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June 21, 2021

Mr. Joe Piper
327 Jefferson Street
Statham, Georgia 30666

Dear Mayor Piper:

Enclosed are 10 copies of our audit report for the year ended June 30, 2019.

We have forwarded 1 copy to each of the addresses below along with special reports as noted:

Georgia Department of Audits and Accounts
Local Government Audit Section
270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

a) Corrective Action Plan

USPS TRACKING # & CUSTOMER RECEIPT **9114 9022 0078 9665 7770 51**
For Tracking or inquiries go to USPS.com or call 1-800-222-1811.

An electronic copy of the financial statements will also be e-mailed to you. Please upload a copy to the following:

Carl Vinson Institute of Government
Electronic submission is made at:
https://ted.cviog.uga.edu/financial-documents/user/login

You will login with the username and password assigned to you after the CVIOG administrator has approved the account.

Reminder You are also required to upload your budget to this website within 30 days of adoption.

We appreciate the opportunity of serving you.

Very truly yours,

Kristi L Griffin, CPA

Kristi L. Griffin, C.P.A.

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June 21, 2021

City Council
City of Statham
Statham, Georgia

During the course of our audit of the City of Statham's financial statements for the year ended June 30, 2019, we noted matters to consider pertaining to financial planning and operations. While these items were not considered significant deficiencies in internal control that needed to be reported in our formal audit reports, we wanted to point them out for consideration in future management decisions.

Recommendation 1:

The City's policy is to capitalize items purchased over $2,000. We recommend that the City consider raising the capitalization threshold to $5,000.

Recommendation 2:

The City has many assets that are old or do not contain sufficient identification information. We recommend that the City review the asset listing for accuracy and increase the details used to provide clear understanding of the assets owned.

Recommendation 3:

The City receives bank statements on a day other than month end on a recurring basis. We recommend that the City reach out to the bank and request that bank statements are issued at month end.

This report is intended solely for the information and use of the City of Statham City Council and management of the City.

We wish to thank your staff for the cooperation extended to us during the audit. We will be pleased to elaborate further on the points raised in the letter, or assist in the implementation of the recommendation, at your convenience. We appreciate the opportunity to serve you.

Sincerely,

Kristi L. Griffin

Kristi L. Griffin
KLG:amw

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June 21, 2021

Mayor and City Council
City of Statham
Auburn, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Statham for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2019. Professional standards also require that we communicate to you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Statham are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Statham's financial statements was:

> Management's estimate for accumulated depreciation on capital assets is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were disclosures related to the sensitive estimates as described above.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. An adjustment of $218,533 to the General Fund and $916,208 to the Water and Sewer Fund was necessary to adjust the beginning balances to reconcile to prior year audited numbers..
2. An adjustment of $87,333 was necessary to record accounts receivable activity for business-type funds.
3. An adjustment of $72,792 was necessary to correct the debt service activity in the General Fund.
4. Aggregate adjustments of $9,969 to the General Fund and $41,843 to the Water and Sewer Fund were necessary to adjust the accounts payable balances.
5. An adjustment of $24,685 was necessary to the General Fund to adjust revenue related to property tax receipts.
6. An adjustment of $222,827 was necessary to adjust depreciation expense related to business type funds.
7. Aggregate adjustments of $67,210 was necessary to adjust capital purchases and deletions related to capital assets in business-type funds.
8. An adjustment of $357,452 was necessary to correct long-term debt balances related to business-type activities.
9. An adjustment of $240,000 was necessary to correct cash transfer activity between the Water and Sewer and General Funds.
10. Adjustments of $8,885 and $36,682 were necessary to record receivables at year end in the General Fund and SPLOST Fund, respectively.
11. An adjustment of $9,190 was necessary to properly record capital outlay in the General Fund.

12. An adjustment of $60,667 to the General Fund and $21,132 to the Water and Sewer Fund was necessary to adjust payroll liabilities.
13. Adjustments of $53,976 in the General Fund and $58,987 in the Water and Sewer Fund were necessary to correct the cash balances to agree to bank reconciliations.
14. A prior period adjustment of $39,338 was necessary to correct prior period cash bonds held.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 21, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Statham's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Statham's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of the Net Pension Liability - City of Auburn Retirement Plan, Schedule of Contributions - City of Auburn Retirement Plan, Schedule of Notes to Required Supplementary Information - City of Auburn Retirement Plan, and the Budgetary Comparison Schedule - General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, supplementary budgetary comparison schedules, and the Schedule of Projects Constructed with Special Purpose Local Option Sales Taxes, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of City Council and management of the City of Statham and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bates, Carter & Co., LLP

Bates, Carter & Co., L.L.P.

CITY OF STATHAM, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
June 30, 2019

CITY OF STATHAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

June 21, 2021

To the Mayor and City Council
CITY OF STATHAM
Statham, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the CITY OF STATHAM, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the CITY OF STATHAM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF STATHAM, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedule-General Fund listed in the table of contents 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 STATHAM 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 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 STATHAM's basic financial statements. The accompanying supplementary information such as the accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121 for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above 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 supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2021 on our consideration of the CITY OF STATHAM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CITY OF STATHAM's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

