

City of Pelham, Georgia

Financial Statements

For the Fiscal Year Ended

June 30, 2023

City of Pelham, Georgia

*Basic Financial Statements and
Supplementary Information*

For the Fiscal Year Ended June 30, 2023

City of Pelham, Georgia
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Perry L. Henry, LLC
Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Pelham, Georgia

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pelham, Georgia as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pelham, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Pelham, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pelham, Georgia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 46-42 and the pension schedules on pages 43-45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pelham, Georgia's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024, on our consideration of the City'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'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's internal control over financial reporting and compliance.

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
March 1, 2024

City of Pelham, Georgia
Statement of Net Position
June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash & Equivalents	\$ 1,380,596	\$ 395,564	\$ 1,776,160	\$ 155,554
Restricted Assets	1,415,855	86,463	1,502,318	-
Receivables	86,541	226,865	313,406	-
Internal Balances	(3,333)	3,333	-	-
Due from Other Governmental Agencies	263,821	-	263,821	-
Prepaid Expenses	100,920	15,594	116,514	-
Capital Assets:				
Land	541,113	673,651	1,214,764	7,360
Improvements Other Than Buildings	5,027,248	13,202,016	18,229,264	-
Buildings & Building Improvements	2,841,778	62,343	2,904,121	30,450
Machinery & Equipment	3,040,466	1,087,575	4,128,041	-
Construction in Progress	741,383	80,700	822,083	-
Right-To-Use Leased Assets	46,343	42,431	88,774	-
Less: Accumulated Depreciation & Amortization	(5,508,822)	(7,781,784)	(13,290,606)	(63)
Total Capital Assets	6,729,509	7,366,932	14,096,441	37,747
Total Assets	9,973,909	8,094,751	18,068,660	193,301
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	485,808	-	485,808	-
Total Deferred Outflows of Resources	485,808	-	485,808	-
LIABILITIES				
Accounts Payable & Accrued Expenses	471,970	396,624	868,594	465
Unearned Revenues	1,004,311	-	1,004,311	-
Long-term Liabilities:				
Due within one year:				
Notes & Bonds	166,176	163,116	329,292	-
Lease Payable	8,401	8,401	16,802	-
Due in more than one year:				
Notes & Bonds	1,678,911	1,152,442	2,831,353	-
Lease Payable	20,367	20,367	40,734	-
Compensated Absences	58,569	4,221	62,790	-
Net Pension Liability	1,140,239	-	1,140,239	-
Total Liabilities	4,563,604	1,745,171	6,308,775	465
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	35,986	-	35,986	-
Total Deferred Inflows of Resources	35,986	-	35,986	-
NET POSITION				
Net Investment in Capital Assets	4,855,654	5,988,105	10,843,759	37,747
Restricted for:				
Capital Projects	1,140,735	-	1,140,735	-
Community Development Projects	-	-	-	155,089
Unrestricted	(136,262)	361,475	225,213	-
Total Net Position	\$ 5,860,127	\$ 6,349,580	\$ 12,209,707	\$ 192,836

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

City of Pelham, Georgia
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
Primary Government							
Governmental activities:							
General Government	\$ 795,682	\$ 332,414	\$ 509,802	\$ 46,534	\$ -	\$ 46,534	
Public Safety	1,628,963	-	-	(1,628,963)	-	(1,628,963)	
Public Works	796,324	257,759	866,843	328,278	-	328,278	
Health, Welfare and Sanitation	56,365	57,528	-	1,163	-	1,163	
Culture and Recreation	36,049	-	-	(36,049)	-	(36,049)	
Housing and development	370,983	28,600	-	(342,383)	-	(342,383)	
Interest on Long-term debt	53,410	-	-	(53,410)	-	(53,410)	
Total governmental activities	<u>3,737,776</u>	<u>676,301</u>	<u>1,376,645</u>	<u>(1,684,830)</u>	<u>-</u>	<u>(1,684,830)</u>	
Business-type activities:							
Water	544,708	816,117	-	-	271,409	271,409	
Sanitation	591,287	762,489	-	-	171,202	171,202	
Sewer	419,649	575,277	-	-	155,628	155,628	
Gas	400,767	441,282	-	-	40,515	40,515	
Total business-type activities	<u>1,956,411</u>	<u>2,595,165</u>	<u>-</u>	<u>-</u>	<u>638,754</u>	<u>638,754</u>	
Total primary government	<u>\$ 5,694,187</u>	<u>\$ 3,271,466</u>	<u>\$ 1,376,645</u>	<u>(1,684,830)</u>	<u>638,754</u>	<u>(1,046,076)</u>	
Component Units							
Joint Development Authority of Mitchell Co & Pelham	\$ 70	\$ 27,799	\$ -				\$ 27,729
Downtown Development Authority	19,283	7,299	-				(11,984)
Total component units	<u>\$ 19,353</u>	<u>\$ 35,098</u>	<u>\$ -</u>				<u>15,745</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes				1,181,744	-	1,181,744	-
Franchise taxes				186,293	-	186,293	-
Insurance premium tax				279,916	-	279,916	-
Alcoholic beverage tax				99,813	-	99,813	-
Other taxes				22,588	-	22,588	-
Unrestricted investment earnings				810	45	855	27
Miscellaneous				4,383	86	4,469	-
Special item - gain on sale of asset				5,302	-	5,302	-
Transfers				848,137	(848,137)	-	-
Total general revenues, special items, and transfers				<u>2,628,986</u>	<u>(848,006)</u>	<u>1,780,980</u>	<u>27</u>
Change in net position				944,156	(209,252)	734,904	15,772
Net position - beginning				4,915,971	6,558,832	11,474,803	177,064
Net position - ending				<u>\$ 5,860,127</u>	<u>\$ 6,349,580</u>	<u>\$ 12,209,707</u>	<u>\$ 192,836</u>

