CITY OF YOUNG HARRIS, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of YOUNG HARRIS Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Young Harris, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Young Harris, Georgia'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 Young Harris, Georgia, as of December 31, 2020, 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 information on pages 3-8 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Young Harris, Georgia's basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2021, on our consideration of the City of Young Harris, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Young Harris, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Young Harris, Georgia's internal control over financial reporting and compliance.

RL Jennings & Associates, PC
Ellijay, Georgia
August 2, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT
CITY OF YOUNG HARRIS, GEORGIA
DECEMBER 31, 2020

Our discussion and analysis of City of Young Harris's financial performance provides an overview of the City's financial activities for the fiscal year ending December 31, 2020. Please review in conjunction with the City's financial statements.

REVIEWING THE ANNUAL REPORT:

The annual report covers multiple financial statements. The Statement of Net Position and the Statement of Activities supply data about the activities of the City as a whole and provide thorough information regarding the City's finances. For government activities, these statements show how services were financed and what remains for future spending. Fund financial statements show city operations in more detail than government-wide statements as they provide information about the City's most important funds.

FINANCIAL HIGHLIGHTS

Due to this year's operations, the City's Net Position is as follows: Net Position of Governmental Activities was **$2,884,213** compared to **$2,832,162** in 2019 and Net Position of Business-type Activities was **$2,165,277** to **$2,206,652** in 2019.

- The current year's governmental activities expenses totaled **$381,022** as compared to **$393,859** in 2019. The City generated **$433,075** in revenues for governmental activities compared to **$597,330** in the previous year.

- For business-type activities, revenues were **$827,500** compared to **$819,719** in 2019, an increase resulting from an increase in fee. Expenses were **$1,004,831** compared to **$1,106,870** in 2019, in which the increase was related to engineering fees for relocation of lines due to a state road project. Of these revenues, **$451,161** was generated by water department operations and **$376,339** was generated by sewer department operations.

- The yearly cost for all city functions/programs was **$1,385,853** compared to **$1,500,729** in 2019.

THE CITY AS A WHOLE ANALYSIS

Since the Statement of Net Position and the Statement of Activities provide facts about the City as a whole, the statements can help determine if a city has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the City's net position and any changes in that position. However, to truly judge the condition of the City, some non-financial factors must be considered. For example, a change in the tax base could greatly affect the statements.

The Statement of Net Position and the Statement of Activities divide the City into two types of activities:

1) **Governmental Activities**: The City's basic services are accounted for in this section: public works, parks, and general administration. Property taxes, franchise fees, business licenses, and local option sales taxes finance the majority of these activities.
2) **Business-type Activities:** Items included in this section are services for which the City charges a fee to help cover all or most of the cost of the service it provides. The water and sewer system are reported here.

DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements cover detailed information about the most important funds of the City. Certain funds are mandated by State law and by Bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

- **Governmental Funds:** Basic services are reported in governmental funds. This section details how money flows in and out of the funds and covers the balances left at year-end that are left on hand for disbursement. Governmental funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund statements supply a detailed short-range view of general government operations and basic services. Governmental fund data allows a city to determine the financial resources that can be spent in the long-term to finance the City's programs.

- **Proprietary Funds:** Proprietary funds are those funds the City charges for services it provides, both to City units and outside customers. Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow. Another component of proprietary funds is internal service funds. Internal service funds cover activities that provide supplies and services for City programs.

THE CITY AS A WHOLE ANALYSIS

The largest component of the City's net position is its investment in capital assets (i.e. land, infrastructure, buildings, equipment, and other). Outstanding debt exists on these assets in the form of capital leases and revenue bonds. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City has net position at year-end that is restricted for the purposes of debt service and construction of capital projects. The remaining portion of net position is unrestricted, which can be used to finance governmental operations.

The largest component of the City's assets in the business-type activities is water and sewer infrastructure. Long-term debt on the system is **$5,618,403** compared to **$5,747,062** in 2019.

The City's combined net position is **$5,049,490** compared to **$5,038,814** last year. However, net position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net position and Table 2 focuses on the changes in net position of the City's governmental and business-type activities.

The City's net position for Governmental Activities was **$2,884,213** this year compared to **$2,832,162** last year. Unrestricted net position was **$1,055,545** this year, compared to **$983,151** last year. Unrestricted net position is what can be used to finance every-day operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net position of the City's Business-type Activities was **$2,165,277** this year compared to **$2,206,652** last year. Unrestricted Net Position was **$573,231** compared to **$615,990** last year.

Total revenues for the current year were **$1,202,001** compared to **$1,422,790** last year. The total yearly cost of all programs and services were **$1,385,853** compared to **$1,500,729** last year.

Table 3 details the cost of the City's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the City's taxpayers by each of these programs.

TABLE 1: NET POSITION

	Governmental Activities		Business Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	$ 1,208,563	$ 1,183,256	$ 1,094,889	$ 978,089	$ 2,303,452	$ 2,161,345
Capital Assets	2,126,472	1,668,856	6,778,399	7,063,605	8,904,871	8,732,461
TOTAL ASSETS	**$ 3,335,035**	**$ 2,852,112**	**$ 7,873,288**	**$ 8,041,694**	**$ 11,208,323**	**$ 10,893,806**
Current Liabilities	$ 40,929	$ 12,207	$ 222,852	$ 217,466	$ 263,781	$ 229,673
Long-Term Liabilities	409,893	7,743	5,485,159	5,617,576	5,895,052	5,625,319
TOTAL LIABILITIES	**450,822**	**19,950**	**5,708,011**	**5,835,042**	**6,158,833**	**5,854,992**
Net investment in capital assets	1,696,870	1,657,895	1,159,996	1,316,543	2,856,866	2,974,438
Restricted	131,798	191,116	432,050	274,119	563,848	465,235
Unrestricted	1,055,545	983,151	573,231	615,990	1,628,776	1,599,141
TOTAL NET POSITION	**$ 2,884,213**	**$ 2,832,162**	**$ 2,165,277**	**$ 2,206,652**	**$ 5,049,490**	**$ 5,038,814**