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CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
June 30, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 896,016	$ 1,570,512	$ 2,466,528
Receivables (net of allowance for uncollectibles)	148,539	97,969	246,508
Internal balances	608,382	(608,382)	-
Prepaid items	-	3,625	3,625
Restricted assets:			
Cash	5,651	160,711	166,362
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	385,949	570,858	956,807
Capital assets being depreciated	3,407,480	9,750,308	13,157,788
Less: accumulated depreciation	(1,636,248)	(3,850,972)	(5,487,220)
Capital assets, net of depreciation	2,157,181	6,470,194	8,627,375
TOTAL ASSETS	3,815,769	7,694,629	11,510,398
LIABILITIES			
Accounts payable	19,287	59,157	78,444
Accrued interest payable	-	9,442	9,442
Other accrued items	50,696	-	50,696
Amounts held in trust	22,012	-	22,012
Customer Deposits	-	92,728	92,728
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	24,731	24,731
Capital leases payable	44,269	-	44,269
Revenue bonds payable	-	214,281	214,281
Due in more than one year:			
Notes payable	-	190,985	190,985
Capital leases payable	41,999	-	41,999
Revenue bonds payable	-	2,860,628	2,860,628
TOTAL LIABILITIES	178,263	3,451,952	3,630,215
NET POSITION			
Net investment in capital assets	2,070,913	3,179,569	5,250,482
Restricted for:			
Capital outlay projects	775,384	-	775,384
Debt service	-	160,711	160,711
Public safety programs	5,651	-	5,651
Unrestricted	785,558	902,397	1,687,955
TOTAL NET POSITION	$ 3,637,506	$ 4,242,677	$ 7,880,183

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	..PROGRAM REVENUES..				..NET (EXPENSE) AND CHANGES IN NET POSITION.. PRIMARY GOVERNMENT		
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	$ 550,116	$ 259,148	$ -	$ -	$ (290,968)	$ -	$ (290,968)
Judicial	79,896	-	-	-	(79,896)	-	(79,896)
Public safety	367,097	6,067	-	-	(361,030)	-	(361,030)
Public works	284,580	421	-	163,926	(120,233)	-	(120,233)
Public health and welfare	3,222	-	-	2,000	(1,222)	-	(1,222)
Recreation and culture	58,259	5,000	-	-	(53,259)	-	(53,259)
Housing and development	72,578	56,973	-	-	(15,605)	-	(15,605)
Interest	5,173	-	-	-	(5,173)	-	(5,173)
Total Governmental Activities	1,420,921	327,609	-	165,926	(927,386)	-	(927,386)
BUSINESS-TYPE ACTIVITIES							
Solid waste/recycling	2,446	24,691	-	-	-	22,245	22,245
Water and sewer	1,319,668	1,351,200	-	234,477	-	266,009	266,009
Total Business-Type Activities	1,322,114	1,375,891	-	234,477	-	288,254	288,254
TOTAL PRIMARY GOVERNMENT	$ 2,743,035	$ 1,703,500	$ -	$ 400,403	(927,386)	288,254	(639,132)
GENERAL REVENUES							
Property taxes					369,431	-	369,431
Sales taxes					410,711	-	410,711
Insurance premium taxes					179,116	-	179,116
Franchise taxes					162,159	-	162,159
Alcohol beverage taxes					38,458	-	38,458
Real estate recording taxes					62,240	-	62,240
Other taxes					19,235	-	19,235
Total taxes					1,241,350	-	1,241,350
Unrestricted investment earnings					277	323	600
Loss on transfer of capital assets					(419)	-	(419)
Gain(Loss) on sale of capital assets					3,354	-	3,354
TRANSFERS					(28,000)	28,000	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,216,562	28,323	1,244,885
CHANGES IN NET POSITION					289,176	316,577	605,753
NET POSITION, Beginning					3,368,231	3,926,100	7,294,331
PRIOR PERIOD ADJUSTMENT					(19,901)	-	(19,901)
NET POSITION, Beginning as restated					3,348,330	3,926,100	7,274,430
NET POSITION, Ending					$ 3,637,506	$ 4,242,677	$ 7,880,183

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 157,314	$ 738,702	$ 896,016
Receivables (net of allowance for uncollectibles)	111,857	36,682	148,539
Interfund receivables	608,382	-	608,382
Restricted assets:			
Cash	5,651	-	5,651
TOTAL ASSETS	883,204	775,384	1,658,588
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	19,288	-	19,288
Other accrued items	50,696	-	50,696
Amounts held in trust	22,012	-	22,012
TOTAL LIABILITIES	91,996	-	91,996
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	68,951	-	68,951
TOTAL DEFERRED INFLOWS OF RESOURCES	68,951	-	68,951
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	160,947	-	160,947
FUND BALANCES			
Restricted:			
Capital outlay projects	-	775,384	775,384
Public safety programs	5,651	-	5,651
Unassigned	716,606	-	716,606
TOTAL FUND BALANCES	722,257	775,384	1,497,641
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 883,204	$ 775,384	$ 1,658,588

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2019

Total Fund Balances for Governmental Funds (page 3)		$ 1,497,641
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		2,157,181
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	68,951	
		68,951
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital leases	(86,268)	
		(86,268)
Rounding		1
Total net position of governmental activities (page 1)		$ 3,637,506