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

City of Pelham, Georgia
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	SPLOST Capital Project Fund	TSPLOST Capital Project Fund	ARPA Grant Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 395,206	\$ -	\$ -	\$ -	\$ 37,732	\$ 432,938
Taxes receivable, net	86,541	-	-	-	-	86,541
Due from other funds	-	1,480	-	-	-	1,480
Receivable from other governments	152,083	36,206	35,175	-	40,358	263,822
Restricted cash	-	643,483	636,410	1,020,414	-	2,300,307
Total assets	\$ 633,830	\$ 681,169	\$ 671,585	\$ 1,020,414	\$ 78,090	\$ 3,085,088
LIABILITIES						
Accounts payable	\$ 151,509	\$ -	\$ 212,708	\$ 15,414	\$ 40,358	\$ 419,989
Due to other funds	4,813	-	-	-	-	4,813
Unearned revenue	-	-	-	1,004,311	14,660	1,018,971
Accrued salaries & wages	16,050	-	-	-	-	16,050
Other payables	35,928	-	-	-	-	35,928
Total liabilities	208,300	-	212,708	1,019,725	55,018	1,495,751
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	86,541	-	-	-	-	86,541
Total deferred inflows of resources	86,541	-	-	-	-	86,541
FUND BALANCES						
Restricted for:						
Capital projects	-	681,169	458,877	689	-	1,140,735
Public safety	-	-	-	-	19,240	19,240
Community development projects	-	-	-	-	13,682	13,682
Unassigned	338,989	-	-	-	(9,850)	329,139
Total fund balances	338,989	681,169	458,877	689	23,072	1,502,796
Total liabilities, deferred inflows of resources, and fund balances	\$ 633,830	\$ 681,169	\$ 671,585	\$ 1,020,414	\$ 78,090	\$ 3,085,088

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

City of Pelham, Georgia
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2023

Total fund balance, governmental funds	\$ 1,502,796
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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	6,729,510
Payments for insurance in advance are reported as an expenditure of current financial resources in the period purchased in governmental activities and therefore are not reported in the funds.	100,920
Pension net position is not a current financial resource and is not recognized at the fund financial reporting level but is reported in the governmental activities of the Statement of Net Position.	(1,140,239)
The assets and liabilities of the internal service fund are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	63,206
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.	86,541
Deferred Outflows - Pension	485,808
Deferred Inflows - Pension	(35,986)
Some liabilities (such as Notes Payable, Lease Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the government-wide statements.	(1,932,429)
Net Position of Governmental Activities in the Statement of Net Position	\$ 5,860,127

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

City of Pelham, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General Fund	SPLOST Capital Project Fund	TSPLOST Capital Project Fund	ARPA Grant Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 1,377,901	\$ -	\$ -	\$ -	\$ -	\$ 1,377,901
Sales & Miscellaneous Taxes	389,083	-	-	-	28,600	417,683
Fees & Fines	252,241	-	-	-	-	252,241
Licenses & Permits	78,124	-	-	-	-	78,124
Intergovernmental	322,483	438,696	428,147	187,319	257,759	1,634,404
Investment Earnings	1	-	320	489	-	810
Contributions & Donations	2,000	-	-	-	-	2,000
Miscellaneous	61,961	-	-	-	-	61,961
Total revenues	<u>2,483,794</u>	<u>438,696</u>	<u>428,467</u>	<u>187,808</u>	<u>286,359</u>	<u>3,825,124</u>
EXPENDITURES						
Current:						
General Government	626,820	-	-	-	-	626,820
Judicial	79,453	-	-	-	-	79,453
Public Safety	1,474,003	-	-	-	-	1,474,003
Public Works	589,310	-	-	4,914	-	594,224
Culture & Recreation	9,079	-	-	-	-	9,079
Housing & Development	93,436	-	-	-	-	93,436
Capital Outlay:						
Public Safety	238,539	62,367	-	-	3,757	304,663
Public Works	153,244	130,736	438,862	15,181	-	738,023
Culture and Recreation	-	17,600	-	-	-	17,600
Housing & Development	-	-	-	-	275,293	275,293
Debt Service:						
Principal	214,342	-	-	-	-	214,342
Interest	53,410	-	-	-	-	53,410
Total expenditures	<u>3,531,636</u>	<u>210,703</u>	<u>438,862</u>	<u>20,095</u>	<u>279,050</u>	<u>4,480,346</u>
Excess (deficiency) of revenues over expenditures	<u>(1,047,842)</u>	<u>227,993</u>	<u>(10,395)</u>	<u>167,713</u>	<u>7,309</u>	<u>(655,222)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	1,133,195	-	-	-	-	1,133,195
Transfers Out	-	(97,833)	-	(167,224)	(20,000)	(285,057)
Total other financing sources and uses	<u>1,133,195</u>	<u>(97,833)</u>	<u>-</u>	<u>(167,224)</u>	<u>(20,000)</u>	<u>848,138</u>
SPECIAL ITEM						
Proceeds from sale of assets	6,060	-	-	-	-	6,060
Net change in fund balances	<u>91,413</u>	<u>130,160</u>	<u>(10,395)</u>	<u>489</u>	<u>(12,691)</u>	<u>198,976</u>
Fund balances - beginning	<u>247,576</u>	<u>551,009</u>	<u>469,272</u>	<u>200</u>	<u>35,763</u>	<u>1,303,820</u>
Fund balances - ending	<u>\$ 338,989</u>	<u>\$ 681,169</u>	<u>\$ 458,877</u>	<u>\$ 689</u>	<u>\$ 23,072</u>	<u>\$ 1,502,796</u>

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

City of Pelham, Georgia
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	\$	198,976
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the asset's useful life. This results in the following adjustment:		
Capital outlay reported as expenditures		955,124
Depreciation expense during the current fiscal period		(399,617)
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.		
		3,370
Some capital additions were financed through debt agreements. In governmental funds, a long-term debt agreement is considered a source of financing, but in the Statement of Net Position, the debt is reported as a liability. In the governmental funds, repayment of debt agreements are considered an expense. This amount is the net effect of these differences.		
		214,342
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, these are not reported as expenditures in governmental funds:		
Changes in compensated absences		(1,596)
Change in NPO, Deferred Inflows, and Deferred Outflows		10,012
Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		
		(31,264)
Governmental funds recognize expenditures for insurance using the purchases method. However, the Statement of Activities uses the consumption method and thus only the amount of insurance benefits consumed are recognized.		
		(5,191)
Change in net position of governmental activities	<u>\$</u>	<u>944,156</u>

