

CITY OF STATHAM, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
June 30, 2018

**CITY OF STATHAM, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

March 18, 2021

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

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, 2018, 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, 2018, 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 March 18, 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

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
June 30, 2018

PRIMARY GOVERNMENT

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 786,356	\$ 1,105,038	\$ 1,891,394
Receivables (net of allowance for uncollectibles)	132,958	75,425	208,383
Internal balances	401,009	(401,009)	-
Prepaid items	-	3,625	3,625
Restricted assets:			
Cash	1,340	160,636	161,976
Non-current assets:			
Capital assets:			
Capital assets not being depreciated	385,949	547,038	932,987
Capital assets being depreciated	3,379,886	9,745,878	13,125,764
Less: accumulated depreciation	(1,499,709)	(3,647,624)	(5,147,333)
Capital assets, net of depreciation	<u>2,266,126</u>	<u>6,645,292</u>	<u>8,911,418</u>
TOTAL ASSETS	<u>3,587,789</u>	<u>7,589,007</u>	<u>11,176,796</u>
LIABILITIES			
Accounts payable	16,086	34,012	50,098
Accrued interest payable	-	9,783	9,783
Other accrued items	49,585	-	49,585
Customer Deposits	-	89,850	89,850
Noncurrent liabilities:			
Due within one year:			
Notes payable	-	24,358	24,358
Capital leases payable	135,916	-	135,916
Revenue bonds payable	-	214,281	214,281
Due in more than one year:			
Notes payable	-	215,715	215,715
Capital leases payable	17,971	-	17,971
Revenue bonds payable	-	3,074,908	3,074,908
TOTAL LIABILITIES	<u>219,558</u>	<u>3,662,907</u>	<u>3,882,465</u>
NET POSITION			
Net investment in capital assets	2,112,239	3,116,030	5,228,269
Restricted for:			
Capital outlay projects	655,100	-	655,100
Debt service	-	160,636	160,636
Public safety programs	1,340	-	1,340
Unrestricted	599,552	649,434	1,248,986
TOTAL NET POSITION	<u>\$ 3,368,231</u>	<u>\$ 3,926,100</u>	<u>\$ 7,294,331</u>

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

.....NET (EXPENSE) AND CHANGES IN NET POSITION....
.....PRIMARY GOVERNMENT.....

.....PROGRAM REVENUES.....

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 613,851	\$ 201,397	\$ -	\$ -	\$ (412,454)	\$ -	\$ (412,454)
Judicial	61,978	-	-	-	(61,978)	-	(61,978)
Public safety	412,311	462	-	-	(411,849)	-	(411,849)
Public works	429,308	-	-	255,725	(173,583)	-	(173,583)
Public health and welfare	3,897	-	-	2,000	(1,897)	-	(1,897)
Recreation and culture	53,847	3,400	-	-	(50,447)	-	(50,447)
Housing and development	68,636	50,789	-	-	(17,847)	-	(17,847)
Interest	8,027	-	-	-	(8,027)	-	(8,027)
Total Governmental Activities	<u>1,651,855</u>	<u>256,048</u>	<u>-</u>	<u>257,725</u>	<u>(1,138,082)</u>	<u>-</u>	<u>(1,138,082)</u>
BUSINESS-TYPE ACTIVITIES							
Water and sewer	830,752	1,459,112	-	-	-	628,360	628,360
Solid waste	13,418	28,572	-	-	-	15,154	15,154
Total Business-Type Activities	<u>844,170</u>	<u>1,487,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>643,514</u>	<u>628,360</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,496,025</u>	<u>\$ 1,743,732</u>	<u>\$ -</u>	<u>\$ 257,725</u>	<u>(1,138,082)</u>	<u>643,514</u>	<u>(509,722)</u>
GENERAL REVENUES							
Property taxes					337,790	-	337,790
Sales taxes					380,411	-	380,411
Insurance premium taxes					166,086	-	166,086
Franchise taxes					138,965	-	138,965
Alcohol beverage taxes					39,438	-	39,438
Real estate recording taxes					6,554	-	6,554
Other taxes					13,348	-	13,348
Total taxes					<u>1,082,592</u>	<u>-</u>	<u>1,082,592</u>
Unrestricted investment earnings					293	361	654
Gain(Loss) on sale of capital assets					27,481	-	27,481
TRANSFERS					<u>750,000</u>	<u>(750,000)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>1,860,366</u>	<u>(749,639)</u>	<u>1,110,727</u>
CHANGES IN NET POSITION					<u>722,284</u>	<u>(106,125)</u>	<u>616,159</u>
NET POSITION, Beginning					<u>2,645,947</u>	<u>4,032,225</u>	<u>6,678,172</u>
NET POSITION, Ending					<u>\$ 3,368,231</u>	<u>\$ 3,926,100</u>	<u>\$ 7,294,331</u>