TABLE 2 - CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	$ 4,374	$ 7,917	$ 827,500	$ 807,189	$ 831,874	$ 815,106
Operating grants	39,678	-	-	-	39,678	-
Capital Grants/Contributions	60,499	200,865	-	12,560	60,499	213,425
General Revenues						
Property Taxes	23,200	29,121	-	-	23,200	29,121
Other Taxes	225,956	302,372	-	-	225,956	302,372
Other General	79,368	57,054	114,506	5,712	193,874	62,766
Total Revenues	**433,075**	**597,329**	**942,006**	**825,461**	**1,375,081**	**1,422,790**
Program Expenses:						
General Government	279,570	251,552	-	-	279,570	251,552
Public Works	60,781	94,053	-	-	60,781	94,053
Culture and Recreation	21,630	17,532	-	-	21,630	17,532
Public Safety	1,051	7,829	-	-	1,051	7,829
Housing and Development	17,362	22,038	-	-	17,362	22,038
Interest on long-term debt	628	855	-	-	628	-
Water and Sewer	-	-	1,004,831	1,106,870	1,004,831	1,106,870
Total Expenses	**381,022**	**393,859**	**1,004,831**	**1,106,870**	**1,385,853**	**1,499,874**
Change in Net Position	52,053	203,470	(62,825)	(281,409)	(10,772)	54,231
NET POSITION, BEGINNING	2,832,162	2,628,692	2,355,082	2,636,491	5,187,244	5,265,183
NET POSITION, ENDING	**$ 2,884,215**	**$ 2,832,162**	**$ 2,292,257**	**$ 2,355,082**	**$ 5,176,472**	**$ 5,319,414**

Table 3

Governmental Activities

	Total Cost of Services		Net Cost (Revenue) of Services	
	2020	2019	2020	2019
General Government	$ 279,570	$ 251,552	$ (230,318)	$ 244,285
Public Works	60,781	94,053	(5,482)	(106,612)
Culture & Recreation	21,630	17,532	(21,630)	17,532
Public Safety	1,051	7,829	(1,051)	7,829
Housing & Development	17,362	22,038	(17,362)	21,188
Interest on long-term debt	628	855	(628)	855
TOTALS	$ 381,022	$ 393,859	$ (276,471)	$ 185,077

GOVERNMENTAL FUNDS

This year the governmental fund revenues were **$516,109** compared to **$476,903** last year. This year's governmental fund expenditures were **$850,663** compared to **$625,693** last year, resulting from increased capital outlay costs. Fund balance was **$1,** as compared to **$1,073,880** last year.

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities operating revenues (see Table 2) were **$827,500** compared to **$812,120** last year. This year's operating expenses were **$1,004,831** compared to **$970,594** last year.

BUDGETARY HIGHLIGHTS:

The City Council revisits the budget several times during the year. The current year's budgets were defined as follows:

TABLE 4

2020 BUDGET

	ORIGINAL	AMENDED	O/A VARIANCE*	2020 ACTUAL EXPENSES
General Fund	$ 300,084	$ -	$ (300,084)	$ 721,313
Water Fund	-	-	-	337,231
Sewer Fund	-	-	-	531,163
Total	$ 300,084	$ -	$ (300,084)	$ 1,589,707

***O/A refers to the variance between the Original Budget and the Amended**

As a whole, the City operated over budget by **$372,400** in expenditures due to the purchase of assets. The General Fund revenues were **$275,23** under actual expenditures, due to the before mentioned purchase. The Water Fund revenues were **$2,774** over actual expenses, results of increased fees and lower engineering expenses. The Sewer Fund revenues were **$(161,248)** under expenses due to increase in engineering cost related to line relocation due to state highway project and increase in operating cost.

CITY FUNDS

At year end, the City reported cash balances of **$1,891,374** compared to **$1,891,374** last year. Included in cash balances are accounts restricted for debt service in the amount of **$247,119.**

CAPITAL ASSETS

At the close of the year, the City had invested **$14,141,992** in Capital Assets such as land, buildings, and improvements, equipment and infrastructure. These figures are before depreciation. Last year Capital Assets before depreciation were **$13,880,514.** After accumulated depreciation of **$5,409,531** the end of year total was **$8,732,461** (See the note disclosure in Note 5 for more detailed information.)

DEBT MANAGEMENT

At the close of the year, the City had an outstanding capital lease in the amount of **$32,885** and revenue bonds in the amount of **$5,725,138** for water and sewer system improvements for a total of **$5,758,023** in outstanding debt (See Table 5 and the note disclosure in Note 6 for more detailed information.)

Table 5

Outstanding Debt at Year-End

	Beginning of Year	Additions	Reductions	End of Year	Amount Due in One Year
Notes	$ 5,725,138	$ -	$ (118,163)	$ $5,606,975	$ 119,844
Capital lease	21,924	43,798	(20,926)	44,796	9,654
Total	$ 5,758,023	$ 43,798	$ (139,089)	$ 5,651,771	$ 129,498

The above includes a Water/Sewer Improvements Revenue Bond with The Rural Economic and Community Development Agency that was issued in 1995 for improvements to the Water System and to add Young Harris College to the Water System. The bonds issued in 2009 were for the water line improvements, including a new water tank. The bonds issued in 2016 were for the sewer line expansion.

ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

City officials considered many issues when establishing the upcoming year's budget, tax rates, and fees. The City included Water Tank access, Water Line extensions, replacing some older equipment, more storage, and Sewer Plant renovations.

CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, and creditors a summary of city finances and to show allocation of the money it receives. If you have any questions regarding this report, or if you need additional financial information, please contact:

City Clerk/Financial Officer
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Young Harris, GA. 30582

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cityofyh@windstream.net

Basic Financial Statements

CITY OF YOUNG HARRIS, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 570,347	$ 536,590	$ 1,106,937
Restricted cash	495,118	494,170	989,288
Certificate of deposit	3,378	-	3,378
Restricted certificate of deposit	-	-	-
Property taxes receivable	18,771	-	18,771
Other taxes receivable	1,457	-	1,457
Accounts receivable, net	-	84,161	84,161
Due from other governments	75,535	-	75,535
Internal balances	37,235	(37,235)	-
Prepaid items	6,722	17,203	23,925
Capital assets:			
Land and land rights	387,612	-	387,612
Other capital assets, net of depreciation	1,738,860	6,778,399	8,517,259
Total assets	3,335,035	7,873,288	11,208,323
LIABILITIES			
Accounts payable and accrued liabilities	6,420	24,391	30,811
Unearned revenue	14,800	3,097	17,897
Customer deposits	-	62,120	62,120
Long-term liabilities:			
Due within one year	19,709	133,244	152,953
Due in more than one year	409,893	5,485,159	5,895,052
Total liabilities	450,822	5,708,011	6,158,833
NET POSITION			
Net investment in capital assets	1,696,870	1,159,996	2,856,866
Restricted for:			
Debt service	-	432,050	432,050
Capital projects	131,798	-	131,798
Unrestricted	1,055,545	573,231	1,628,776
Total net position	$ 2,884,213	$ 2,165,277	$ 5,049,490