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

City of Pelham, Georgia
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise Fund		Internal Service Fund
	Water, Sanitation, Sewer, & Gas	Total	
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 430,064	\$ 430,064	\$ 63,206
Accounts Receivable, net	226,865	226,865	-
Due from Other Funds	3,333	3,333	-
Prepaid Expenses	15,594	15,594	-
Restricted Cash:			
Revenue Bond Covenant Accounts	76,533	76,533	-
Capital Projects/Outlays	9,931	9,931	-
Total Current Assets	<u>762,320</u>	<u>762,320</u>	<u>63,206</u>
Non-Current Assets:			
Capital Assets:			
Land & Improvements	673,651	673,651	-
Utility System	13,202,016	13,202,016	-
Construction in Progress	80,700	80,700	-
Buildings	62,343	62,343	-
Equipment & Furniture	1,087,575	1,087,575	-
Right-To-Use Leased Assets	42,431	42,431	-
Less Accumulated Depreciation & Amortization	<u>(7,781,784)</u>	<u>(7,781,784)</u>	<u>-</u>
Total Non-Current Assets	<u>7,366,932</u>	<u>7,366,932</u>	<u>-</u>
Total Assets	<u>8,129,252</u>	<u>8,129,252</u>	<u>63,206</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	259,238	259,238	-
Salaries Payable	2,219	2,219	-
Customer Deposits	131,075	131,075	-
Other Accrued Expenses	4,096	4,096	-
Notes & Bonds- Current Portion	163,116	163,116	-
Lease Payable- Current Portion	8,401	8,401	-
Total Current Liabilities	<u>568,145</u>	<u>568,145</u>	<u>-</u>
Non-Current Liabilities:			
Compensated Absences	4,221	4,221	-
Notes & Bonds- Long-Term Portion	1,186,943	1,186,943	-
Lease Payable- Long-Term Portion	20,367	20,367	-
Total Non-Current Liabilities	<u>1,211,531</u>	<u>1,211,531</u>	<u>-</u>
Total Liabilities	<u>1,779,676</u>	<u>1,779,676</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	5,988,105	5,988,105	-
Unrestricted	361,471	361,471	63,206
Total Net Position	<u>\$ 6,349,576</u>	<u>\$ 6,349,576</u>	<u>\$ 63,206</u>

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

City of Pelham, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	<u>Enterprise Fund</u>		
	Water, Sanitation, Sewer, & Gas	Total	Internal Service Fund
OPERATING REVENUES			
Charges for services	\$ 2,595,164	\$ 2,595,164	\$ 263,440
Miscellaneous	86	86	-
Total operating revenues	<u>2,595,250</u>	<u>2,595,250</u>	<u>263,440</u>
OPERATING EXPENSES			
Personal services	295,672	295,672	294,753
Contractual services	696,355	696,355	-
Repairs & maintenance	85,325	85,325	-
Other supplies & expenses	484,018	484,018	-
Depreciation & amortization	346,282	346,282	-
Total operating expenses	<u>1,907,652</u>	<u>1,907,652</u>	<u>294,753</u>
Operating income (loss)	<u>687,598</u>	<u>687,598</u>	<u>(31,313)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest & investment revenue	45	45	49
Interest expense	(48,759)	(48,759)	-
Total non-operating revenue (expenses)	<u>(48,714)</u>	<u>(48,714)</u>	<u>49</u>
Income (loss) before contributions and transfers	<u>638,884</u>	<u>638,884</u>	<u>(31,264)</u>
Transfers in	97,833	97,833	-
Transfers in (out)	(945,971)	(945,971)	-
Net transfers in (out)	<u>(848,138)</u>	<u>(848,138)</u>	<u>-</u>
Change in net position	(209,254)	(209,254)	(31,264)
Total net position - beginning	6,558,830	6,558,830	94,470
Total net position - ending	<u>\$ 6,349,576</u>	<u>\$ 6,349,576</u>	<u>\$ 63,206</u>

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Enterprise Fund		
	Water, Sanitation, Sewer & Gas	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,534,763	\$ 2,534,763	\$ 263,440
Payments to suppliers	(1,114,262)	(1,114,262)	-
Payments to employees	(295,672)	(295,672)	(294,753)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,124,829</u>	<u>1,124,829</u>	<u>(31,313)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to/from other funds	(945,971)	(945,971)	-
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(945,971)</u>	<u>(945,971)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer in from SPLOST	97,833	97,833	-
Acquisition and construction of capital assets	(75,482)	(75,482)	-
Principal payments on debt	(63,384)	(63,384)	-
Principal payments on revenue bonds	(38,304)	(38,304)	-
Principal payments on leases	(8,211)	(8,211)	-
Interest paid	(48,759)	(48,759)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(136,307)</u>	<u>(136,307)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	45	45	49
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>45</u>	<u>45</u>	<u>49</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,596	42,596	(31,264)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>473,932</u>	<u>473,932</u>	<u>94,470</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 516,528</u>	<u>\$ 516,528</u>	<u>\$ 63,206</u>

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

City of Pelham, Georgia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	<u>Enterprise Fund</u>		Internal Service Fund
	Water, Sanitation, Sewer & Gas	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 687,598	\$ 687,598	\$ (31,313)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation & amortization	346,282	346,282	-
(Increase) decrease in current assets			
Accounts receivable	(60,487)	(60,487)	-
Prepaid expenses	3	3	-
(Decrease) increase in current liabilities			
Accounts payable	145,261	145,261	-
Accrued liabilities	(2,955)	(2,955)	-
Deposits	9,127	9,127	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,124,829</u>	<u>\$ 1,124,829</u>	<u>\$ (31,313)</u>

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

City of Pelham, Georgia
Custodial Funds
Statement of Net Position
For the Fiscal Year Ended June 30, 2023

	<u>Municipal Court Fund</u>
Assets	
Cash	\$ 161,150
Total Assets	<u>\$ 161,150</u>
Liabilities	
Payables	\$ 9,067
Due to others	<u>152,083</u>
Total Liabilities	<u>161,150</u>
Net Position	
Net position- held for others	<u>-</u>
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u>\$ 161,150</u>

City of Pelham, Georgia
Custodial Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2023

	<u>Municipal Court Fund</u>
Additions	
Fees	\$ <u>265,520</u>
Total Additions	<u>265,520</u>
Deductions	
Payment of fees to other agencies	<u>265,520</u>
Total Deductions	<u>265,520</u>
Change in net position	-
Net position - beginning	<u>-</u>
Net position - ending	<u><u>\$ -</u></u>

City of Pelham, Georgia
Statement of Net Position
Component Units
June 30, 2023

	Joint Development Authority of Mitchell Co & Pelham <u>December 31, 2021</u>	Downtown Development Authority <u>June 30, 2022</u>	<u>Totals</u>
ASSETS			
Cash & equivalents	\$ 62,964	\$ 92,590	\$ 155,554
Capital Assets:			
Land	-	7,360	7,360
Buildings & Building Improvements	-	30,450	30,450
Less: Accumulated Depreciation	-	(63)	(63)
Total assets	<u>62,964</u>	<u>130,337</u>	<u>193,301</u>
LIABILITIES			
Accounts payable & accrued expenses	<u>-</u>	<u>465</u>	<u>465</u>
Total liabilities	<u>-</u>	<u>465</u>	<u>465</u>
NET POSITION			
Net investment in capital assets	-	37,747	37,747
Restricted for:			
Community development projects	<u>62,964</u>	<u>92,125</u>	<u>155,089</u>
Total net position	<u>\$ 62,964</u>	<u>\$ 129,872</u>	<u>\$ 192,836</u>