The accompanying notes are an integral part of this statement.

**CITY OF STATHAM, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash	\$ 131,254	\$ 655,102	\$ 786,356
Receivables (net of allowance for uncollectibles)	132,958	-	132,958
Interfund receivables	488,061	-	488,061
Restricted assets:			
Cash	1,340	-	1,340
TOTAL ASSETS	753,613	655,102	1,408,715
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	16,088	-	16,088
Other accrued items	49,585	-	49,585
Interfund payables	87,050	2	87,052
TOTAL LIABILITIES	152,723	2	152,725
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	96,868	-	96,868
TOTAL DEFERRED INFLOWS OF RESOURCES	96,868	-	96,868
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	249,591	2	249,593
FUND BALANCES			
Restricted:			
Capital outlay projects	-	655,100	655,100
Public safety programs	1,340	-	1,340
Unassigned	502,682	-	502,682
TOTAL FUND BALANCES	504,022	655,100	1,159,122
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 753,613	\$ 655,102	\$ 1,408,715

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, 2018

Total Fund Balances for Governmental Funds (page 3)	\$	1,159,122
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.		2,266,126
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		
Property Taxes	96,868	96,868
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	(153,887)	(153,887)
Rounding		2
Total net position of governmental activities (page 1)	\$	<u><u>3,368,231</u></u>

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, 2018

	GENERAL	SPLOST	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 1,062,222	\$ -	\$ 1,062,222
Licenses and permits	85,449	-	85,449
Intergovernmental	3,101	255,725	258,826
Fines and forfeitures	146,448	-	146,448
Charges for services	17,860	-	17,860
Investment income	31	262	293
Miscellaneous	6,290	-	6,290
TOTAL REVENUES	<u>1,321,401</u>	<u>255,987</u>	<u>1,577,388</u>
EXPENDITURES			
Current Expenditures			
General government	523,013	93	523,106
Judicial	61,977	-	61,977
Public safety	392,160	-	392,160
Public works	397,711	10	397,721
Public health and welfare	3,897	-	3,897
Culture and recreation	7,948	-	7,948
Housing and development	68,636	-	68,636
Intergovernmental	45,899	-	45,899
Capital outlay	75,714	-	75,714
Debt service			
Principal	68,297	-	68,297
Interest	8,027	-	8,027
TOTAL EXPENDITURES	<u>1,653,279</u>	<u>103</u>	<u>1,653,382</u>
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	<u>(331,878)</u>	<u>255,884</u>	<u>(75,994)</u>
OTHER FINANCING SOURCES (USES)			
Sale of city property	27,481	-	27,481
Transfers in	750,000	-	750,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>777,481</u>	<u>-</u>	<u>777,481</u>
NET CHANGE IN FUND BALANCES	<u>445,603</u>	<u>255,884</u>	<u>701,487</u>
FUND BALANCES, Beginning of year	<u>58,419</u>	<u>399,216</u>	<u>457,635</u>
FUND BALANCES, End of year	<u>\$ 504,022</u>	<u>\$ 655,100</u>	<u>\$ 1,159,122</u>

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, 2018

Net change in fund balances (page 5)		\$ 701,487
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital outlays	75,714	
Depreciation expense	<u>(142,484)</u>	(66,770)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	<u>96,868</u>	96,868
<p>Revenues reported in the funds that relate to prior years are not reported as revenue in the statement of activities.</p>		
Property taxes	<u>(77,599)</u>	(77,599)
<p>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.</p>		
Principal payments on long-term debt	<u>68,297</u>	68,297
Rounding		<u>1</u>
Changes in net position of governmental activities (page 2)		<u>\$ 722,284</u>

The accompanying notes are an integral part of this statement.