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 279,570	$ 4,374	$ 39,678	$ 5,200	$ (230,318)	$ -	$ (230,318)
Public safety	1,051	-	-	-	(1,051)	-	(1,051)
Public works	60,781	-	-	55,299	(5,482)	-	(5,482)
Culture and recreation	21,630	-	-	-	(21,630)	-	(21,630)
Housing and development	17,362	-	-	-	(17,362)	-	(17,362)
Interest on long-term debt	628	-	-	-	(628)	-	(628)
Total governmental activities	381,022	4,374	39,678	60,499	(276,471)	-	(276,471)
Business-type activities:							
Water	389,488	451,161	-	-	-	61,673	61,673
Sewer	615,343	376,339	-	-	-	(239,004)	(239,004)
Total business-type activities	1,004,831	827,500	-	-	-	(177,331)	(177,331)
Total	$ 1,385,853	$ 831,874	$ 39,678	$ 60,499	(276,471)	(177,331)	(453,802)
General revenues:							
Property taxes					23,200	-	23,200
Sales taxes					220,393	-	220,393
Franchise and miscellaneous taxes					5,563	-	5,563
Business taxes					73,907	-	73,907
Unrestricted investment earnings					4,286	2,431	6,717
Miscellaneous					1,175	112,075	113,250
Total general revenues and gain on sale of capital asset					328,524	114,506	443,030
Change in net position					52,053	(62,825)	(10,772)
Net position, beginning of year , as restated					2,832,160	2,228,102	5,060,262
Net position, end of year					$ 2,884,213	$ 2,165,277	$ 5,049,490

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

CITY OF YOUNG HARRIS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	SPLOST Fund	Total
ASSETS			
Cash	$ 988,834	$ 76,631	$ 1,065,465
Certificate of deposit	3,378	-	3,378
Property taxes receivable	18,771	-	18,771
Other taxes receivable	1,457	-	1,457
Due from other governments	20,368	55,167	75,535
Due from other funds	37,235	-	37,235
Prepaid items	6,722	-	6,722
Total assets	$ 1,076,765	$ 131,798	$ 1,208,563
LIABILITIES			
Accounts payable and accrued liabilities	$ 6,420	$ -	$ 6,420
Due to other funds	-	-	-
Unearned revenue	13,575	-	13,575
Total liabilities	19,995	-	19,995
DEFERRED INFLOWS OF RESOURCES			
Deferred business licenses	1,225	-	1,225
Deferred property taxes	18,019	-	18,019
Total deferred inflows of resources	19,244	-	19,244
FUND BALANCES			
Nonspendable	6,722	-	6,722
Restricted	-	131,798	131,798
Assigned	418,487	-	418,487
Unassigned	612,317	-	612,317
Total fund balances	1,037,526	131,798	1,169,324
Total liabilities, deferred inflows of resources and fund balances	$ 1,076,765	$ $ 131,798	$ 1,208,563

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

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

Total fund balances - governmental funds			$ 1,169,324
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds financial statements, but are reported in the governmental activities column of the Statement of Net Position.			
	Cost of capital assets	$ 3,102,638	
	Accumulated depreciation	(976,166)	2,126,472
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. These liabilities include the following:			
	Capital lease payable	(3,218)	
	General obligation debt	(429,904)	(433,122)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activites when earned.			
	Deferred property taxes	18,019	18,019
Total net position - governmental activities			$ 2,880,693

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

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

	General	SPLOST Fund	Total
Revenues			
Property taxes	$ 33,944	$ -	$ 33,944
Sales taxes	220,877	-	220,877
Franchise taxes	5,079	-	5,079
Business taxes	71,317	-	71,317
Licenses and permits	7,784	-	7,784
Intergovernmental	111,302	55,833	167,135
Charges for services	14	-	14
Interest	4,286	132	4,418
Other revenues	5,541	-	5,541
Total revenues	460,144	55,965	516,109
Expenditures			
Current:			
General government	185,078	-	185,078
Public safety	-	-	-
Public works	33,717	-	33,717
Culture and recreation	37,039	-	37,039
Housing and development	17,362	-	17,362
Capital outlay:			
General government	443,295	-	443,295
Public works	-	115,283	115,283
Culture and recreation	674	-	674
Debt service:			
Principal	11,458	-	11,458
Interest	6,757	-	6,757
Total expenditures	735,380	115,283	850,663
Excess (deficiency) of revenues over expenditures	(275,236)	(59,318)	(334,554)
Other financing sources (uses)			
Sale of capital assets	-	-	-
Proceeds from capital lease	430,000	-	430,000
Total other financing sources (uses)	430,000	-	430,000
Net change in fund balances	154,764	(59,318)	95,446
Fund balances, beginning of year	882,762	191,116	1,073,878
Fund balances, end of year	$ 1,037,526	$ 131,798	$ 1,169,324

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

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

Net change in fund balances - total governmental funds			$ 95,446
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This is the amount by which reported revenues in the Statement of Activities exceeded revenues considered available by the governmental funds.			
	Deferred property taxes	$ (10,843)	
	Unavailable grant revenues	(71,624)	(82,467)
Governmental funds report capital outlays to purchase or construct capital assets as expenditures. However, in the Statement of Activities, the cost of capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			
	Capital outlays	556,316	
	Depreciation expense	(98,700)	457,616
The issuance of long-term debt provides current financial resources to governmental funds. Similarly, the repayment of debt principal consumes current financial resources. However, the issuance and repayment of debt is not reported in the Statement of Activities and has no affect on changes in net position of governmental activities.			
	Debt issued	(430,000)	
	Principal payments	11,458	(418,542)
Change in net position - governmental activities			$ 52,053