City of Pelham, Georgia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2023

Activities:	Expenses	Program Revenues	Net (Expenses) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Joint Development Authority of Mithcell Co & Pelham	Downtown Development Authority	
Component units:					
Joint Development Authority of Mitchell Co & Pelham	\$ 70	\$ 27,799	\$ 27,729	\$ -	\$ 27,729
Downtown Development Authority	19,283	7,299	-	(11,984)	(11,984)
Total component units	\$ 19,353	\$ 35,098	27,729	(11,984)	15,745
General Revenues:					
Investment			27	-	27
Total General Revenues			27	-	27
Change in net position			27,756	(11,984)	15,772
Net position - beginning			35,208	141,856	177,064
Net position - ending			\$ 62,964	\$ 129,872	\$ 192,836

Notes to Financial Statements

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Pelham was incorporated September 14, 1881, under the laws of the State of Georgia. The City is a municipal corporation governed by an elected mayor and eight-member council, with its fiscal operations monitored by the City Manager. The City provides a range of municipal services as authorized by its Charter including police and fire protection, public works (streets and waste collection), public improvements, water, sanitation, sewer and gas services, telecommunication services and general administrative services. The accompanying financial statements present the City's primary government and component units for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units. The component units' column in the government-wide financial statements includes the financial data of the Downtown Development Authority of Pelham. The Downtown Development Authority of Pelham was established by the Mayor and City Council of Pelham on July 11, 1983. The Authority has seven members appointed by the Mayor and City Council. Once selected, the seven members of the Authority will elect members to serve as a Chairman and a Secretary/Treasurer. Although the Authority is a legally separate entity, the City has the ability to impose its will on the Authority.

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA's year end is December 31.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City implemented a new reporting model as required by the Governmental Accounting Standards Board beginning July 1, 2003. The implementation of the new reporting model affects the comparability with all prior years' reports.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government and its 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 service. 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 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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, alcoholic beverage taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 government reports the following major governmental funds:

The *General Fund* is the government'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 Capital Projects Fund* is the fund used to account for all special local option sales tax revenues as well as the specifically identified projects for which the SPLOST tax was established.

The *TSPLOST Capital Projects Fund* is the fund used to account for all transportation special local option sales tax revenues as well as the specifically identified projects for which the TSPLOST tax was established.

The *ARPA Grant Special Revenue Fund* accounts for grant proceeds that are restricted for specific purposes.

The government reports the following major proprietary fund:

The *Water, Sanitation, Sewer and Gas Fund* accounts for the activities of the government's water distribution system, sewage treatment plant, sewage pumping station and collection systems.

The government reports the following fund types:

Internal Service Fund accounts for insurance services provided to other departments and funds of the City.

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). The only custodial fund the City has is the Municipal Court Fund.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between the government's various funds related to charges resulting from services provided through actual operations. Elimination of these charges would distort the direct costs and program revenues reported 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 non-operating 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 revenue of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Deposits and Investments

State statutes authorize the City and the Authority to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers acceptances; the local government investment pool established by Georgia law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia; and additionally, certificates of deposits, NOW accounts and money market accounts of banks which have deposits insured by the Federal Deposit Insurance Corporation; provided, however, that portion of such investment shall be secured by direct obligations of the State of Georgia or the United States which are of a par value equal to 110 percent of funds on deposit at the institution. For the purpose of the Statement of Cash Flows, the City considers cash on hand, cash in demand deposits and certificates of deposit to be cash equivalents.

2. 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 "due to/from other funds" (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 "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property tax receivable and trade accounts receivable in excess of 90 days plus a percentage of receivable balances less than 90 days comprise the allowance for uncollectibles.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Property taxes are levied as of October 30, 2022 on property values assessed as of January 1, 2022. The billing, representing the current year tax levy, was mailed October 30, 2022. The billings are considered past due 90 days after the billing date and penalties and interest are assessed. The applicable property is subject to lien after the billings are 90 days delinquent.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements of the proprietary funds. In the fund financial statements governmental funds record items as expenditures when purchased (purchases method) rather than when consumed.

4. Restricted Assets

Portions of the City's assets are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, laws or regulations of other governments). Self-imposed restrictions that can be removed as easily as imposed are not considered restrictions for financial reporting purposes; although, restrictions can be imposed by the City's constitutional provisions or by enabling legislation that are not easily removed. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 for vehicles and machinery and more than \$5,000 for all other asset types (amount not rounded) 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 estimated fair market value at the date of donation.

Pursuant to GASB Statement 34, the City is not required to record and depreciate infrastructure assets (e.g. roads, sidewalks, bridges and similar items) acquired before the implementation date became effective. Infrastructure acquired prior to July 1, 2003 has not been recorded for governmental activities. GASB Statement 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (July 1, 2003).

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 capitalized value of the assets constructed. The total interest expense incurred by the general government during the current fiscal year was \$53,410. Of these amounts, none were attributable to the cost of capital assets associated with construction projects.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

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

Buildings and improvements	40 years
Machinery and equipment	7-10 years
Improvements other than building	20-50 years
Right-to-use lease assets - equipment	7-10 years

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City's annual leave policy allows an employee to earn and accumulate up to 240 hours. Also, those employees with over ten years of service can accumulate an additional eight hours for each year not to exceed 120 hours, and it will be paid to employees upon separation from City service. In governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund has been used to liquidate compensated absences, unless associated with a specific proprietary fund in prior years.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Leases

The determination of whether an arrangement is a lease is made at the lease's inception. Under GASB Statement No. 87, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Right to use lease assets and the related lease liabilities are recorded on the statement of financial position.

The City recognizes right to use lessee asset and related lease liability at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The right to use lease asset is measured at the amount of the initial measurement of the related lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

The City reduces the lease liability as payments are made and recognize interest on the lease liability. The City amortizes the right to use lease asset over the shorter of the lease term or the useful life of the underlying asset.

8. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based on 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 amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *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. The City Council also may modify or rescind the commitment.
- *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’s finance committee or the City’s finance director 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 balance may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

9. Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes of \$86,541 is listed as unavailable and is deferred to be recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets are adopted for the General Fund, Special Revenue and the proprietary funds on an annual basis. The budgets for the General and Special Revenue Funds are adopted on a cash plus 30 days basis, which is not consistent with generally accepted accounting principles. Project-length budgets are adopted for the Capital Projects Fund. Budgets are prepared for the proprietary funds as a management control device; (non-GAAP) hybrid basis of accounting is used in preparing the proprietary fund budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared and submitted by the City Manager to the administrative committee for their consideration and approval prior to presentation to the full Council for adoption, which is required prior to commencement of the ensuing fiscal year. After the budget requests have been reviewed, a public hearing is held for public comment. After the public hearing, a budget ordinance is adopted by the Mayor and Council. The City's policy for the legal level of budgetary control is at the individual department level. Only the Mayor and Council can amend the annual budget at the department level. Amendments that change the composition within a departmental budget can occur with the authorization of the City Manager.