CITY OF STATHAM, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
ASSETS			
Current Assets			
Cash	\$ 1,102,345	\$ 2,693	\$ 1,105,038
Receivables (net of allowance for uncollectibles)	75,425	-	75,425
Interfund receivables	87,057	537,861	624,918
Prepaid items	3,625	-	3,625
Restricted assets:			
Cash	160,636	-	160,636
TOTAL CURRENT ASSETS	<u>1,429,088</u>	<u>540,554</u>	<u>1,969,642</u>
Noncurrent Assets			
Capital assets			
Capital assets not being depreciated	547,038	-	547,038
Capital assets being depreciated	9,745,878	-	9,745,878
Less: accumulated depreciation	<u>(3,647,624)</u>	<u>-</u>	<u>(3,647,624)</u>
TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)	<u>6,645,292</u>	<u>-</u>	<u>6,645,292</u>
TOTAL NONCURRENT ASSETS	<u>6,645,292</u>	<u>-</u>	<u>6,645,292</u>
TOTAL ASSETS	<u>8,074,380</u>	<u>540,554</u>	<u>8,614,934</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>8,074,380</u>	<u>540,554</u>	<u>8,614,934</u>
LIABILITIES			
Current Liabilities			
Accounts payable	34,012	-	34,012
Accrued interest	9,783	-	9,783
Interfund payables	537,866	488,061	1,025,927
Notes payable	24,358	-	24,358
Revenue bonds payable	<u>214,281</u>	<u>-</u>	<u>214,281</u>
TOTAL CURRENT LIABILITIES	<u>820,300</u>	<u>488,061</u>	<u>1,308,361</u>
Noncurrent Liabilities			
Customer deposits	89,850	-	89,850
Notes payable	215,715	-	215,715
Revenue bonds payable	<u>3,074,908</u>	<u>-</u>	<u>3,074,908</u>
TOTAL NONCURRENT LIABILITIES	<u>3,380,473</u>	<u>-</u>	<u>3,380,473</u>
TOTAL LIABILITIES	<u>4,200,773</u>	<u>488,061</u>	<u>4,688,834</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>4,200,773</u>	<u>488,061</u>	<u>4,688,834</u>
NET POSITION			
Net investment in capital assets	3,116,030	-	3,116,030
Restricted for debt service	160,636	-	160,636
Unrestricted	<u>596,941</u>	<u>52,493</u>	<u>649,434</u>
TOTAL NET POSITION	<u>\$ 3,873,607</u>	<u>\$ 52,493</u>	<u>\$ 3,926,100</u>

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, 2018

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS

	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
OPERATING REVENUES			
Charges for sales and services:			
Charges for services	\$ 887,893	\$ 28,574	\$ 916,467
Other operating revenue			
Sewer sales	150,415	-	150,415
Connection fees	28,038	-	28,038
Other	226,267	-	226,267
Total Operating Revenues	<u>1,292,613</u>	<u>28,574</u>	<u>1,321,187</u>
OPERATING EXPENSES			
Salaries and benefits	152,216	-	152,216
Supplies	46,533	-	46,533
Other services and charges	74,542	15	74,557
Depreciation	216,414	-	216,414
Professional fees	-	13,403	13,403
Repairs and maintenance	54,181	-	54,181
Utilities	46,047	-	46,047
Water purchases	116,044	-	116,044
Sewerage flow costs	5,486	-	5,486
Total Operating Expenses	<u>711,463</u>	<u>13,418</u>	<u>724,881</u>
OPERATING INCOME	<u>581,150</u>	<u>15,156</u>	<u>596,306</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	358	-	358
Interest expense	(119,289)	-	(119,289)
Total Nonoperating Revenues (Expenses)	<u>(118,931)</u>	<u>-</u>	<u>(118,931)</u>
INCOME (LOSS) BEFORE TRANSFERS	462,219	15,156	477,375
Pledged as security for revenue bonds:			
Sewer connection fees	166,500	-	166,500
Transfer out	(750,000)	-	(750,000)
CHANGE IN NET POSITION	<u>(121,281)</u>	<u>15,156</u>	<u>(106,125)</u>
TOTAL NET POSITION, Beginning of year	3,994,888	37,337	4,032,225
TOTAL NET POSITION, End of year	<u>\$ 3,873,607</u>	<u>\$ 52,493</u>	<u>\$ 3,926,100</u>