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

CITY OF YOUNG HARRIS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Over (Under)
Revenues				
Property taxes	$ 71,399	$ 71,399	$ 33,944	$ (37,455)
Sales taxes	185,000	185,000	220,877	35,877
Franchise taxes	8,630	8,630	5,079	(3,551)
Business taxes	3,930	3,930	71,317	67,387
Licenses and permits	66,950	66,950	7,784	(59,166)
Intergovernmental	22,421	22,421	111,302	88,881
Charges for services	-	-	14	14
Interest	-	-	4,286	4,286
Other revenues	4,650	4,650	5,541	891
Total revenues	362,980	362,980	460,144	97,164
Expenditures				
General Government:				
Executive	13,900	13,900	9,744	(4,156)
Legislative	15,000	15,000	13,143	(1,857)
General administration	233,667	233,667	605,486	371,819
Public Safety:				
Speed signs	-	-	-	-
Public Works:				
Highways and streets	70,442	70,442	33,717	(36,725)
Culture and Recreation:				
Parks	6,625	6,625	37,713	31,088
Housing and Development:				
Engineering services	1,500	1,500	-	(1,500)
Economic development	21,846	21,846	17,362	(4,484)
Debt Service.				
Principal	-	-	11,458	11,458
Interest	-	-	6,757	6,757
Total expenditures	362,980	362,980	735,380	372,400
Excess (deficiency) of revenues over expenditures	-	-	(275,236)	(275,236)
Other financing sources (uses)				
Sale of capital asset	-	-	-	-
Proceeds from capital debt	-	-	430,000	430,000
Fund Balance	-	-	-	-
Total other financing sources (uses)	-	-	430,000	430,000
Net change in fund balance	-	-	154,764	154,764
Fund balance, beginning of year	882,762	882,762	882,762	-
Fund balance, end of year	$ 882,762	$ 882,762	$ 1,037,526	$ 154,764

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

CITY OF YOUNG HARRIS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 20

	Enterprise Funds		
ASSETS	**Water Fund**	**Sewer Fund**	**Total**
Current assets:			
Cash	$ 16,885	$ 519,705	$ 536,590
Restricted cash	221,454	272,716	494,170
Restricted certificate of deposit	-	-	-
Accounts receivable - net	50,664	33,497	84,161
Due from other funds	-	25,303	25,303
Due from other governments	-	-	-
Prepaid items	13,687	3,516	17,203
Total current assets	302,690	854,737	1,157,427
Noncurrent assets:			
Capital assets:			
Other capital assets, net of depreciation	1,365,433	5,412,966	6,778,399
Total noncurrent assets	1,365,433	5,412,966	6,778,399
Total assets	1,668,123	6,267,703	7,935,826
LIABILITIES			
Current liabilities:			
Accounts payable	5,838	9,610	15,448
Accrued liabilities	2,286	6,657	8,943
Due to other funds	62,538	-	62,538
Unearned revenue	3,060	37	3,097
Customer deposits	54,045	8,075	62,120
Capital lease payable - current portion	3,440	3,440	6,880
Revenue bonds payable - current portion	37,391	88,973	126,364
Total current liabilities	168,598	116,792	285,390
Long-term liabilities:			
Capital lease payable - less current portion	4,001	4,001	8,002
Revenue bonds payable - less current portion	1,136,945	4,340,212	5,477,157
Total long-term liabilities	1,140,946	4,344,213	5,485,159
	1,309,544	4,461,005	5,770,549
NET POSITION			
Net investment in capital assets	183,656	976,340	1,159,996
Restricted for debt service	167,409	264,641	432,050
Unrestricted	7,514	565,717	573,231
Total net position	$ 358,579	$ 1,806,698	$ 2,165,277

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

CITY OF YOUNG HARRIS, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenues:			
Water	$ 437,652	$ -	$ 437,652
Sewer	-	373,851	373,851
Leachate	-	111,269	111,269
Connection fees	6,175	-	6,175
Service charges	7,334	2,490	9,824
Miscellaneous income	810	-	810
Total operating revenues	451,971	487,610	939,581
Operating expenses:			
Personal services	112,733	107,585	220,318
Contractual services	48,158	95,375	143,533
Supplies	24,407	34,774	59,181
Repairs and maintenance	17,560	32,565	50,125
Utilities	27,927	29,331	57,258
Other operating expenses	25,386	12,892	38,278
Depreciation and amortization	81,060	218,641	299,701
Total operating expenses	337,231	531,163	868,394
Operating income (loss)	114,740	(43,553)	71,187
Nonoperating revenues (expenses):			
USDA grant revenue	-	-	-
Interest income	106	2,325	2,431
Interest expense	(52,257)	(84,186)	(136,443)
Total nonoperating revenues (expenses)	(52,151)	(81,861)	(134,012)
Change in net position	62,589	(125,414)	(62,825)
Net position, beginning of year (as restated)	295,990	1,932,112	2,228,102
Net position, end of year	$ 358,579	$ 1,806,698	$ 2,165,277

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

CITY OF YOUNG HARRIS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers	$ 452,210	$ 481,983	$ 934,193
Payments to suppliers and service providers	(153,451)	(202,238)	(355,689)
Payments to employees	(113,540)	(107,928)	(221,468)
Net cash provided by (used in) operating activities	185,219	171,817	357,036
Cash Flows From Capital and Related Financing Activities			
Purchase and construction of capital assets	(10,706)	(3,789)	(14,495)
Proceeds from grants	-	12,560	12,560
Principal paid on debt	(39,021)	(89,638)	(128,659)
Interest and other charges	(52,257)	(84,186)	(136,443)
Net cash provided by (used in) capital financing activities	(101,984)	(165,053)	(267,037)
Cash Flows From Noncapital Financing Activities			
Interfund loans received or (paid)	(87,412)	71,119	(16,293)
Net cash provided by (used in) noncapital financing activities	(87,412)	71,119	(16,293)
Cash Flows From Investing Activities			
Interest revenue	106	2,325	2,431
Net cash provided by investing activities	106	2,325	2,431
Net increase (decrease) in cash	(4,071)	80,208	76,137
Cash, beginning of year	232,070	639,635	871,705
Cash, end of year	$ 227,999	$ 719,843	$ 947,842
Reconciliation of Cash to Statement of Net Position:			
Cash	$ 16,885	$ 519,705	$ 536,590
Restricted cash	221,454	272,716	494,170
Restricted certificate of deposit	-	-	-
	$ 238,339	$ 792,421	$ 1,030,760
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
	$ 114,740	$ (43,553)	$ 71,187
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	81,060	218,641	299,701
Provision for uncollectible accounts	-	-	-
Change in assets and liabilities:			
Accounts receivable	1,596	(1,552)	44
Prepaid items	(11,299)	(1,128)	(12,427)
Accounts payable and accrued liabilities	479	3,484	3,963
Customer deposits	(1,357)	(4,075)	(5,432)
Net cash provided by (used in) operating activities	$ 185,219	$ 171,817	$ 357,036
Noncash Capital and Related Financing Activity:			
	$ -	$ -	$ -

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The City was incorporated on December 5, 1895, and took its name from Young Harris College which had its start in 1886 as a school for students living in the area of Towns County known as Brasstown Valley. The City operates under a city council/mayor form of government. Policy making and legislative authority are vested in the mayor and a six-member City Council elected at large. The City Clerk is responsible for the daily operations of the City. The City provides basic services which include general government, public works, culture and recreation, and housing and development. Water and sewer services are also provided to City and County residents within the City's service area. Public safety and judicial services are provided to the City by Towns County.