Original budgeted amounts for the year ended June 30, 2023, were adopted by the City Council on June 16, 2022.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's behalf.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All the City's deposits are covered by a combination of federal depository insurance and securities pledged by financial institutions as collateral to protect the deposits of the City as required under state law. Therefore, the City has no custodial credit risk for its deposits.

B. RECEIVABLES

All trade and property taxes receivables are shown net of allowance for uncollectibles.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

C. CAPITAL ASSETS

Primary Government

Governmental activities:	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	\$ 541,113	\$ -	\$ -	\$ 541,113
Construction in progress	155,152	586,231	-	741,383
Total capital assets not being depreciated	<u>696,265</u>	<u>586,231</u>	<u>-</u>	<u>1,282,496</u>
Capital assets, being depreciated/amortized				
Buildings	2,824,178	17,600	-	2,841,778
Improvements, other than buildings	5,027,248	-	-	5,027,248
Machinery and equipment	2,712,004	352,051	(23,589)	3,040,466
Right-to-use lease assets	46,343	-	-	46,343
Total capital assets, being depreciated/amortized	<u>10,609,773</u>	<u>369,651</u>	<u>(23,589)</u>	<u>10,955,835</u>
Less accumulated depreciation for:				
Buildings	(1,527,458)	(61,650)	-	(1,589,108)
Improvements, other than buildings	(1,898,250)	(142,381)	-	(2,040,631)
Machinery and equipment	(1,698,738)	(185,143)	22,831	(1,861,050)
Less accumulated amortization for:				
Right-to-use lease assets	(7,590)	(10,443)	-	(18,033)
Total accumulated depreciation & amortization	<u>(5,132,036)</u>	<u>(399,617)</u>	<u>22,831</u>	<u>(5,508,822)</u>
Total capital assets, being depreciated/ amortized, net	<u>5,477,737</u>	<u>(29,966)</u>	<u>(758)</u>	<u>5,447,013</u>
Governmental activities capital assets, net	<u>\$ 6,174,002</u>	<u>\$ 556,265</u>	<u>\$ (758)</u>	<u>\$ 6,729,509</u>
Business-type activities:	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Land	\$ 673,651	\$ -	\$ -	\$ 673,651
Construction in progress	28,200	52,500	-	80,700
Total capital assets not being depreciated	<u>701,851</u>	<u>52,500</u>	<u>-</u>	<u>754,351</u>
Capital assets, being depreciated/amortized				
Buildings	62,343	-	-	62,343
Improvements, other than buildings	13,179,033	22,983	-	13,202,016
Machinery and equipment	1,087,575	-	-	1,087,575
Right-to-use assets	42,431	-	-	42,431
Total capital assets, being depreciated/ amortized	<u>14,371,382</u>	<u>22,983</u>	<u>-</u>	<u>14,394,365</u>
Less accumulated depreciation for:				
Buildings	(45,753)	(1,126)	-	(46,879)
Improvements, other than buildings	(6,816,400)	(245,954)	-	(7,062,354)
Machinery and equipment	(567,714)	(90,717)	-	(658,431)
Less accumulated amortization for:				
Right-to-use assets	(5,634)	(8,486)	-	(14,120)
Total accumulated depreciation & amortization	<u>(7,435,501)</u>	<u>(346,283)</u>	<u>-</u>	<u>(7,781,784)</u>
Total capital assets, being depreciated/ amortized, net	<u>6,935,881</u>	<u>(323,300)</u>	<u>-</u>	<u>6,612,581</u>
Business-type activities capital assets, net	<u>\$ 7,637,732</u>	<u>\$ (270,800)</u>	<u>\$ -</u>	<u>\$ 7,366,932</u>

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

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

Governmental activities:	
General government	\$ 45,531
Public safety	129,390
Public works	139,188
Health and welfare	56,365
Culture and recreation	26,970
Housing and development	<u>2,173</u>
Total depreciation & amortization expense-governmental activities	<u>\$ 399,617</u>
Business-type activities:	
Water	\$ 252,734
Sewer	85,383
Gas	<u>8,166</u>
Total depreciation & amortization expense-business-type activities	<u>\$ 346,283</u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Due to/from other funds:

	<u>Interfund Receivable (Due From)</u>	<u>Interfund Payable (Due To)</u>
Governmental Funds		
General Fund	\$ -	\$ 4,813
SPLOST Capital Project Fund	1,480	-
Sub-total Governmental Funds	<u>1,480</u>	<u>4,813</u>
Proprietary Funds		
Water, Sanitation, Sewer and Gas Fund	3,333	-
Sub-total Proprietary Funds	<u>3,333</u>	<u>-</u>
Totals	<u>\$ 4,813</u>	<u>\$ 4,813</u>
Governmental fund payables		<u>\$ (3,333)</u>
Internal balances - Statement of Net Position		<u>\$ (3,333)</u>
Proprietary fund receivables		<u>\$ 3,333</u>
Internal balances - Statement of Net Position		<u>\$ 3,333</u>

Due to/from balances between Proprietary Funds and SPLOST are for qualified debt payments.

Interfund transfers:

Transfer Out	<u>Transfer In</u>		
	<u>General Fund</u>	<u>Water, Sanitation, Sewer, & Gas Fund</u>	<u>Totals</u>
SPLOST Capital Project Fund	\$ -	\$ 97,833	\$ 97,833
ARPA Grant Special Revenue Fund	167,224	-	167,224
Hotel/Motel Tax SRF	20,000	-	20,000
Water, Sanitation, Sewer, & Gas Fund	945,971	-	945,971
Totals	<u>\$ 1,133,195</u>	<u>\$ 97,833</u>	<u>\$ 1,231,028</u>

Transfers from the SPLOST Fund in the amount of \$97,833 were for capital expenditures moved to the Water, Sanitation, Sewer & Gas Fund.

\$167,224 was transferred from the ARPA Special Revenue Fund to the General Fund for qualified expenditures.

All other transfers were for normal operating expenses.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

E. LONG-TERM DEBT

Notes Payable - Governmental Activities

The City entered into a loan agreement on August 29, 2017 with John Deere to purchase a Mowing Tractor with an original balance of \$40,720. At June 30, 2023, the balance of the note outstanding was \$0.

The City entered into a loan agreement on March 29, 2018 with BB&T for lighting upgrades with an original balance of \$115,975. At June 30, 2023, the balance of the note outstanding was \$0.

