historic downtown hotel. As the loan is repaid, a revolving loan fund will be established for similar needs. The loan, whose balance at April 30, 2020 was $252,753, is subordinated to a Farmers Home Administration first mortgage of $1,455,000. The loan carries interest of 1%. Annual payments of principle and interest are $7,500. In addition, taxes saved as a result of being in a special historic district up to $7,500 a year are to be paid as payment in lieu of taxes. Both payments annually provide for a 30-year amortization. Principle payments over the next five years average $11,400 annually.

NOTE 5. OTHER INFORMATION

A. Commitments and Contingencies

Reservations of fund balances of Governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve Under Grant Agreement

The reserve was created to represent those funds that are restricted for the specific use of the Redevelopment Fund.

Balance, May 1, 2019	$ 257,706
Net change	(4,953)
Balance April 30, 2020	$ 252,753

B. 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. Significant losses experienced by the City are covered by commercial insurance for all risks, except for workers compensation benefits. The City is self-insured in regards to workers compensation benefits. The Government estimates liabilities for workers compensation claims as the claims are incurred.

A table summarizing activity involving self-insured workers compensation benefits is as follows:

	2020	2019
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	8,060	16,120
Payment of claims	(8,060)	(16,120)
Other	-	-
Claims Liability, End	$ -	$ -

NOTE 5. OTHER INFORMATION, continued

C. Post-Employment Benefits

Voluntary payments to several retired employees are being paid at $300 per month to each retired employee as part of a defined contribution plan maintained and administered by the City. Payments are made at the discretion of City Council and can be discontinued at their discretion. Retirement expense for the year ended April 30, 2020 totaled approximately $25,800. Full-time employees, regardless of age, that meet the 20 year length of service requirement are eligible for the benefits. Benefits may be offered to an employee under extenuating circumstances with the approval of City Council.

Asserted Claims

As of April 30, 2020, the City was the defendant in several lawsuits. The City's attorney assessed each of these lawsuits as having a low probability of a negative outcome against the City.

D. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in their area, is a member of the Central Savannah River Area Regional Commission (CSRA RDC) and is required to pay annual dues thereto. During its year ended April 30, 2020, the City paid $1,610 in such dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907

E. Redevelopment Fund Grant Revenue

In a letter dated September 22, 2016, the Georgia Department of Community Affairs requested that the City return $179,829 from the City's Redevelopment Fund. The Department alleged that the City had not followed the guidelines of the 1990 Community Development Block Grant for the use of these funds. The City returned funds of $25,690 for the year ended April 30, 2020, and a payable of $128,449 has been recorded on these financial statements and included as an intergovernmental payable in the Statement of Net Position as of April 30, 2020.

F. Related Parties

During the fiscal year ended April 30, 2020, the City of Sparta purchased supplies and materials from an entity owned by a Council member. Total purchases from this related party totaled $53,763.27 for the fiscal year ended April 30, 2020.

G. Subsequent Events

The City performed an evaluation of subsequent events through February 1, 2021, the date upon which the City's financial statements were available for issue. The City has not evaluated subsequent events after this date. No subsequent events were identified that would have required a change to the financial statements or disclosure in the notes to the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States and globally, including mandates from federal, state and local authorities, leading to an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the City cannot be reasonably estimated at this time.

Required Supplementary Information Other Than Management's Discussion and Analysis

CITY OF SPARTA, GEORGIA

EXHIBIT 10

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended April 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Taxes	$ 1,002,049	$ 1,002,049	$ 817,893	$ (184,156)
Licenses and permits	18,700	18,700	15,435	(3,265)
Fines and forfeitures	40,000	40,000	25,856	(14,144)
Charges for services	229,000	229,000	95,023	(133,977)
Grant revenues	300,000	300,000	273,298	(26,702)
Other revenues	20,025	20,025	60,399	40,374
Total revenues	1,609,774	1,609,774	1,287,904	(321,870)
EXPENDITURES				
General government	347,000	390,573	276,038	114,535
Administration	122,274	114,526	89,452	25,074
Public safety	622,300	620,975	539,273	81,702
Public works	506,300	474,300	362,496	111,804
Payments to other governmental agencies	28,400	28,400	261	28,139
Debt service	233,500	231,000	28,189	202,811
Total expenditures	1,859,774	1,859,774	1,295,709	564,065
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(250,000)	(250,000)	(7,805)	242,195
OTHER FINANCING SOURCE				
Proceeds from long term debt	150,000	150,000	-	(150,000)
Transfers in	100,000	100,000	339,226	239,226
Total other financing sources	250,000	250,000	339,226	89,226
NET CHANGES IN FUND BALANCE	-	-	331,421	331,421
FUND DEFICIT, BEGINNING	(421,074)	(421,074)	(421,074)	-
FUND BALANCE (DEFICIT), ENDING	$ (421,074)	$ (421,074)	$ (89,653)	$ 331,421