In defining the reporting entity for financial reporting purposes and as required by accounting principles generally accepted in the United States of America, management has considered all potential component units. The criterion used for including an organization within the City's reporting entity as a component unit is financial accountability. Financial accountability is defined as appointment of a voting majority of the organization's board and either the ability to impose will by the primary government or the possibility that the organization will provide a financial benefit or impose a financial burden on the primary government. As a result of applying these criteria, the City has no component units.

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 activities of the City. For the most part, the effect of inter-fund activity has been removed from the government-wide 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.

The Statement of Activities reports 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 those 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*. The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City's funds are grouped into two broad fund categories and three generic fund types for financial statement presentation purposes. Governmental funds include the general fund and a capital projects fund. Proprietary funds include enterprise funds. At present, the City operates a Special Purpose Local Option Sales Tax ("SPLOST") fund, its only capital projects fund. A water fund and a sewer fund are its only two enterprise funds.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for the City's governmental funds and proprietary funds.

The fund financial statements report detailed information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than on fund types. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major funds:

- Governmental funds – The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The SPLOST Funds are used to account for revenues provided by 2011 and 2020 referendums authorizing a one percent Special Purpose Local Option Sales Tax for Towns County, to be shared with the City. SPLOST proceeds received by the City are to be used for parks and recreation improvements; road, street and bridge purposes; and water and sewer improvements.

- Enterprise funds – The Water Fund and Sewer Fund are used to account for revenues from user charges and the costs of providing water and sewer services to residents and others within the City's service area.

Additionally, the City has available a Grant Fund which has previously been reported as a nonmajor capital projects fund. The purpose of this fund is to account for financial resources used to acquire, construct, and maintain capital projects for use by the City. At December 31, 2020, the Grant Fund had no assets or liabilities and no activity during the year then ended.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government-wide net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, 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. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses and investment income 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering such services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the City's water and sewer enterprise funds are charges for water, sewer and sanitation services provided to residents and others within the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

City's service area. Operating expenses of the enterprise funds include the costs of providing these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Investments

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions.

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the City to invest in (1) U.S. Government obligations; (2) U.S. Government agency obligations; (3) obligations of the State of Georgia; (4) obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investor's Service, Inc.; (5) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; (6) repurchase agreements when collateralized by U.S. Government or agency obligations; and (7) pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Investments are reported at fair value as determined by quoted market prices. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

E. Prepaid Items

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as non-spendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

F. Capital Assets

Capital assets, which include land and improvements, infrastructure (e.g., roads, bridges, sidewalks, and similar items), buildings and improvements, vehicles and equipment, and water and sewer systems, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reported infrastructure assets include such assets acquired subsequent to January 1, 2004. Capital assets are defined by the City as assets with an initial, individual cost of $1,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value as of the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are expensed as incurred.

Land and construction in progress are not depreciated. Other capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Years
Land improvements	15 to 30
Infrastructure	20
Buildings	20 to 50
Building improvements	10 to 20
Vehicles and equipment	5 to 20
Water and sewer systems	40

G. Intangible Assets

Intangible assets, consisting of system maps, studies, and master plans in the Sewer Fund, have been fully amortized over an estimated useful life of 5 years.

H. Compensated Absences

The City offers full-time employees compensated time off for vacation and sickness. Vacation leave is determined by the years of service and sick leave is accrued at one day per month, or twelve days per year, up to a maximum of 20 days. Vacation leave is forfeited if not taken by December 31st of each calendar year; therefore, it is expensed as incurred. Accrued and unpaid sick leave at year end is not recorded as a liability as it is contingent upon employees' future illness and is not paid upon separation of service.

I. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column of the Statement of Net Position.

In the fund financial statements, governmental fund types report the issuance of debt as other financing sources and the repayment of debt as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Interfund Transactions and Balances

Quasi-external transactions are accounted for as revenues and expenditures and are not eliminated. The City had no quasi-external transactions during the year.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

Receipts and/or payments to or from other governmental units, not included in the reporting entity of the City, are not reported as transfers, but rather according to the purpose for which the receipt or payment is made.

K. 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 City has no items which qualify 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.

Items which qualify to be reported as deferred inflows of resources include property taxes levied in 2020 for the 2021 budget and certain unavailable revenues under the *current financial resources measurement focus*. Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2020 or the period in which the amounts become available.

L. Fund Balance

Fund balances of governmental funds are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Descriptions and the City's policies with respect to these classifications are as follows:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as nonspendable as these items are not resources in spendable form.

Restricted – includes amounts that are restricted to specific purposes by external sources (creditors, grantors, contributors or laws or regulations of other governments) or by law through constitutional provision or enabling legislation. The City's capital projects funds are legally restricted to expenditures for specific purposes.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through adoption of a subsequent resolution.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The City Council has retained, for itself, the authority to assign or earmark funds for specific use. However, unlike commitments, assignments do not require formal action and generally only exist temporarily. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund. As a result of intent expressed by the City Council, certain funds have been earmarked for capital replacement purposes; therefore, a portion of fund balance in the General Fund is reported as assigned.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The City's policy would be to use restricted fund balances first when expenditures are made for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the City's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

M. Net Position

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

The City's policy would be to use restricted net position first when expenditures are made for purposes for which both restricted and unrestricted net position is available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The City's annual budgets are prepared on anticipated revenues and appropriated expenditures. Revenue anticipation, generally conservative, is designed to help ensure fiscal responsibility and maintain a balanced budget. The operating budget includes proposed expenditures and the means of financing them are based on prior year results and estimated current needs.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Annual budgets are adopted for the General Fund. Capital project funds have project length budgets. Budget amounts are as originally adopted, or as amended by City Council.

Budget revisions at the department level are subject to final review and approval by the City Council. Budget amendments for supplemental appropriations during the year were not made. All annual appropriations lapse at year end.

Although not required by state law, an operating budget is also adopted for the City's two enterprise funds (i.e. the Water Fund and the Sewer Fund) for administrative control purposes.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed by the City.