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 1,268,793	$ -	$ 1,268,793
Licenses and permits	102,040	-	102,040
Intergovernmental	2,473	163,924	166,397
Fines and forfeitures	188,488	-	188,488
Charges for services	24,983	-	24,983
Investment income	29	249	278
Miscellaneous	12,097	-	12,097
TOTAL REVENUES	1,598,903	164,173	1,763,076
EXPENDITURES			
Current Expenditures			
General government	460,952	-	460,952
Judicial	79,892	-	79,892
Public safety	344,965	-	344,965
Public works	235,571	15,891	251,462
Public health and welfare	3,222	-	3,222
Culture and Recreation	11,114	-	11,114
Housing and development	72,578	-	72,578
Intergovernmental	47,145	-	47,145
Capital outlay	35,890	-	35,890
Debt service			
Principal	67,619	-	67,619
Interest	5,173	-	5,173
TOTAL EXPENDITURES	1,364,121	15,891	1,380,012
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	234,782	148,282	383,064
OTHER FINANCING SOURCES (USES)			
Sale of county property	3,354	-	3,354
Transfers out	-	(28,000)	(28,000)
TOTAL OTHER FINANCING SOURCES (USES)	3,354	(28,000)	(24,646)
NET CHANGE IN FUND BALANCES	238,136	120,282	358,418
FUND BALANCES, Beginning of year	504,022	655,102	1,159,124
PRIOR PERIOD ADJUSTMENT	(19,901)	-	(19,901)
FUND BALANCES, Beginning of year, restated	484,121	655,102	1,139,223
FUND BALANCES, End of year	$ 722,257	$ 775,384	$ 1,497,641

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, 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 June 30, 2019

Net change in fund balances (page 5)		$ 358,418
Amounts reported for governmental activities in the statement of activities are 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 reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	35,890	
Depreciation expense	(144,415)	
		(108,525)
In the statement of activities, only the gain/loss on the sale of various capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.		
Net book value of capital assets disposed of	(419)	
		(419)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	68,951	
		68,951
Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.		
Property taxes	(96,868)	
		(96,868)
Under the modified accrual basis of accounting used in the 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 these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Principal payments on long-term debt	67,619	
		67,619
Changes in net position of governmental activities (page 2)		$ 289,176

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
ASSETS	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
Current Assets			
Cash	$ 1,568,163	$ 2,349	$ 1,570,512
Receivables (net of allowance for uncollectibles)	97,969	-	97,969
Interfund receivables	-	537,861	537,861
Prepaid items	3,625	-	3,625
Restricted assets:			
Cash	160,711	-	160,711
TOTAL CURRENT ASSETS	1,830,468	540,210	2,370,678
Noncurrent Assets			
Capital assets			
Capital assets not being depreciated	570,858	-	570,858
Capital assets being depreciated	9,750,308	-	9,750,308
Less: accumulated depreciation	(3,850,972)	-	(3,850,972)
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	6,470,194	-	6,470,194
TOTAL NONCURRENT ASSETS	6,470,194	-	6,470,194
TOTAL ASSETS	8,300,662	540,210	8,840,872
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	8,300,662	540,210	8,840,872
LIABILITIES			
Current Liabilities			
Accounts payable	59,157	-	59,157
Accrued interest	9,442	-	9,442
Interfund payables	680,772	465,471	1,146,243
Notes payable	24,731	-	24,731
Revenue bonds payable	214,281	-	214,281
TOTAL CURRENT LIABILITIES	988,383	465,471	1,453,854
Noncurrent Liabilities			
Customer deposits	92,728	-	92,728
Notes payable	190,985	-	190,985
Revenue bonds payable	2,860,628	-	2,860,628
TOTAL NONCURRENT LIABILITIES	3,144,341	-	3,144,341
TOTAL LIABILITIES	4,132,724	465,471	4,598,195
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,132,724	465,471	4,598,195
NET POSITION			
Net investment in capital assets	3,179,569	-	3,179,569
Restricted for debt service	160,711	-	160,711
Unrestricted	827,658	74,739	902,397
TOTAL NET POSITION	$ 4,167,938	$ 74,739	$ 4,242,677

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Pledged as security for revenue bonds:			
Charges for services	$ 1,314,333	$ -	$ 1,314,333
Charges for services	-	24,691	24,691
Other operating revenue			
Connection fees	16,100	-	16,100
Other	20,768	-	20,768
Total Operating Revenues	1,351,201	24,691	1,375,892
OPERATING EXPENSES			
Salaries and benefits	316,495	-	316,495
Supplies	44,483	-	44,483
Other services and charges	120,852	2,446	123,298
Depreciation	222,827	-	222,827
Repairs and maintenance	28,021	-	28,021
Utilities	38,328	-	38,328
Water purchases	399,729	-	399,729
Sewerage flow costs	36,476	-	36,476
Total Operating Expenses	1,207,211	2,446	1,209,657
OPERATING INCOME	143,990	22,245	166,235
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	321	1	322
Interest expense	(112,457)	-	(112,457)
Total Nonoperating Revenues (Expenses)	(112,136)	1	(112,135)
INCOME (LOSS) BEFORE TRANSFERS	31,854	22,246	54,100
Water connection fees	143,667	-	143,667
Sewer connection fees	90,810	-	90,810
Transfer in	28,000	-	28,000
CHANGE IN NET POSITION	294,331	22,246	316,577
TOTAL NET POSITION, Beginning of year	3,873,607	52,493	3,926,100
TOTAL NET POSITION, End of year	$ 4,167,938	$ 74,739	$ 4,242,677