The City entered into a loan agreement on April 12, 2018 with BB&T to purchase a Dodge Ram 2500 with an original balance of \$29,615. At June 30, 2023, the balance of the note outstanding was \$0.

The City refinanced and consolidated two loans on December 8, 2017 with Family Bank. The note is secured by (5) Dodge Chargers with a new original balance of \$89,368. At June 30, 2023, the balance of the note outstanding was \$0.

The City entered into a loan agreement on November 30, 2021 with GMA to purchase a fire engine with an original balance of \$324,400. At June 30, 2023, the balance of the note outstanding was \$278,087.

Notes payable debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 30,176	\$ 7,315
2025	30,911	6,431
2026	31,664	5,697
2027	32,436	4,946
2028	33,226	4,176
2029-2032	119,674	8,750
	<u>\$ 278,087</u>	<u>\$ 37,315</u>

Notes Payable - Business-type Activities

The City entered into a loan agreement on April 12, 2018 with BB&T to purchase (2) Dodge Ram 1500s and a John Deere Gator with an original balance of \$73,385. At June 30, 2023, the balance of the note outstanding was \$0.

The City entered into a loan agreement on August 22, 2018 with Deere Credit to purchase an Excavator with an original balance of \$63,070. At June 30, 2023, the balance of the note outstanding was \$40,589.

The City established a note on January 31, 2003 with the Georgia Environmental Facilities Authority for \$462,640 bearing interest at 0%. The debt was used for the construction of a water tank. Seventy-eight quarterly payments of \$5,931 are due beginning July 1, 2005. On July 1, 2020, this note was modified to include an interest free period commencing on June 1, 2020 and ending on November 30, 2020 and a payment free period commencing on July 1, 2020 and ending on December 31, 2020. At June 30, 2023, the balance of the note outstanding was \$47,451.

The City established a note on July 31, 2008 with the Georgia Environmental Facilities Authority for an amount up to \$949,240 bearing interest at 4.10%. The debt was used for the build of an additional sprayfield. Two-hundred and forty-five monthly payments of \$3,881 are due beginning May 1, 2010. On July 1, 2020, this note was modified to include an interest free period commencing on June 1, 2020 and ending on November 30, 2020 and a payment free period commencing on July 1, 2020 and ending on December 31, 2020. At June 30, 2023, the balance of the note outstanding was \$296,458.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

The City established a note on March 27, 2018 with the Georgia Environmental Facilities Authority for an amount up to \$504,293 bearing interest at .89%. The debt was used for the replacement of water meters. Two-hundred and forty-five monthly payments of \$2,283 are due beginning June 1, 2018. On July 1, 2020, this note was modified to include an interest free period commencing on June 1, 2020 and ending on November 30, 2020 and a payment free period commencing on July 1, 2020 and ending on December 31, 2020. At June 30, 2023, the balance of the note outstanding was \$396,520.

On October 18, 2021, the City entered into a loan agreement with the Georgia Environmental Finance Authority (GEFA) in an amount up to \$644,000. This project will make improvements to the pump stations and related appurtenances. This loan is currently not in repayment.

On October 18, 2021, the City entered into a loan agreement with the Georgia Environmental Finance Authority (GEFA) in an amount up to \$672,000. This project will make improvements to the water distribution system and related appurtenances. This loan is currently not in repayment.

Notes payable debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 122,867	\$ 15,955
2025	112,108	13,926
2026	61,869	12,239
2027	63,621	10,487
2028	65,434	8,674
2029-2033	237,761	24,100
2034-2038	134,110	3,563
2039-2039	11,448	25
	<u>\$ 809,218</u>	<u>\$ 88,969</u>

Revenue Bonds - Governmental Activities

On May 5, 2016, the City issued \$2,240,000 of 2016A and 2016B Series Revenue Bonds for the purpose of consolidating debt. The City had to pay an issuance cost of \$54,827 which has been fully expensed in accordance with GASB 65. During the fiscal year 2021, the Bond was refinanced.

On June 15, 2021, the City issued \$1,842,000 in General Obligation Refunding Bond, Series 2021 with an interest rate of 2.58%. The proceeds were used to pay off (refund) the existing bond series 2016B. The bond has annual principal installments beginning on April 1, 2022 and semiannual interest installments due on April 1 and October 1 beginning October 1, 2021. At June 30, 2023, the balance was \$1,567,000.

Bonds will bear interest as set forth below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 136,000	\$ 43,886
2025	143,000	40,429
2026	144,000	36,920
2027	151,000	33,230
2028	156,000	29,515
2029-2033	837,000	87,178
	<u>\$ 1,567,000</u>	<u>\$ 271,158</u>

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Revenue Bonds - Business-type Activities

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The proceeds of the 1993A and 1993B Water and Sewer Revenue Bonds were used for the purpose of expanding the Water and Sewer system to provide additional services to new customers.

Revenue bonds outstanding at year-end are as follows:

\$1,025,000 Water and Sewer Revenue Bonds, series 1993A, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	\$ 461,320
\$100,000 Water and Sewer Revenue Bonds, series 1993B, due in annual installments of varying amounts from January 11, 1994, through January 11, 2033, interest at 5%.	<u>45,020</u>
Total Revenue Bonds	<u><u>\$ 506,340</u></u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 40,249	\$ 27,232
2025	42,262	25,316
2026	44,375	23,303
2027	46,594	21,190
2028	48,923	18,971
2029-2033	<u>283,937</u>	<u>57,492</u>
	<u><u>\$ 506,340</u></u>	<u><u>\$ 173,504</u></u>

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Lease Payable - Governmental Activities

The City has entered into one lease agreement for equipment for five years. As of June 30, 2023 in accordance with GASB Statement No. 87 – Leases, the Right-To-Use Lease asset estimated future liabilities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2024	\$ 8,401	\$ 571	\$ 8,972
2025	8,596	377	8,973
2026	8,795	178	8,973
2027	2,976	13	2,989
	<u>\$ 28,768</u>	<u>\$ 1,139</u>	<u>\$ 29,907</u>