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, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	WATER & SEWER FUND	SOLID WASTE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customer	\$ 1,238,733	\$ 28,574	\$ 1,267,307
Payments to suppliers	190,567	(28,586)	161,981
Payments to employees	<u>(143,723)</u>	<u>-</u>	<u>(143,723)</u>
Net cash provided by (used in) operating activities	<u>1,285,577</u>	<u>(12)</u>	<u>1,285,565</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in (out)	<u>(750,000)</u>	<u>-</u>	<u>(750,000)</u>
Net Cash provided (used) by non-capital financing activities	<u>(750,000)</u>	<u>-</u>	<u>(750,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(82,044)	-	(82,044)
Sewer tap fees in excess of cost	166,500	-	166,500
Proceeds from the issuance of debt	34,028	-	34,028
Principal payments on debt	(218,027)	-	(218,027)
Interest paid	<u>(128,904)</u>	<u>-</u>	<u>(128,904)</u>
Net cash provided by (used in) capital and related financing activities	<u>(228,447)</u>	<u>-</u>	<u>(228,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>357</u>	<u>-</u>	<u>357</u>
Net cash provided by (used in) investing activities	<u>357</u>	<u>-</u>	<u>357</u>
Net increase (decrease) in cash and cash equivalents	307,487	(12)	307,475
CASH, Beginning of year	<u>955,494</u>	<u>2,705</u>	<u>958,199</u>
CASH, End of year	<u><u>\$ 1,262,981</u></u>	<u><u>\$ 2,693</u></u>	<u><u>\$ 1,265,674</u></u>
RECONCILIATION OF CASH			
Cash	\$ 1,102,345	\$ 2,693	\$ 1,105,038
Restricted Cash	160,636	-	160,636
Total Cash	<u><u>\$ 1,262,981</u></u>	<u><u>\$ 2,693</u></u>	<u><u>\$ 1,265,674</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 581,150	\$ 15,156	\$ 596,306
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	216,414	-	216,414
(Increase) decrease in:			
Accounts receivable	(53,880)	-	(53,880)
Prepaid expenses	8,081	-	8,081
Interfund balances	525,939	-	525,939
Increase (decrease) in:			
Accounts payable	(620)	-	(620)
Customer deposits	8,493	-	8,493
Interfund balances	<u>-</u>	<u>(15,168)</u>	<u>(15,168)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 1,285,577</u></u>	<u><u>\$ (12)</u></u>	<u><u>\$ 1,285,565</u></u>
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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

(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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

CITY OF STATHAM, GEORGIA
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June 30, 2018

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2018 property taxes were levied October 10, 2017, and were due December 31, 2017. The taxes are subject to lien after March 31, 2018. Interest and penalties are assessed on taxes not paid by this date. The City receives property tax assessments from Barrow County.

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Restricted Assets

Certain restricted deposits and investments may be held by the General Fund and Water and Sewer 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 2018.

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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."

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 are as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Cost of capital assets	\$ 3,765,835	\$ 10,292,916
Accumulated depreciation	(1,499,709)	(3,647,624)
Net book value	2,266,126	6,645,292
Capital leases related debt	(153,887)	-
Revenue bonds related to capital assets	-	(3,289,189)
Notes payable related to capital assets	-	(240,073)
Net investment in capital assets	\$ 2,112,239	\$ 3,116,030

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports \$817,076 of restricted net position, of which \$655,100 none is restricted by enabling legislation.