B. Excess of Expenditures over Appropriations

As shown in the accompanying budgetary comparison statement for the General Fund, departmental expenditures did exceed appropriated budget amounts during the year as follows:

General Fund Department	Excess
General Government	
General adminsistration	371,819
Debt Service	
Principal	11,458
Interest	6,757

The City purchased a former bank branch for future use. Debt service will be budgeted in the future.

NOTE 3. CASH DEPOSITS AND INVESTMENTS

Cash on the accompanying financial statements includes cash on hand, demand deposits and savings accounts with financial institutions. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At December 31, 2020, the City had no cash deposits that were exposed to custodial credit risk.

Investments at December 31, 2020, consist of certificates of deposit with FDIC insured financial institutions. The General Fund certificate bears interest at 0.35%. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

NOTE 4. RECEIVABLES

Receivables at December 31, 2020, for the City's individual funds in the aggregate are as follows:

Receivables:	General Fund	SPLOST Fund	Water Fund	Sewer Fund	Total
Property taxes	$ 18,771	$ -	$ -	$ -	$ 18,771
Other taxes	1,457	-	-	-	1,457
Due from other governments	20,368	55,167	-	-	75,535
Accounts receivable	-	-	50,664	37,847	88,511
Gross receivables	40,596	55,167	50,664	37,847	184,274
Less allowance for uncollectibles	-	-	-	(4,350)	(4,350)
Net receivables	$ 40,596	$ 55,167	$ 50,664	$ 33,497	$ 179,924

The City bills and collects its own property taxes. Property taxes were levied by the City on November 1, 2020, and are due on or before February 28, 2021, after which the account is assessed penalties and interest, or the property is

NOTE 4. RECEIVABLES (CONCLUDED)

subject to a lien, as applicable. The assessment date for penalties and interest is May 28, 2021. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to December 31, 2020. The property taxes levied in November 2020 were intended for use in the 2021 budget year. Therefore, the entire 2020 digest levy of $25,823 is included in deferred property taxes on the accompanying governmental funds' balance sheet. Prior year levies were recorded using substantially the same principles, and remaining receivables are re-evaluated annually for collectability.

The City has not established a lien date for unpaid property taxes.

NOTE 5. CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 160,629	$ 210,000	$ -	$ -	$ 370,629
Construction in progress	-	16,983	-	-	16,983
Total capital assets, not being depreciated	160,629	226,983	-	-	387,612
Capital assets, being depreciated:					
Land improvements	330,579	-	-	-	330,579
Infrastructure	1,145,484	-	-	-	1,145,484
Buildings and improvements	675,399	317,901	-	-	993,300
Machinery and equipment	160,850	11,432	-	-	172,282
Vehicles	73,381	-	-	-	73,381
Total capital assets, being depreciated	2,385,693	329,333	-	-	2,715,026
Less accumulated depreciation for:					
Land improvements	254,666	7,388	-	-	262,054
Infrastructure	153,874	57,274	-	-	211,148
Buildings and improvements	265,428	25,415		-	290,843
Machinery and equipment	141,796	5,704	-	-	147,500
Vehicles	61,702	2,919	-	-	64,621
Total accumulated depreciation	877,466	98,700	-	-	976,166
Total capital assets, being depreciated, net	1,508,227	230,633	-	-	1,738,860
Governmental activities capital assets, net	$ 1,668,856	$ 457,616	$ -	$ -	$ 2,126,472

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type activities:	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Construction in progress	$ -	$ -	$	$ -	$ -
Total capital assets, not being depreciated	-	-	-	-	-
Capital assets, being depreciated:					
Water infrastructure	2,764,989	-	-	-	2,764,989
Sewer infrastructure	8,230,718	-	-	-	8,230,718
Buildings	8,972	-	-	-	8,972
Machinery and equipment	550,492	-	-	-	550,492
Vehicle	40,499	-	-	-	40,499
Total capital assets, being depreciated	11,595,670	-	-	-	11,595,670
Less accumulated depreciation for:					
Water infrastructure	1,370,825	72,372	-	-	1,443,197
Sewer infrastructure	2,646,827	208,330	-	-	2,855,157
Buildings	5,373	319	-	-	5,692
Machinery and equipment	491,900	19,536	-	-	511,436
Vehicle	17,140	-	-	-	17,140
Total accumulated depreciation	4,532,065	300,557	-	-	4,832,622
Total capital assets being depreciated, net	7,063,605	(300,557)	-	-	6,763,048
Business-type activities capital assets, net	$ 7,063,605	$ (300,557)	$ -	$ -	$ 6,763,048
Intangible assets:					
Mapping, studies, and plans	$ 46,225	$ -	$ -	$ -	$ 46,225
Accumulated amortization	46,225	-	-	-	46,225
Net intangible assets	$ -	$ -	$ -	$ -	$ -

NOTE 5. CAPITAL ASSETS (CONCLUDED)

Depreciation and amortization expense for the year ended December 31, 2020, was charged to functions/programs of the primary government as follows:

Governmental Activities:	Depreciation Expense	Amortization Expense
General government	$ 26,156	
Public safety	1,051	
Public works	60,781	
Culture and recreation	10,712	
Total expense - Governmental activities	$ 98,700	
Business-type Activities:		
Water	$ 81,761	$ -
Sewer	218,796	-
Total expense - Business-type activities	$ 300,557	$ -

NOTE 6. LONG-TERM DEBT

A. General Obligation debt

Governmental Activities

General Fund - Promissary Note was issued in the amount of $430,000 at 281, with monthly principal and interest payments of $2,345 until maturity in 2040, for the purchase of a building.	$ 430,000
Less current portion	(7,938)
	$ 422,062

Governmental Activities					
Building and land	$ -	$ 430,000	$ (7,938)	$ 422,062	$ 16,491
Capital Lease - Ford truck	10,961	-	(3,218)	7,743	3,742
	$ 10,961	$ 430,000	$ (11,156)	$ 429,805	$ 20,233

NOTE 6. LONG-TERM DEBT (CONTINUED)

Future payments of principal and interest on the outstanding revenue bonds are due as follows:

	Governmental Activities Revenue Bonds		
Year	Principal	Interest	Total
2021	$ 16,451	$ 11,684	$ 28,135
2022	16,919	11,215	28,134
2023	17,400	10,733	28,133
2024	17,867	10,268	28,135
2025	18,405	9,730	28,135
2026-2030	100,160	40,511	140,671
2031-2035	115,257	25,415	140,672
2036-2040	119,603	8,098	127,701
Total	$ 422,062	$ 127,654	$ 549,716