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	$ 1,328,656	$ 24,691	$ 1,353,347
Payments to suppliers	(397,993)	(25,036)	(423,029)
Payments to employees	(313,617)	-	(313,617)
Net cash provided by (used in) operating activities	617,046	(345)	616,701
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(62,516)	-	(62,516)
Water/Sewer tap fees in excess of cost	234,477	-	234,477
Transfers in/out	28,000	-	28,000
Principal payments on debt	(229,357)	-	(229,357)
Interest paid	(122,078)	-	(122,078)
Net cash provided by (used in) capital and related financing activities	(151,474)	-	(151,474)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	321	1	322
Net cash provided by (used in) investing activities	321	1	322
Net increase (decrease) in cash and cash equivalents	465,893	(344)	465,549
CASH, Beginning of year	1,262,981	2,693	1,265,674
CASH, End of year	$ 1,728,874	$ 2,349	$ 1,731,223
RECONCILIATION OF CASH			
Cash	$ 1,568,163	$ 2,349	$ 1,570,512
Restricted Cash	160,711	-	160,711
Total Cash	$ 1,728,874	$ 2,349	$ 1,731,223
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 143,990	$ 22,245	$ 166,235
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	222,827	-	222,827
(Increase) decrease in:			
Accounts receivable	(22,544)	-	(22,544)
Increase (decrease) in:			
Accounts payable	39,932	-	39,932
Customer deposits	2,878	-	2,878
Interfund balances	229,963	(22,590)	207,373
Net cash provided by (used in) operating activities	$ 617,046	$ (345)	$ 616,701
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES			
Amortization of premium on bonds payable	$ 9,281	$ -	$ 9,281

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Statham (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the City's operation, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The City has no component units that meet the criteria for component units requiring discrete presentation in the primary governmental financial reporting entity.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed with the exception of federal and state grant revenue, which has a 12 month availability period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, licenses, charges for services, intergovernmental revenues, 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. 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 City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *SPLOST Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The *Solid Waste Fund* is used to account for fees collected and the management of solid waste facilities and services. Activities of the fund include administration, operations and maintenance of the solid waste utility system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for solid waste utility system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from 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. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

(D) ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits that are not restricted, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded as fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance of uncollectibles.

Property taxes attach as an enforceable lien on property as of July 31. Taxes are normally levied by October 10th of each year. The 2019 property taxes were levied October 10, 2018, and were due December 31, 2018. The taxes are subject to lien after March 31, 2019. Interest and penalties are assessed on taxes not paid by this date.

The City's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City.

The City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as unavailable revenue in the general fund.

Inventories and Prepaid Items

Materials purchased and expendable supplies are shown as expenditures in governmental funds and expenses in proprietary funds when acquired and are not inventoried at year end because the amounts are not considered to be material.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of governmental fund-type prepaids are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Certain restricted deposits and investments may be held by the General Fund. These funds are held in cash and/or investments as allowed by State law and the requirements of the related debt agreements. The investments are stated at fair value and the City records all investment revenue earned on these investments in the appropriate fund.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, or the appraised value at the time of the donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. Interest was not capitalized during 2019.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings & Improvements	20-50 years
Infrastructure - Distribution Systems	20-50 years
Machinery and equipment	5-9 years
Vehicles	3-5 years

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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any type of item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category which only arises under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated.

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, or proprietary fund type statement of net position. Debt issuance costs are included in their entirety in expenditures/expenses in the year they are incurred.

Bond Premiums and Discounts

Premiums and discounts are deferred and amortized over the lives of the bonds and loans on a straight-line basis, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity/Net Position

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

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

Nonspendable - Fund balances are reported as nonspendable when the 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 like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

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

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the the City Council must adopt another resolution.

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

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

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

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

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of June 30, 2019 are as follows:

Net investment in capital assets:	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 3,793,429	$ 10,321,166
Accumulated depreciation	(1,636,248)	(3,850,972)
Net book value	2,157,181	6,470,194
Capital leases related debt	(86,268)	-
Revenue bonds related to capital assets	-	(3,074,909)
Notes payable related to capital assets	-	(215,716)
Net investment in capital assets	$ 2,070,913	$ 3,179,569

Management 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Indirect Cost

The City allocates indirect costs for general government services, such as finance, personnel, purchasing, legal, technology, management, etc., to its business-type activities. Allocations are charged to programs based on use of general government services determined by various allocation methodologies. These charges are separately reported in the statement of activities.

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports $781,035 of restricted net position, of which none is restricted by enabling legislation.

Additional details related to fund balances at the governmental fund level are presented below:

Restricted:		
SPLOST Fund		
SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	$	775,384
Nonmajor Funds		
Public Safety programs -		
Police Confiscation Fund - For monies restricted for public safety purposes.		5,651
Total Restricted Fund Balance	$	781,035

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, and all Debt Service Fund and Special Revenue Funds. Project-length budgets are adopted for capital projects funds. Budgets for planning and management purposes only are adopted for the Proprietary (Enterprise) Funds on a GAAP basis, except that long-term debt borrowings are budgeted as revenues and depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the Mayor and City Council. Some individual revisions were material in relation to the original appropriations.

Budgeting Policy

The City prepares annual budgets based on anticipated revenues and appropriated expenditures. Public hearings are conducted to obtain taxpayer comments. Prior to June 30 of each year, the budget is legally enacted by passage of an ordinance for the City's operating funds. Amendments to the budget must be approved by the City Council. Budgets of the General, Capital Project, Special Revenue, and Proprietary Funds are adopted in a basis consistent with generally accepted accounting principles (GAAP).

Basis for Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services and benefits, purchased/contracted services, supplies, other, and capital outlay. The legal level of budgetary control is the department level. Budget revisions at this level are subject to review and approval by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year. All unexpended annual appropriations lapse at year end.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue, or Proprietary Funds. The City of Statham has no recorded encumbrances at June 30, 2019.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

(C) DEFICIT FUND EQUITY

At June 30, 2019, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At June 30, 2019, the ratings of its investments are shown above.

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk.

Custodial credit risk - deposits. In 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 City may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2019, all of the City's deposits were insured or were adequately collateralized with securities held by the pledging financial institution's name.

As of June 30, 2019, the City's bank balance of $2,703,397 was adequately collateralized with securities held by the pledging financial institution's name.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately. State statutes require collateral pledged in the amount of 110% of deposits.