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

Restricted:

General Fund

Public Safety programs -

Police Confiscation Fund - For monies restricted for public safety purposes. \$ 1,340

SPLOST Fund

SPLOST - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum

655,100

Total Restricted Fund Balance

\$ 656,440

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).

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

The following cost centers had expenditures in excess of appropriations for the fiscal year ended June 30, 2018:

Health and Welfare - The \$397 excess of expenditures over appropriations is attributable to repairs and maintenance expenditures being under budgeted.

Culture and recreation - The \$56 excess of expenditures over appropriations is attributable to repairs and maintenance expenditures being under budgeted.

(C) DEFICIT FUND EQUITY

At June 30, 2018, no funds had deficit fund equity.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, 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, 2018, 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, 2018, the City's bank balance of \$2,115,704 was adequately collateralized with securities held by the pledging financial institution's name.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 balance 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	Water & Sewer Fund
Receivables:		
Property Taxes	\$ 98,449	\$ -
Accounts	-	75,746
Intergovernmental	34,509	-
Total Gross Receivables	132,958	75,746
Less: Allowance for Uncollectibles	-	(321)
Total Net Receivables	\$ 132,958	\$ 75,425

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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:

	<u>Unavailable</u>
Property taxes (General Fund)	\$ <u>96,868</u>
Total unavailable/ unearned revenue for governmental funds	\$ <u><u>96,868</u></u>

Property taxes receivable at June 30, 2018, consist of the following:

<u>Digest Year</u>	<u>General Fund</u>
2017	\$ 19,703
2016	13,124
2015	17,696
2014	16,482
2013	11,696
2012	6,672
2011	5,775
2010	7,301
Total	\$ <u><u>98,449</u></u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Transfer</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 385,949	\$ -	\$ -	\$ -	\$ 385,949
Total non-depreciable capital assets	<u>385,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,949</u>
Depreciable Assets:					
Buildings and improvements	570,657	-	-	-	570,657
Machinery and Vehicles	1,104,110	75,714	(27,095)	-	1,152,729
Infrastructure	<u>1,656,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,656,500</u>
Total depreciable capital assets	<u>3,331,267</u>	<u>75,714</u>	<u>(27,095)</u>	<u>-</u>	<u>3,379,886</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(252,894)	(22,275)	-	-	(275,169)
Machinery and Vehicles	(805,750)	(87,079)	27,095	-	(865,734)
Infrastructure	<u>(325,676)</u>	<u>(33,130)</u>	<u>-</u>	<u>-</u>	<u>(358,806)</u>
Total accumulated depreciation	<u>(1,384,320)</u>	<u>(142,484)</u>	<u>27,095</u>	<u>-</u>	<u>(1,499,709)</u>
Total depreciable capital assets, net	<u>1,946,947</u>	<u>(66,770)</u>	<u>-</u>	<u>-</u>	<u>1,880,177</u>
Governmental activities capital assets, net	<u>\$ 2,332,896</u>	<u>\$ (66,770)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,266,126</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Additions to governmental activities capital assets for fiscal year ending June 30, 2018 consist of the following:

Capital Outlay	\$ 75,714
Total Additions	<u>\$ 75,714</u>
Depreciable capital assets additions	\$ 75,714
Total Additions	<u>\$ 75,714</u>

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

Governmental Activities:	
General Government	\$ 90,746
Public Safety	20,151
Public Works	31,587
Total depreciation expense: Governmental Activities	<u>\$ 142,484</u>