Other Supplementary Information

Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- Redevelopment Fund – To account for the CDBG redevelopment loan outstanding and the revolving loan fund created by the payments received there from.
- TSPLOST Discretionary Fund – To account for the TSPLOST funds received that are legally restricted to expenditures for transportation expenses within the City.

Capital Projects Funds are used to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

- LMIG Fund – To account for the Local Maintenance and Improvement Grant (LMIG) funds received that are legally restricted to expenditure for capital road projects within the City.

CITY OF SPARTA, GEORGIA

EXHIBIT 11

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2020

	Special Revenue		Capital Project	
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ -	$ 68,079	$ 12,808	$ 80,887
Intergovernmental receivable	-	3,078	-	3,078
Notes receivable	252,753	-	-	252,753
Total assets	$ 252,753	$ 71,157	$ 12,808	$ 336,718
LIABILITIES AND FUND BALANCE				
Fund Balance -				
Restricted for special programs	252,753	71,157	12,808	336,718
Total fund balance	252,753	71,157	12,808	336,718
Total liabilities and fund balance	$ 252,753	$ 71,157	$ 12,808	$ 336,718

CITY OF SPARTA, GEORGIA

EXHIBIT 12

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended April 30, 2020

	Special Revenue		Capital Project	
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	$ -	$ 39,127	$ -	$ 39,127
Intergovernmental revenue	-	-	43,581	43,581
Other revenue	2,547	-	-	2,547
Total revenues	2,547	39,127	43,581	85,255
EXPENDITURES				
Intergovernmental payments	7,500	-	-	7,500
Public works	-	-	98,604	98,604
Debt service	-	15,264	-	15,264
Total expenditures	7,500	15,264	98,604	121,368
NET CHANGE IN FUND BALANCE	(4,953)	23,863	(55,023)	(36,113)
FUND BALANCE, BEGINNING	257,706	47,294	67,831	372,831
FUND BALANCE, ENDING	$ 252,753	$ 71,157	$ 12,808	$ 336,718

CITY OF SPARTA, GEORGIA

EXHIBIT 13

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
For the Year Ended April 30, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUE			
Other revenue	$ 7,500	$ 2,547	$ (4,953)
Total revenues	7,500	2,547	(4,953)
EXPENDITURES			
Intergovernmental payments	7,500	7,500	-
Total expenditures	7,500	7,500	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4,953)	(4,953)
FUND BALANCE, BEGINNING	257,706	257,706	-
FUND BALANCE, ENDING	$ 257,706	$ 252,753	$ (4,953)

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – TSPLOST
For the Year Ended April 30, 2020

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
TSPLOST income	$ 40,000	$ 39,127	$ (873)
Total revenues	40,000	39,127	(873)
EXPENDITURES			
Debst service	20,000	15,264	4,736
Total expenditures	20,000	15,264	4,736
EXCESS OF REVENUES OVER EXPENDITURES	20,000	23,863	3,863
FUND BALANCE, BEGINNING	47,294	47,294	-
FUND BALANCE, ENDING	$ 67,294	$ 71,157	$ 3,863

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

To the Mayor and Council
City of Sparta, Georgia

We have audited, 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, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sparta, Georgia as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Sparta's basic financial statements and have issued our report thereon dated February 1, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies noted as item 20-1.

Compliance and Other Matters

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

City of Sparta, Georgia's Response to Findings

City of Sparta, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Sparta, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wyatt, Wyatt, P.C.

Sandersville, Georgia
February 1, 2021

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

20-1 Segregation of Duties

Condition

Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The City should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non recurring expenditures, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues. Additionally, we plan to hire additional staff to further segregate the duties of the City.