Under the *pooled method,* a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1. State statutes require collateral pledged in the amount of 110% of deposits under the single bank pooled method or at least 100% of amounts greater than 20% of the daily pool balnce held by any one covered depository under the multibank pooled method.

The City utilized both methods to secure deposits of public funds.

NOTE 5 - RECEIVABLES

Receivables as of year-end for the City's individual major funds and enterprise funds are summarized below:

	General Fund	SPLOST Fund	Water & Sewer Fund
Receivables:			
Property Taxes	$ 69,844	$ -	$ -
Accounts	-	-	98,268
Intergovernmental	42,013	36,682	-
Total Gross Receivables	111,857	36,682	98,268
Less: Allowance for Uncollectibles	-	-	(299)
Total Net Receivables	$ 111,857	$ 36,682	$ 97,969

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable
Property taxes (General Fund)	$ 68,951
Total unavailable/ unearned revenue for governmental funds	$ 68,951

Property taxes receivable at June 30, 2019, consist of the following:

Digest Year	General Fund
2018	$ 16,583
2017	13,917
2016	9,191
2015	10,040
2014	7,432
2013	4,699
2012	2,445
2011	2,611
2010	2,926
Total	$ 69,844

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 385,949	$ -	$ -	$ -	$ 385,949
Total non-depreciable capital assets	385,949	-	-	-	385,949
Depreciable Assets:					
Buildings and improvements	570,657	-	-	-	570,657
Machinery and Vehicles	1,152,729	35,890	(8,296)	-	1,180,323
Infrastructure	1,656,500	-	-	-	1,656,500
Total depreciable capital assets	3,379,886	35,890	(8,296)	-	3,407,480
Less Accumulated Depreciation for:					
Buildings and improvements	(275,168)	(22,275)	-	-	(297,443)
Machinery and Vehicles	(865,735)	(89,011)	7,877	-	(946,869)
Infrastructure	(358,806)	(33,130)	-	-	(391,936)
Total accumulated depreciation	(1,499,709)	(144,416)	7,877	-	(1,636,248)
Total depreciable capital assets, net	1,880,177	(108,526)	(419)	-	1,771,232
Governmental activities capital assets, net	$ 2,266,126	$ (108,526)	$ (419)	$ -	$ 2,157,181

Additions to governmental activities capital assets for fiscal year ending June 30, 2019 consist of the following:

Capital Outlay	$	35,890
Total Additions	$	35,890
Depreciable capital assets additions	$	35,890
Total Additions	$	35,890

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

Governmental Activities:		
General Government	$	89,165
Public Safety		22,132
Public Works		33,119
Culture and Recreation		-
Total depreciation expense: Governmental Activities	$	144,416

Capital asset activity for business-type funds for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirement	Transfer	Ending Balance
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	$ 525,753	$ -	$ -	$ -	$ 525,753
Construction in progress	21,285	23,820	-	-	45,105
Total non-depreciable capital assets	547,038	23,820	-	-	570,858
Depreciable Assets:					
Buildings and improvements	41,898	-	-	-	41,898
Distribution systems	9,200,750	23,910	-	-	9,224,660
Machinery and Vehicles	503,230	-	(19,480)	-	483,750
Total depreciable capital assets	9,745,878	23,910	(19,480)	-	9,750,308
Less Accumulated Depreciation for:					
Buildings and improvements	(21,948)	(1,047)	-	-	(22,995)
Distribution Systems	(3,190,416)	(200,296)	-	-	(3,390,712)
Machinery and Vehicles	(435,260)	(21,485)	19,480	-	(437,265)
Total accumulated depreciation	(3,647,624)	(222,828)	19,480	-	(3,850,972)
Total depreciable capital assets, net	6,098,254	(198,918)	-	-	5,899,336
Business-type activities capital assets, net	$ 6,645,292	$ (175,098)	$ -	$ -	$ 6,470,194

Depreciation expense was charged to business-type functions as follows:

Business-type Activities:	
Water	$ 114,310
Solid Waste	108,518
Total depreciation expense: Business-type Activities	$ 222,828

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to June 30, 2019, and the remainder of the authorized project expenditures for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
Business-type Activities					
Barber Creek Sewer Improvements	$ 46,380	$ 45,105	$ -	$ 1,275	Water & Sewer Fund
Total Business-type Activities	$ 46,380	$ 45,105	$ -	$ 1,275	

NOTE 7 - LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Capital leases	$ 153,887	$ -	$ (67,619)	$ 86,268	$ 44,269	$ 41,999
Governmental activities long-term liabilities	$ 153,887	$ -	$ (67,619)	$ 86,268	$ 44,269	$ 41,999
Business-type Activities:						
Revenue bonds	$ 3,150,000	$ -	$ (205,000)	$ 2,945,000	$ 205,000	$ 2,740,000
Add: Original issue Premiums	139,189	-	(9,281)	129,908	9,281	120,627
Total Revenue Bonds	3,289,189	-	(214,281)	3,074,908	214,281	2,860,627
Notes payable	$ 240,073	$ -	$ (24,358)	$ 215,715	$ 24,731	$ 190,984
Business-type activities long-term liabilities	$ 3,529,262	$ -	$ (238,639)	$ 3,290,623	$ 239,012	$ 3,051,611

Capital leases and compensated absences are generally liquidated by the General Fund and notes payable are generally liquidated by the SPLOST fund. The capital leases and notes payable for business type activities are liquidated by the Water & Sewer enterprise fund.