Capital asset activity for business-type funds for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Transfer</u>	<u>Ending Balance</u>
Business-type Activities:					
Non-Depreciable Assets:					
Land and land improvements	\$ 525,753	\$ -	\$ -	\$ -	\$ 525,753
Construction in progress	238,257	41,128	-	(258,100)	21,285
Total non-depreciable capital assets	<u>764,010</u>	<u>41,128</u>	<u>-</u>	<u>(258,100)</u>	<u>547,038</u>
Depreciable Assets:					
Buildings and improvements	41,898	-	-	-	41,898
Distribution systems	8,923,017	19,633	-	258,100	9,200,750
Machinery and Vehicles	534,466	6,498	(37,734)	-	503,230
Total depreciable capital assets	<u>9,499,381</u>	<u>26,131</u>	<u>(37,734)</u>	<u>258,100</u>	<u>9,745,878</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(20,901)	(1,047)	-	-	(21,948)
Distribution Systems	(2,996,386)	(194,030)	-	-	(3,190,416)
Machinery and Vehicles	(451,657)	(21,337)	37,734	-	(435,260)
Total accumulated depreciation	<u>(3,468,944)</u>	<u>(216,414)</u>	<u>37,734</u>	<u>-</u>	<u>(3,647,624)</u>
Total depreciable capital assets, net	<u>6,030,437</u>	<u>(190,283)</u>	<u>-</u>	<u>258,100</u>	<u>6,098,254</u>
Business-type activities capital assets, net	<u>\$ 6,794,447</u>	<u>\$ (149,155)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,645,292</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Business-type Activities:	
Water	\$ 107,895
Solid Waste	108,518
Rounding	<u>1</u>
Total depreciation expense: Business-type Activities	<u>\$ 216,414</u>

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, 2018, 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:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Contracts in Progress</u>	<u>Authorized Not Obligated</u>	<u>Source</u>
Business-type Activities					
Barber Creek Sewer Improvements	\$ 21,285	\$ 21,285	\$ -	\$ -	Water & Sewer Fund
Total Business-type Activities	<u>\$ 21,285</u>	<u>\$ 21,285</u>	<u>\$ -</u>	<u>\$ -</u>	

NOTE 7 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:						
Capital leases	\$ 222,184	\$ -	\$ (68,297)	\$ 153,887	\$ 135,916	\$ 17,971
Governmental activities long-term liabilities	<u>\$ 222,184</u>	<u>\$ -</u>	<u>\$ (68,297)</u>	<u>\$ 153,887</u>	<u>\$ 135,916</u>	<u>\$ 17,971</u>
Business-type Activities:						
Revenue bonds	\$ 3,350,000	\$ -	\$ 200,000	\$ 3,150,000	\$ 205,000	\$ 2,945,000
Add: Original issue						
Premiums	<u>148,469</u>	<u>-</u>	<u>9,280</u>	<u>139,189</u>	<u>9,281</u>	<u>129,908</u>
Total Revenue Bonds	3,498,469	-	209,280	3,289,189	214,281	3,074,908
Notes payable	<u>224,072</u>	<u>34,028</u>	<u>(18,027)</u>	<u>240,073</u>	<u>24,358</u>	<u>215,715</u>
Business-type activities long-term liabilities	<u>\$ 3,722,541</u>	<u>\$ 34,028</u>	<u>\$ 191,253</u>	<u>\$ 3,529,262</u>	<u>\$ 238,639</u>	<u>\$ 3,290,623</u>

Capital leases and compensated absences are generally liquidated by the General Fund. The capital leases and notes payable for business type activities are liquidated by the Water and Sewer enterprise fund. Compensated absences for business type activities are liquidated by each of the respective enterprise funds.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, are as follows:

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2019	\$ 67,619	\$ 5,173	\$ 72,792
	2020	44,269	2,749	47,018
	2021	41,999	895	42,894
Total		<u>\$ 153,887</u>	<u>\$ 8,817</u>	<u>\$ 162,704</u>

As of June 30, 2018, the capital assets purchased under these capital lease agreements are as follows:

	<u>Governmental Activities</u>
Vehicles & equipment	\$ 286,664
Less accumulated depreciation	<u>(121,214)</u>
Net	<u>\$ 165,450</u>

BUSINESS TYPE ACTIVITIES

As of June 30, 2018, the the long-term debt payable from proprietary fund resources consisted of the following:

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%.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Minimum future annual debt service requirements for the general obligation bonds, as of June 30, 2018, are as follows:

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2019	\$ 205,000	\$ 117,400	\$ 322,400
	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
	2024-2028	1,230,000	359,650	1,589,650
	2029-2033	855,000	100,750	955,750
Total		<u>\$ 3,150,000</u>	<u>\$ 999,200</u>	<u>\$ 4,149,200</u>

NOTES PAYABLE

In 2015, the City obtained a GEFA construction note payable in the original amount of \$258,100. Upon completion of construction in fiscal year 2018, debt payments are due in monthly installments of \$2,320, interest rate of 1.52% with 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, 2018, the amount outstanding was \$240,073.