B. Revenue Bonds

Business-type Activities

Revenue Bonds outstanding at December 31, 2020, consist of the following:

Water Fund - Series 1994 Revenue Bonds were issued in the amount of $596,200 at 5.625%, with monthly principal and interest payments of $3,148 until maturity in 2035, for the construction of water line extensions.	$ 369,535
Less current portion	(17,449)
	$ 352,086
Water Fund - Series 2009 Revenue Bonds were issued in the amount of $1,025,100 at 3.75%, with monthly principal and interest payments of $4,132 until maturity in 2050, for the construction of water line improvements.	$ 804,800
Less current portion	(19,942)
	$ 784,858
Sewer Fund - Series 2016 Revenue Bonds were issued in the amount of $4,771,000 at 1.875%, with monthly principal and interest payments of $14,170 until maturity in 2056, for the construction of sewer improvements.	$ 4,429,184
Less current portion	(88,973)
	$ 4,340,211

NOTE 6. LONG-TERM DEBT (CONTINUED)

C. Capital Lease

During 2019, the City entered into a Ford Motor Credit Lease Purchase Agreement in the original amount of $43,798 payable in 48 monthly installments of $1.037, including interest at 6.7%, through December 2022. The acquired Ford truck and lease obligation are shared equally as follows:

	Governmental Activities	Business-type Activities		Total Lease Obligation
		Water Fund	Sewer Fund	
Lease obligation outstanding at December 31, 2020	$ 10,961	$ 10,962	$ 10,962	$ 32,885
Less current portion	(3,218)	(3,218)	(3,218)	(9,654)
	$ 7,743	$ 7,744	$ 7,744	$ 23,231

Likewise, the cost and related accumulated depreciation of the above truck in the amount of $43,798 and $8,760, respectively, have been recorded equally by the General Fund, Water Fund and the Sewer Fund. Accordingly, capital assets of governmental and business-type activities at December 31, 2020, recorded under the above lease include net book value of $11,679 and $23,359, respectively. Current year depreciation expense recorded in governmental and business-type activities on such truck amounted to $2,920 and $5,840, respectively.

D. Business-type Activities

The following is a summary of long-term debt activity for the year ended December 31, 2020:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$ 5,725,138	$ -	$ (121,619)	$ 5,603,519	$ 126,364
Capital Lease - Ford truck	21,924	-	(6,436)	15,488	7,484
Total	$ 5,747,062	$ 0	$ (128,055)	$ 5,619,007	$ 133,848
Governmental Activities					
Building and land	$ -	$ 430,000	$ (7,938)	$ 422,062	$ 16,491
Capital Lease - Ford truck	10,961	-	(3,218)	7,743	3,742
	$ 10,961	$ 430,000	$ (11,156)	$ 429,805	$ 20,233

NOTE 6. LONG-TERM DEBT (CONCLUDED)

Future payments of principal and interest on the outstanding revenue bonds are due as follows:

	Business-Type Activities Revenue Bonds		
Year	Principal	Interest	Total
2021	$ 126,364	$ 131,036	$ 257,400
2022	129,791	127,609	257,400
2023	133,337	124,063	257,400
2024	137,005	120,395	257,400
2025	140,802	116,598	257,400
2026-2030	765,870	521,131	1,287,001
2031-2035	853,951	403,979	1,257,930
2036-2040	797,966	300,154	1,098,120
2041-2045	890,274	210,114	1,100,388
2045-2050	732,922	117,288	850,210
2050-2055	803,867	46,333	850,200
2056	91,370	160	91,530
Total	$ 5,603,519	$ 2,218,860	$ 7,822,379

Future minimum payments under the capital lease at December 31, 2020, are due as follows:

		Business-type Activities		
Year	Governmental Activities	Water Fund	Sewer Fund	Total Lease Obligation
2020	$ 3,802	$ 3,802	$ 3,802	$ 11,406
2021	4,148	4,148	4,148	12,444
2022	4,147	4,147	4,147	12,441
Less imputed interest	(1,136)	(1,135)	(1,135)	(3,406)
Net present value	$ 10,961	$ 10,962	$ 10,962	$ 32,885

NOTE 7. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of December 31, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	$ 61,079
General Fund	SPLOST Fund	175
Sewer Fund	General Fund	7,549
Sewer Fund	Water Fund	88,871
		$ 157,674

The outstanding balances between funds primarily result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8. FUND BALANCE

Fund balances of governmental funds at December 31, 2020, as presented in the accompanying balance sheet - governmental funds, are classified as follows:

Nonspendable - The General Fund has fund balances that are nonspendable because they are allocated to prepaid items in the amount of $6,722.

Assigned – The General Fund has fund balances in the amount of $418,487 that are constrained by the City Council's intent to use these funds for capital replacement purposes.

Unassigned – The General Fund's residual fund balance of $612,317, which does not fall into one of the other fund categories, is classified as unassigned fund balance.

Restricted - The SPLOST Fund has fund balances in the amount of $131,798 that are restricted for legally authorized and approved capital projects in accordance with the City's 2011 SPLOST and 2020 SPLOST referendums. (See Note 1B.)

NOTE 9. DEFINED CONTRIBUTION PLAN

The City offers employees the opportunity to participate in the City of Young Harris SIMPLE Retirement Plan (the "Plan"), a defined contribution plan established in accordance with Section 408(p) of the Internal Revenue Code. The Plan is administered by South State Bank and all full-time employees are eligible to participate. Employee contributions are based on a percentage of salary which the City will match at a rate of 100% of the employee's contribution up to 4% of salary as determined by the City Council. Plan provisions were established and may be amended by the City Council. Employee and City contributions for the year ended December 31, 2020, were $7,398 and $3,277, respectively.

NOTE 10. JOINT VENTURE

The City, in conjunction with other cities and counties in the thirteen (13) county Northeast Georgia area, is a member of the Georgia Mountain Regional Commission (GMRC). Membership in the GMRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the GMRC.

The GMRC Board membership includes the chief elected official of each county and appointed mayors from municipalities in the area. Georgia law also provides that member governments are liable for any debts or obligations of the GMRC (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the GMRC directly at:

Georgia Mountain Regional Commission
1310 West Ridge Road
Gainesville, Georgia 30501

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries insurance coverage.

Risk Pools

The City has joined the Georgia Interlocal Risk Management Agency (GIRMA), public entity risk pool which operates as a common risk management and insurance program. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as follow loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year.

The City is unaware of any claims that the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2020. No provisions have been made in the financial statements for the year ended December 31, 2020, for any estimate of potential unpaid claims.