CAPITAL LEASES

Vehicles were acquired under capital lease agreements which bear interest rates from 3.25% to 5.03%. The vehicles have an estimated useful life of five years.

This year, $60,607 was included in depreciation expense. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimal lease payments as of the inception date. Minimum future lease obligations for these leases, as of June 30, 2019, are as follows:

June 30,	Principal	Interest	Total
2020	$ 44,269	$ 2,749	$ 47,018
2021	41,999	895	42,894
Total	$ 86,268	$ 3,644	$ 89,912

As of June 30, 2019, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Vehicles & equipment	$ 286,664
Less accumulated depreciation	(181,821)
Net	$ 104,843

BUSINESS TYPE ACTIVITIES

As of June 30, 2019, the the long-term debt payable from proprietary fund resources consisted of the items described below.

REVENUE BONDS

The City issued revenue bonds to provide funds for the construction and expansion of the Water & Sewer System. The revenue bonds were issued in 2012 in the original amount of $4,265,000 with a variable interest rate range of 2.00% - 5.00%%.

Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2019, are as follows:

June 30,	Principal	Interest	Total
2020	$ 205,000	$ 113,300	$ 318,300
2021	215,000	109,200	324,200
2022	220,000	102,750	322,750
2023	220,000	96,150	316,150
2024	230,000	89,550	319,550
2025-2029	1,275,000	312,850	1,587,850
2030-2033	580,000	58,000	638,000
Total	$ 2,945,000	$ 881,800	$ 3,826,800

NOTES PAYABLE

In 2015, the City obtained a GEFA construction note payable in the original amount of $258,100. Upon completion of construction, the total draws on this construction note were $240,073. Debt payments are due in monthly installments of $2,320, with an interest rate of 1.52% and final maturity dated June 1, 2027. The note payable was used to finance the improvement and expansion of the City's water system. As of June 30, 2019, the outstanding balance was $215,715.

The annual debt service requirements to amortize this debt as of June 30, 2019, are as follows:

June 30,	Principal	Interest	Total
2020	$ 24,731	$ 3,107	$ 27,838
2021	12,507	1,412	13,919
2022	25,301	2,537	27,838
2023	25,688	2,150	27,838
2024	26,081	1,757	27,838
2025-2028	101,407	3,522	104,929
Total	$ 215,715	$ 14,485	$ 230,200

NOTE 8- INTERFUND BALANCES AND ACTIVITY

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

	Due From		
Due To	Water & Sewer Fund	Solid Waste Fund	Total
General	$ 142,911	$ 465,471	$ 608,382
Solid Waste Fund	537,861	-	537,861
Total	$ 680,772	$ 465,471	$ 1,146,243

These balances resulted from (1) the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, (2) the time lag between the dates that transactions are recorded in the accounting system, (3) the time lag between the dates that payments between funds are made, (4) short-term loans, and (5) to fund capital projects.

Interfund transfers as of the year ended June 30, 2019 are as follows:

	Transfers Out	
	SPLOST Fund	Total
Transfers In		
Water & Sewer Fund	$ 28,000	$ 28,000
Total	$ 28,000	$ 28,000

Transfers are used to supplement operating budgets and fund capital projects.

NOTE 9 - RETIREMENT PLANS

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Employees are eligible to participate in the plan after one year and having at least 1,000 hours of continuous service. The City will match employee contributions up to five percent (5%) of the employee's annual compensation not to exceed $7,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the City and are not reported in these financial statements. The City contribution for fiscal year 2019 was $19,650.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks in terms of losses related to torts, thefts 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 port of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

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 pools' 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 any any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the members governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation of defense.

The city retains the fist $2,500 of each risk of loss in the form of a deductible. The City files all claims with GIRMA and GIRMA bills the City for any risk of loss up to the $2,500 deductible.

There were no significant reductions in insurance coverage from the prior year, and there have been no settled claims and in the past three years have not exceeded coverage.

NOTE 11 - RELATED PARTY ORGANIZATIONS AND TRANSACTIONS

The City of Statham was not involved in any significant related party transactions during the current operating year.

NOTE 12 - LITIGATION

The City is a party to legal proceedings that normally occur in governmental operations. The results of any litigation, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the City to meet its financial obligations. Accordingly, no provision for loss has been recorded.

In May 2020 and November 2020, the Georgia Superior Court entered judgments in favor of two Plaintiffs, one a private citizen and one a former employee of the City, in the amounts of $75,000 and $36,680, respectively. After payments by the City's insurance carrier, the City paid the remainder owed to Plaintiffs of $25,000 in fiscal year 2020 and $18,000 in fiscal year 2021.

NOTE 13 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

NOTE 14 - NORTHEAST GEORGIA REGIONAL COMMISSION

The City, in conjunction with cities and counties in the twelve (12) county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (NEGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional commissions. Each county and municipality in the state is required by law to pay minimum annual dues to the regional commission. The City did not pay annual dues to the NEGRC for the year ended June 30, 2019; the City's membership dues were assessed and paid by Barrow County, Georgia. The NEGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines regional commissions as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of a regional commission beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the NEGRC may be obtained from: Northeast Georgia Regional Commission, 305 Research Drive, Athens, Georgia 30605.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

On July 1, 2018, the City restated its financial statements for the fiscal year ended June 30, 2018.