The annual debt service requirements to amortize this debt as of June 30, 2018, are as follows:

	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2019	\$ 24,358	\$ 3,480	\$ 27,838
	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
	2024-2028	127,488	5,279	132,767
Total		<u>\$ 240,073</u>	<u>\$ 17,965</u>	<u>\$ 258,038</u>

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8- INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of June 30, 2018, is as follows:

	Due From				Total
	General	SPLOST	Water & Sewer Fund	Solid Waste Fund	
General	\$ -	\$ -	\$ -	\$ 488,061	\$ 488,061
Water and Sewer Fund	87,050	2	5	-	87,057
Solid Waste Fund	-	-	537,861	-	537,861
Total	\$ 87,050	\$ 2	\$ 537,866	\$ 488,061	\$ 1,112,979

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, 2018 are as follows:

Transfers In	Transfers Out	
	Water & Sewer Fund	Total
General Fund	\$ 750,000	\$ 750,000
Total	\$ 750,000	\$ 750,000

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

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 2018 was \$16,258 and employee contributions were \$26,305.

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 part 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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The city retains the first \$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. As of the date of this financial statement, no awards in these cases have been made against the City. The results of any litigation, however, 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.

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.

CITY OF STATHAM, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018; 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 - SUBSEQUENT EVENT

On May 28, 2020, the Georgia Superior Court awarded a citizen of the City of Statham, Catherine Corkren, \$75,000 in regards to the various claims against the City. The City's insurance carrier paid \$50,000 and the City paid the remainder of \$25,000. In November of 2020, the City awarded former Assistant Police Chief, Johnny Wood, \$36,680 for a claim against the City regarding compensation for overtime during June 2016 through August 2019. The City's insurance carrier paid \$18,680 and the City paid the remainder of \$18,000.

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The spread of this virus (COVID-19) appeared in the United States and began to cause some operational disruptions throughout the 2020 calendar year. While this disruption is currently expected to be temporary, there is considerable uncertainty regarding the potential duration of the virus. Therefore, while management expects this matter could negatively impact operating results, the total financial impact and duration cannot be reasonably estimated at this time.

CITY OF STATHAM, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018
(Required Supplementary Information)

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FUND BALANCE, Beginning of year	\$ 58,419	\$ 58,419	\$ 58,419	\$ -
RESOURCES (INFLOWS)				
Taxes	1,112,800	1,112,800	1,062,222	(50,578)
Licenses and permits	170,325	170,325	85,449	(84,876)
Intergovernmental	-	-	3,101	3,101
Fines and forfeitures	150,000	150,000	146,448	(3,552)
Charges for services	2,000	2,000	17,860	15,860
Investment income	300	300	31	(269)
Miscellaneous	105,800	105,800	6,290	(99,510)
Sale of county property	-	-	27,481	27,481
Transfers in	-	-	750,000	750,000
Total Resources (Inflows)	<u>1,541,225</u>	<u>1,541,225</u>	<u>2,098,882</u>	<u>557,657</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>1,599,644</u>	<u>1,599,644</u>	<u>2,157,301</u>	<u>557,657</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Elections	2,000	2,000	694	1,306
City Hall	668,357	668,357	574,316	94,041
Total General Government	<u>670,357</u>	<u>670,357</u>	<u>575,010</u>	<u>95,347</u>
Judicial				
Superior court	98,355	98,355	61,977	36,378
Total Judicial	<u>98,355</u>	<u>98,355</u>	<u>61,977</u>	<u>36,378</u>
Public Safety				
Police	474,181	474,181	430,308	43,873
Total Public Safety	<u>474,181</u>	<u>474,181</u>	<u>430,308</u>	<u>43,873</u>
Public Works				
Public works	530,934	530,934	459,604	71,330
Total Public Works	<u>530,934</u>	<u>530,934</u>	<u>459,604</u>	<u>71,330</u>
Public Health and Welfare				
Community center	3,500	3,500	3,897	(397)
Total Public Health and Welfare	<u>3,500</u>	<u>3,500</u>	<u>3,897</u>	<u>(397)</u>
Culture and Recreation				
Library	51,399	51,399	51,455	(56)
Other recreation and culture	29,250	14,250	2,392	11,858
Total Culture and Recreation	<u>80,649</u>	<u>65,649</u>	<u>53,847</u>	<u>11,802</u>
Housing and development				
Building inspection	166,595	166,595	68,636	97,959
Total Housing and Development	<u>166,595</u>	<u>166,595</u>	<u>68,636</u>	<u>97,959</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>2,024,571</u>	<u>2,009,571</u>	<u>1,653,279</u>	<u>454,648</u>
CHANGE IN FUND BALANCE	<u>(483,346)</u>	<u>(468,346)</u>	<u>445,603</u>	<u>913,949</u>
FUND BALANCE, End of year	<u>\$ (424,927)</u>	<u>\$ (409,927)</u>	<u>\$ 504,022</u>	<u>\$ 913,949</u>