NOTE 11. RISK MANAGEMENT (CONCLUDED)

The City has also elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves.

No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three years.

NOTE 12. RESTRICTED ASSETS

Restrictions on cash and investments in the government-wide Statement of Net Position at December 31, 2020, are as follows:

Restrictions:	Governmental Activities	Business-type Activities
Restricted cash:		
General Fund - for capital replacement	$ 418,487	$ -
SPLOST Fund - for legally authorized purposes under the 2011 SPLOST referendum (see Note 1B)	77,431	-
SPLOST Fund - for legally authorized purposes under the 2020 SPLOST referendum (see Note 1B)	-	-
Water Fund - for customer deposits		54,045
Water Fund - for purposes required by revenue bond resolution	-	154,012
Sewer Fund - for purposes required by revenue bond resolution		138,288
Sewer Fund - for customer deposits		8,075
Total restricted cash	$ 495,918	$ 354,420

NOTE 13. COMMITMENTS AND CONTINGENCIES

Effective January 2, 2019, the City entered into an intergovernmental agreement with the City of Hiawassee, Georgia and Towns County, Georgia. Under terms of the agreement, the Economic Development Director, who is an employee of City of Hiawassee, shall devote approximately forty (40) hours per month at the direction of the Young Harris Mayor, approximately forty (40) hours per month at the direction of the Towns County Commissioner and approximately eighty (80) hours per month at the direction of the Hiawassee Mayor. The cities and county understand that these hours are approximate based on work flow and project deadlines, but the Director is expected to devote a minimum of twenty (20) hours per month to each of Young Harris and Towns County and a minimum of forty (40) hours per month to Hiawassee.

The City of Young Harris and Towns County are each required to pay $20,000 annually in twelve (12) monthly installments of $1,667 to the City of Hiawassee. The agreement expires at the end of the initial twelve months, but automatically renews annually thereafter unless cancelled with a minimum 60-day notice.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The City routinely enters into various other contracts and agreements in the ordinary course of business. Such commitments are typically not material to the accompanying financial statements. Management and legal counsel are unaware of pending, threatened or unasserted legal actions against the City.

NOTE 14. REVENUE CONCENTRATION RISK

As stated in Note 1 above, the City's Water Fund and Sewer Fund are used to account for revenues from user charges and the costs of supplying water and sewer services to residents and others within the City's service area. Charges to certain customers for these services are significant in comparison to total charges to all customers. As shown below, Customer A is a user of both water and sewer services. Customer B uses sewer services only. At December 31, 2020, revenue concentration percentages are as follows:

Customer	Water Revenues	Sewer Revenues
Customer A	16 %	46 %
Customer B	Not Applicable	20 %

Other Supplementary Information

CITY OF YOUNG HARRIS, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2020

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
SPLOST 2011						
Water and sewer facilities and equipment	$ 125,000	$ 125,000	$ -	$ -	$ -	0%
Cupid Falls Park improvements	80,000	80,000	87,575	-	87,575	109%
Mayor's Park equipment and improvements	29,000	29,000	26,362	115,282	141,644	488%
Improvements to Community Center	50,000	50,000	48,946	-	48,946	98%
Street and sidewalk improvements - pedestrian crossings	250,000	250,000	255,935	-	505,935	202%
Maple Street improvements	200,000	200,000	344,294	-	344,294	172%
Fire hydrants	100,000	100,000	-	-	-	0%
	$ 834,000	$ 834,000	$ 763,112	$ 115,282	$ 1,128,394	
SPLOST 2020						
Roads, Streets and Bridges	$ 880,000	$ 880,000	$ -	$ -	$ -	0%
Park and Recreation	200,000	200,000	-	-	-	0%
	$ 1,080,000	$ 1,080,000	$ -	$ -	$ -	

Notes to Schedule:

The above schedule has been prepared using the modified accrual basis of accounting.

Internal Control and Compliance Section

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

To the Honorable Mayor and
Members of the City Council
City of Young Harris, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Young Harris, Georgia, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Young Harris, Georgia's basic financial statements, and have issued our report thereon dated August 02, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

RL Jennings & Associates, PC

Ellijay, Georgia
August 2, 2021

CITY OF YOUNG HARRIS, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

We consider the following deficiencies to be significant deficiencies in internal control:

Repeat findings from prior years:

2004-01 Lack of Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, payroll, general ledger and bank reconciliation.

Condition/Context: During the course of the audit, we noted many critical duties are combined and given to the available employees. Presently, a single individual prepares the deposit slip, opens the mail, collects cash receipts, prepares check disbursements, reconciles bank accounts, performs payroll duties as well as maintains the general ledger.

Effect: Without segregation of duties within these functions, there is increased exposure that City assets could be intentionally or unintentionally misappropriated.

Cause: The limited number of administrative employees and the resulting overlapping of duties causes segregation of duties to be difficult.

Recommendation: To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining the general ledger. In situations where additional personnel are not available, an effort should be made to divide the duties of the available personnel in such a manner as to achieve the greatest possible segregation of duties. Continued involvement by the City Council in the City's finances is encouraged to strengthen internal controls. With implementation of these suggestions, the City's internal control will be enhanced, so that the risk of misappropriation of assets is reduced.

Response: The lack of segregation of duties is a recurring item that due to limited number of employees is difficult to accomplish. Management plans to continue close involvement with the City's operations to reduce the risk of misappropriation.

2008-01 Material Adjustments and Maintenance of General Ledger

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Recording transactions on an accrual basis (or where applicable, the modified accrual basis) is in accordance with GAAP and provides more meaningful financial information.

Condition/Context: During the course of the audit, elements of the financial statements requiring significant adjustments were identified and additional audit procedures were required to report the City's year-end financial statements in accordance with GAAP. Material adjustments related primarily to (1) reclassifying certain costs in the Water Fund and Sewer Fund between expense accounts, various long-term debt accounts and capital asset accounts, (2) recording significant journal entries for unrecorded liabilities in the Sewer Fund, , and (4) correcting for General Fund cash deposited to the Sewer Fund in error.

Effect: Failure to properly record accruals of revenue and expenditures could result in critical financial decisions being made on erroneous data.

Cause: Routine preparation of reconcilements of detailed account balances is not being performed until year-end, due to limited personnel.

Recommendation: We recommend that the City devote the resources necessary to reconcile and review the general ledger balances each year-end.

Response: The City agrees with this finding and plans to increase the monitoring of the City's general ledger accounts at year-end.