Governmental Funds		
General Fund		
To record cash bonds held by the Municipal Court as funds held in trust.	$	(39,338)
To record receipt of intergovernmental revenue related to the previous year.		19,437
Net decrease in General Fund Balance	$	(19,901)

CITY OF STATHAM, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2019
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE. Beginning of year	$ 484,121	$ 484,121	$ 484,121	$ -
RESOURCES (INFLOWS)				
Taxes	1,071,500	1,071,500	1,268,793	197,293
Licenses and permits	115,500	115,500	102,040	(13,460)
Intergovernmental	2,800	2,800	2,473	(327)
Fines and forfeitures	150,000	150,000	188,488	38,488
Charges for services	17,000	17,000	24,983	7,983
Investment income	300	300	29	(271)
Miscellaneous	-	-	12,097	12,097
Sale of county property	-	-	3,354	3,354
Total Resources (Inflows)	1,357,100	1,357,100	1,602,257	245,157
AMOUNTS AVAILABLE FOR APPROPRIATION	1,841,221	1,841,221	2,086,378	245,157
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Elections	2,500	2,500	-	2,500
City Hall	442,358	451,358	450,952	406
Accounting	54,400	10,400	10,000	400
Total General Government	499,258	464,258	460,952	3,306
Judicial				
Superior court	96,655	96,655	79,892	16,763
Total Judicial	96,655	96,655	79,892	16,763
Public Safety				
Police	434,623	422,123	411,712	10,411
Total Public Safety	434,623	422,123	411,712	10,411
Public Works				
Public works	232,627	277,627	277,505	122
Total Public Works	232,627	277,627	277,505	122
Public Health and Welfare				
Community center	3,500	3,500	3,222	278
Total Public Health and Welfare	3,500	3,500	3,222	278
Culture and Recreation				
Library	53,399	53,399	51,949	1,450
Other recreation and culture	14,250	14,250	6,310	7,940
Total Culture and Recreation	67,649	67,649	58,259	9,390
Housing and development				
Building inspection	70,500	73,000	72,579	421
Total Housing and Development	70,500	73,000	72,579	421
TOTAL CHARGES TO APPROPRIATIONS	1,404,812	1,404,812	1,364,121	40,834
CHANGE IN FUND BALANCE	(47,712)	(47,712)	238,136	285,848
FUND BALANCE, End of year	$ 436,409	$ 436,409	$ 722,257	$ 285,848

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

CITY OF STATHAM, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Year Ended June 30, 2019

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR
Barrow County - 2006 SPLOST				
Road Improvements	$ 600,000	$ 600,000	$ 400,310	$ 15,891
Subtotal - 2008 SPLOST	600,000	600,000	400,310	15,891
Barrow County - 2012 SPLOST				
Water & Sewer System Improvements	1,405,980	1,405,980	626,835	28,000
Subtotal - 2012 SPLOST	1,405,980	1,405,980	626,835	28,000
Totals	$ 2,005,980	$ 2,005,980	$ 1,027,145	43,891
			Total of all SPLOSTs above	**$ 43,891**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	$ 15,891
Transfers out	28,000
Total	**$ 43,891**

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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*

June 21, 2021

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Statham, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Statham's basic financial statements and have issued our report thereon dated June 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Statham'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 City of Statham's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Statham'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. We did identify certain deficiencies in internal control that we consider to be material weaknesses, described below:

2019-001 (Reissued) Statement of Condition:
Internal financial reports and support for fiscal year activity were not generated in a timely manner, resulting in the delayed release of the audit report and inaccurate interim reports relied upon by the City leadership.

Criteria:
Internal controls should be in place to ensure timeliness on reporting in order for financial statement users to make informed decisions regarding the use and allocation of resources.

Effect of Condition:
Financial statements are not available to users until more than twelve (12) months following fiscal year end.

Cause of Condition:
Significant turnover in City staff responsible for financial records.

Recommendation:
We recommend the City prioritize financial reporting in order to have interim and annual reports become available to users in a timely manner.

Response:
We understand this was an issue. For FY21, we have additional training and a supervisor over financial records making sure internal control policies are being followed.

2019-002 (Reissued) Statement of Condition:
During fieldwork, we noted month close procedures, including but not limited to bank reconciliations, were not completed or reviewed in a timely manner during the audited fiscal year.

Criteria:
To ensure an accurate cash balance in the accounting books, a bank reconciliation should be performed and reviewed monthly to determine all outstanding items are included and valid.

Effect of Condition:
The risk of misappropriation of cash increases when cash is not reconciled to bank statements.

Cause of Condition:
Bank accounts maintained outside the accounting system were entered manually in batches as adjusting journal entries.

Recommendation:
We recommend that the City implement a monthly reconciliation and a review process where any discrepancies are recognized and corrected timely. All transactions should be recorded when checks are written or deposits receipted and be included in the reconciling items identified on the bank reconciliation if they are outstanding at month end.

Response:
Due to changes in administration, the City fell behind schedule to provide financial reports and activity in a timely manner. With new City leadership, we feel confident that future audits will run more efficiently.

2019-003 (Reissued) Statement of Condition:
During testing, we noted some of the requested documentation for utility revenue testing could not be generated.

Criteria:
In order to ensure proper internal controls, all documentation should be maintained to ensure proper accounting.

Effect of Condition:
The risk of loss from misplacement or appropriations exists.

Cause of Condition:
The audit is several years behind causing old information to be unattainable.

Recommendation:
We recommend that the City maintains all records in an organized manner that is easily assessable.

Response:
Moving forward, the City has hired adequate staff to ensure month-end closing procedures are better monitor and followed.

2019-004 Statement of Condition:
During fieldwork, we noted some of the monthly utility billings were not recorded accurately to reflect the month in which they were applicable.

Criteria:
In order to ensure proper accounting records are maintained throughout the year, all billings must be recorded on a regular, monthly basis and payments should be entered as they are received.