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, 2018**

PROJECT	EXPENDITURES			
	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	PRIOR YEARS	CURRENT YEAR
Barrow County - 2006 SPLOST				
Road Improvements	\$ 600,000	\$ 600,000	\$ 400,207	\$ 103
Subtotal - 2008 SPLOST	<u>600,000</u>	<u>600,000</u>	<u>400,207</u>	<u>103</u>
Barrow County - 2012 SPLOST				
Water & Sewer System Improvements	1,405,980	1,405,980	626,835	-
Subtotal - 2012 SPLOST	<u>1,405,980</u>	<u>1,405,980</u>	<u>626,835</u>	<u>-</u>
Totals	<u>\$ 2,005,980</u>	<u>\$ 2,005,980</u>	<u>\$ 1,027,042</u>	<u>103</u>
Total of all SPLOSTS above				<u>\$ 103</u>

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

Expenditures	\$ 103
Total	<u>\$ 103</u>



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

March 18, 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, 2018, 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 March 18, 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.

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.

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:

2018-001 **Statement of Condition:**

During testing and fieldwork, we noted some of the requested documentation for utility revenue testing could not be generated; therefore, we were not able to complete testing for the first half of the fiscal year or receive proper support to substantiate revenue balances. We also noted that utility deposits were not completed in a timely manner.

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 and complete their deposit process in less than seven days.

Response:

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

2018-002 **Statement of Condition (Reissued):**

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:

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.

2018-003

Statement of Condition (Reissued):

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:

Moving forward, the City has hired adequate staff to ensure month close procedures are better monitored and followed.

2018-004

Statement of Condition:

During fieldwork, we noted cash bonds and probation payments received during the year were not recorded.

Criteria:

All payments received should be properly recorded.

Effect of Condition:

Fine revenue was understated by \$105,042.

Cause of Condition:

Client did not record the payments received during the year.

Recommendation:

We recommend that all payments received be properly recorded in the correct account during each period.

Response:

For FY21, municipal court payments, bonds, fines are being properly recorded. The accountant reconciles bank accounts, and if there are any discrepancies between the statement and system, 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:

2018-005

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 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, PO (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.

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*.

2018-006 **Statement of Condition (Reissued):**

The approved budget for the fiscal year ending June 30, 2018 was not balanced by fund and expenditures were in excess of appropriations in the departments specified in Note 3 to the financial statements.

Criteria:

State law requires annual budgets to be balanced by fund and expenditures should be within the approved budget amount the legal level of budgetary control.

Effect of Condition:

The City's annual budget is not in compliance.

Cause of Condition:

Expenditures are approved and paid without consideration of the budget limits by department and necessary budget adjustments are not approved throughout the year as needed.

Recommendation:

We recommend the City implement controls to follow City budget policy to prepare balanced operating annual budgets and ensure each department does not exceed appropriations described in the budget.

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.

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