Effect of Condition:
The risk of loss from misplacement or appropriations exists.

Cause of Condition:
Client does not record monthly billings during the applicable months.

Recommendation:
We recommend that the City implement a control to ensure that each utility billing cycle is properly recorded to the ledger on a regular and consistent basis.

Response:
For FY21, utility billings are now being properly recorded. The accountant reconciles bank accounts, and if there are any discrepancies, it is located and accounted for properly.

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 did identify certain deficiencies in internal control that we consider to be significant deficiencies, described below:

2019-005 (Reissued) Statement of Condition:
During testing, we noted that some purchases did not have check copies or supporting invoices.

Criteria:
To ensure proper internal controls and expenditures are paid correctly, goods or services should be documented as received before invoices are paid and then the appropriate support should be attached to the invoice and kept as proof of payment.

Effect of Condition:
The risk of loss from misplacement or misappropriation increases if proper support is not documented.

Cause of Condition:
Proper documentation was not maintained by the City.

Recommendation:
To ensure proper internal controls, once invoices are paid, the invoice, purchase order (if applicable), and copy of check should be kept as proper support that the invoice has been paid and paid properly. For instances of reimbursement, a copy of the original receipt and any reimbursement form submitted should also be kept as additional supporting documentation.

Response:
Staff did not adequately maintain supporting documentation on purchases and invoices. Internal control was not supported at that time. For FY21, staff has been keeping better track of purchases and invoices, and internal control policies have been followed.

2019-006 Statement of Condition:
During testing, we noted some of the employee files were not up to date with the most recent information reflecting the correct payrate of the employee.

Criteria:
In order to ensure proper internal controls, employee pay rates changes should be properly documented and entered into the payroll system when approved.

Effect of Condition:
The risk of personnel costs exceeding the City's approved amounts.

Cause of Condition:
Client does not maintain current employee files for all City employees.

Recommendation:
We recommend that all employee records are kept up to date and properly reflect the accurate wages earned by the employees.

Response:
For FY21, staff has been properly recording accurate wages.

2019-007 Statement of Condition:
Audit adjustments of $61,811 were necessary to properly reflect accounts payable and related expenditure/expense account balances at year end.

Criteria:
Internal controls should be in place to ensure proper accruals at year end. The financial statements should include accruals of accounts payable in order to properly reflect expenditures/expenses for the year.

Effect of Condition:
Accounts payable and expenditures are understated for the year.

Cause of Condition:
Internal controls were not in place to properly detect material misstatements in the City's expenditures/expenses and related liability accounts. The accounting software does not have the capability of easily accumulating this information. The City finance staff did not accumulate the information manually but left the accrual for the auditor to do.

Recommendation:
We recommend the City carefully review all expenditure/expense and related liabilities to ensure all necessary transactions are reported in the proper period.

Response:
We understand that during previous administrations certain areas of the City's finances were left inadequate. With a new and knowledgeable administration, we anticipate moving forward that the City's audits will be less stressful for everyone involved, and the City's finances will be better handled and accounted for. We strive to be in compliance, and to provide our citizens with true and accurate financial statements.

2019-008 Statement of Condition:
Audit adjustments of $193,381 were necessary to properly reflect accounts receivable and related revenue account balances at year end.

Criteria:
Internal controls should be in place to ensure proper accruals at year end. The financial statements should include accruals of accounts receivable in order to properly reflect revenues for the year.

Effect of Condition:
Accounts receivable and revenues are understated for the year.

Cause of Condition:
Internal controls were not in place to properly detect material misstatements in the City's revenue and related receivable accounts. The accounting software does not have the capability of easily accumulating this information. The City finance staff did not accumulate the information manually but left the accrual for the auditor to do.

Recommendation:
We recommend the City carefully review all revenue and related receivables to ensure all necessary transactions are reported in the proper period.

Response:
We understand that during previous administrations certain areas of the City's finances were left inadequate. With a new and knowledgeable administration, we anticipate moving forward that the City's audits will be less stressful for everyone involved, and the City's finances will be better handled and accounted for. We strive to be in compliance, and to provide our citizens with true and accurate financial statements.

2019-009 Statement of Condition:
Cash bonds received by the Municipal Court were not recorded as a liability for funds held in trust for others.

Criteria:
To insure proper internal controls, cash collected to be held until court should be deposited immediately into a separate bank account and recorded as a liability to the City.

Effect of Condition:
Liabilities are understated and revenues are overstated for the year.

Cause of Condition:
Internal controls were not in place to properly receipt and account for cash bonds held by the City.

Recommendation:
We recommend that for situations where cash is held for court, a separate bank account should be opened and the cash should be deposited in this account to ensure proper security of funds. A ledger should be maintained to track cash being held by case number in this account.

Response:
Staff will make the recommended changes to the cash bond procedures in the accounting system.

2019-010 Statement of Condition:
Finance department accrued group health insurance employee withholdings during fiscal year 2019, but did not make timely remittances to the Georgia Municipal Association.

Criteria:
Group health insurance is a period cost and should be remitted in a timely manner to the plan administrator.

Effect of Condition:
Accrued liabilities for group health insurance were $33,292.

Cause of Condition:
Internal controls were not in place to ensure the group insurance withholdings were remitted regularly with employer payments.

Recommendation:
We recommend that group health insurance costs be paid regularly and include all employee withholdings.

Response:
The City Accountant has been closely monitoring that all invoices and expenditures are being paid on-time.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Statham'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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Statham's Response to Findings

The City of Statham's responses to the findings identified in our audit are described above. The City of Statham's responses were 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.

Bates, Carter & Co., LLP