Lease Payable - Business-type Activities

The City has entered into one lease agreement for equipment for five years. As of June 30, 2023 in accordance with GASB Statement No. 87 – Leases, the Right-To-Use Lease asset estimated future liabilities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2024	\$ 8,401	\$ 571	\$ 8,972
2025	8,596	377	8,973
2026	8,795	178	8,973
2027	2,976	13	2,989
	<u>\$ 28,768</u>	<u>\$ 1,139</u>	<u>\$ 29,907</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenue bonds	\$ 1,701,000	\$ -	\$ (134,000)	\$ 1,567,000	\$ 136,000
Notes payable	348,261	-	(70,174)	278,087	30,176
Lease liabilities	38,936	-	(10,168)	28,768	8,401
Compensated absences	65,581	36,621	(43,633)	58,569	-
Total long-term liabilities- Governmental Activities	<u>\$ 2,153,778</u>	<u>\$ 36,621</u>	<u>\$ (257,975)</u>	<u>\$ 1,932,424</u>	<u>\$ 174,577</u>
Business-type activities					
Revenue bonds	\$ 544,644	\$ -	\$ (38,304)	\$ 506,340	\$ 40,249
Notes payable	878,902	-	(97,884)	781,018	122,867
GEFA (Not in re-payment)	28,200	-	-	28,200	-
Lease liabilities	36,979	-	(8,211)	28,768	8,401
Compensated absences	4,596	5,546	(5,921)	4,221	-
Total long-term liabilities- Business-type Activities	<u>\$ 1,493,321</u>	<u>\$ 5,546</u>	<u>\$ (150,320)</u>	<u>\$ 1,348,547</u>	<u>\$ 171,517</u>

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

F. RESTRICTED ASSETS

General Fund. Specific general funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's General Fund Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the General Fund Revenue Bonds. The balance in the Sinking Fund at June 30, 2023 is \$122,280.

Liabilities payable from restricted assets:	
Current portion of bonds payable	\$ 136,000
Interest payable	<u>40,429</u>
Total liabilities payable from restricted assets	<u><u>\$ 176,429</u></u>

Enterprise Funds. Specific enterprise funds are required to be segregated as to use and are therefore identified as restricted assets.

The City of Pelham, Georgia's Water and Sewer Revenue Bond ordinance requires the establishment of a Sinking Fund to provide for the accumulation of resources to retire the Water and Sewer Revenue Bonds. The funding for the retirement of the bonds is provided from the operations of the Water and Sewer operations. The balance in the Sinking Fund at June 30, 2023 is \$76,533.

Liabilities payable from restricted assets:	
Current portion of bonds payable	\$ 40,249
Interest payable	<u>25,316</u>
Total liabilities payable from restricted assets	<u><u>\$ 65,565</u></u>

IV. SPECIAL ITEM – SALE OF CAPITAL ASSETS

During the fiscal year ended June 30, 2023, the City sold capital assets, which are transactions the City considers infrequent in occurrence. The City has reported these transactions as special items in the government-wide financial statements as required by GASB 34, paragraph 56.

The transactions consisted of the disposition miscellaneous small equipment.

V. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the City carries commercial insurance. The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

B. CONTINGENT LIABILITIES

Grants:

The City participates in Federal and State-assisted grant programs. These programs are subject to program compliance audits by the grantor or its representative. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Litigation:

The City Attorney represented that there is no pending or threatened litigation against the City, and additionally, there are no unasserted claims or assessments.

Intergovernmental Agreement:

On July 1, 2007, the city entered into an agreement with Mitchell County to form the Joint Development Authority of Mitchell County and Pelham. Initially, the city pledged an annual sum not to exceed the equivalent of 2.5 mills of the ad valorem tax levied by Pelham on the real property within its boundaries with said payment or payments to be made only if the income generated by the operation of the Hand Trading Company Building by the JDA is not sufficient to service the debt secured by the Hand Trading Company Building property. On December 21, 2018, the Joint Development Authority entered into a closing agreement with Hand TC Restoration, LP. Upon closing, Pelham no longer had any financial commitments to the project.

C. JOINT VENTURES

Southwest Georgia Regional Commission. The City of Pelham, in conjunction with cities and counties in the fourteen (14) county Southwest Georgia area, is a member of the Southwest Georgia Regional Commission (RC). Membership in an RC 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 RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC 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 non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs as “public agencies and instrumentalities of their members.” Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39)

Separate financial statements may be obtained: Southwest Georgia Regional Commission, P.O. Box 346, 30 West Broad Street, Camilla, Georgia 31730-0346.

D. RELATED ORGANIZATIONS

The City’s officials are also responsible for appointing the members of the boards of other organizations; however, the City’s accountability for the organizations does not extend beyond making appointments. The City Council appoints board members to the Housing Authority and the Library Board.

E. PENSION PLAN

Plan Description. The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple employer public retirement system that acts as a common investment and administrative agent for cities, counties, authorities and agencies in the State of Georgia. The plan is also a defined benefit plan. Regular, full-time employees who work at least 30 hours per week may participate in the plan after completion of one year of continuous service. Normal retirement age is 65, provided the employee has at least 5 years of credited service. Early retirement is permitted between ages 55 and 65 provided the employee has at least 10 years of credited service. City employees who retire at or after normal retirement age with ten years of credited service are entitled to an annual retirement benefit payable for life. The monthly benefit is determined by first calculating the employee’s average monthly earnings from the consecutive 5-year period prior to retirement in which earnings are the highest. The sum of 1% of the average monthly earnings which are less than or equal to the amount for covered compensation for the

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

employee's year of birth and 1.75% of average monthly earnings in excess of the covered compensation is multiplied by the number of years of credited service at retirement age to calculate the dollar value of the monthly retirement benefit.

Also, the pension plan provides for death benefits and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance obligations to contribute are established by Council resolutions; amendments to the plan must also be authorized by resolution of the Council. Employees are not required to contribute to the plan. The Georgia Municipal Benefits System issues a publicly available financial report, which may be obtained by contacting The Burgess Building in Atlanta, Georgia.

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the entry age normal actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

Net Investment Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	45.00%	6.40%
International equity	20.00%	6.80%
Domestic fixed income	20.00%	0.40%
Real estate	10.00%	3.90%
Global fixed income	5.00%	0.46%
Cash	0.00%	
Total	<u>100.00%</u>	

Rate of Return: 7.375% On-going basis, based on long-term expected rate of return on pension plan investments.

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Significant actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

The significant actuarial assumptions used in the current valuation, as of January 1, 2023 are:

Net Investment Rate of Return	7.375 % per year
Projected Salary Increases	2.25 % plus service based merit increases
Cost of living adjustment	2.25%

The mortality table for healthy retirees and beneficiaries is the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. The mortality table for active participants, terminated vested participants, and deferred beneficiaries is the sex-distinct Pri-2012 head-count weighted Employee Mortality Table. Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct rates under the 2019 OASDI Trustees Report used for the intermediate alternative. Previously future mortality improvements were not explicitly projected. The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

Net Pension Liability. The components of the net pension liability of participating entities were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2020 *	\$ 4,674,344	\$ 4,446,090	\$ 228,254
Changes for the year:			
Service Cost	57,462	-	57,462
Interest	340,174	-	340,174
Difference Between expected and actual expenses	(53,978)	-	(53,978)
Employer Contributions	-	163,664	(163,664)
Employee Contributions	-	-	-
Net Investment Income	-	(717,026)	717,026
Benefit Payments	(238,545)	(238,545)	-
Administrative Expense	-	(14,965)	14,965
Other Changes	-	-	-
Net Changes	105,113	(806,872)	911,985
Balances at September 30, 2021 **	\$ 4,779,457	\$ 3,639,218	\$ 1,140,239

* Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2022 are used to measure TPL as of September 30, 2021. The balances as of September 30, 2021 constitute measurements of the NPL for the fiscal year ending June 30, 2022.

**Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2023 are used to measure TPL as of September 30, 2022. The balances as of September 30, 2022 constitute measurements of the NPL for the fiscal year ending June 30, 2023.

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%
	<u>\$ 1,711,925</u>	<u>\$ 1,140,239</u>	<u>\$ 659,596</u>

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

Pension expense for the year ended June 30, 2023

Service Cost	\$ 57,462
Interest on TPL	340,174
Employee contributions	-
Administrative cost	14,965
Expected return on assets	(324,586)
Expensed portion of current year period differences between expected and actual experience in TPL	(17,992)
Expensed portion of current year period assumption change	-
Current year plan changes	-
Expensed portion of current year period differences between projected and actual investment earnings	208,324
Current year recognition of deferred inflows and outflows established in prior years	<u>(113,087)</u>
Total expense	<u>\$ 165,260</u>

Deferred outflows/inflows of resources related to pensions

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience in the measurement of the total pension liability	\$ 22,399	\$ (35,986)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments *	<u>463,409</u>	<u>-</u>
Total	<u>\$ 485,808</u>	<u>\$ (35,986)</u>

* Individual period investment outflows and inflows are being shown netted in accordance with GASB 68 paragraph 33b.

City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	2024	\$ 104,847
	2025	51,637
	2026	85,016
	2027	208,322

The following chart shows historical funding information on the basis used for determining contribution requirements. This funding information is based on the actuarial value of assets and the actuarial accrued liability, which includes projected increases in salaries not reflected on the previous measurements of funding status. If the chart were based on the market value of assets instead of the actuarial value of assets, the funded ratios would differ.

Funding History

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/(Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
1/1/2014	2,958,336	3,675,520	717,184	80.49%	1,165,752	61.52%
1/1/2015	2,939,206	3,509,569	570,363	83.75%	1,252,459	45.54%
1/1/2016	2,902,541	3,328,935	426,394	87.19%	731,207	58.31%
1/1/2017	3,017,875	3,471,175	453,300	86.94%	871,718	52.00%
1/1/2018	3,166,610	3,594,514	427,904	88.10%	1,075,865	39.77%
1/1/2019	3,316,781	3,851,012	534,231	86.13%	1,202,451	44.43%
1/1/2020	3,468,819	3,891,393	422,574	89.14%	1,348,521	31.34%
1/1/2021	3,650,975	4,056,176	405,201	90.01%	1,310,504	30.92%
1/1/2022	3,892,647	4,260,735	368,088	91.36%	1,406,949	26.16%
1/1/2023	4,041,835	4,385,805	343,970	92.16%	1,320,050	26.06%

* Not less than zero

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

Table of Plan Coverage as of Valuation Date

Category	For Valuation as of		Change From Prior Year
	January 1, 2023	January 1, 2022	
Active participants in valuation			
Number of employees	35	41	-14.6%
Number of elected officials	6	7	-14.3%
Average age	48.1	47.3	N/A
Average service	11.0	10.4	N/A
Total valuation payroll	\$ 1,320,050	\$ 1,406,949	-6.2%
Average valuation payroll	37,716	34,316	9.9%
Account balances	N/A	N/A	N/A
Total active vested participants	19	21	-9.5%
Vested terminated participants	25	25	0.0%
Retired participants			
Number in pay status	30	32	-6.3%
Average age	76.1	77.8	N/A
Average monthly benefit	\$ 530	\$ 485	9.3%
Disabled participants			
Number in pay status	1	-	0.0%
Average age	63.0	62.0	N/A
Average monthly benefit	\$ 318	\$ 306	3.9%
Beneficiaries	9	10	-10.0%

Participant Population: 2013 - 2022

Year Ended	Active Participants	Vested Terminated Participants	Retired	Ratio of Non- Actives to Actives
			Participants and Beneficiaries	
12/31/2013	45	15	45	1.33
12/31/2014	49	16	43	1.20
12/31/2015	29	18	42	2.07
12/31/2016	33	19	45	1.94
12/31/2017	42	20	45	1.55
12/31/2018	45	20	45	1.44
12/31/2019	48	21	44	1.35
12/31/2020	48	21	43	1.33
12/31/2021	48	25	43	1.42
12/31/2022	41	25	40	1.59

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

F. HOTEL/MOTEL LODGING TAX

The City of Pelham has levied a 5% lodging tax. A summary of the transactions for the year ending June 30, 2023 follows:

Lodging tax receipts	\$ 28,600
Disbursement to promote tourism and economic development.	<u>(17,534)</u>
Balance of lodging tax funds on hand at end of the year	<u><u>\$ 11,066</u></u>

G. FUND EQUITY

Fund Balances:

- **Unassigned** – The following fund balances are unassigned:

Fund Balance	
General Fund	\$ 338,989
CDBG 21 Housing Rehabilitation Capital Project Fund	<u>(35,548)</u>
Total	<u><u>\$ 303,441</u></u>

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VI. COMPONENT UNIT-JOINT DEVELOPMENT AUTHORITY OF MITCHELL COUNTY AND PELHAM

A. REPORTING ENTITY

The Joint Development Authority of Mitchell County and Pelham was established by the Mitchell County Board of Commissioner and Mayor and City Council of Pelham on June 18, 2007. The Authority has five members: three of such members shall be appointed by the Mayor and City Council of the City of Pelham, and two of such members shall be appointed by the Board of Commissioners of Mitchell County to serve a three-year staggered term. Although, this unit is a legally separate entity, it is important because the city has a significant financial interest in this unit. The JDA is fiscal year is December 31.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2022, are summarized as follows:

As reported in the Statement of Net Position:

Cash and cash equivalents \$ 62,964

Cash deposited with financial institutions \$ 62,964

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City of Pelham, Georgia
Notes to Financial Statements
June 30, 2023

VII. COMPONENT UNIT-PELHAM CITY ECONOMIC AUTHORITY

A. REPORTING ENTITY

The Pelham City Economic Authority was established by the Mayor and City Council of Pelham on July 11, 1983. The Authority has seven members appointed by the Mayor and City Council. Once selected, the seven members of the Authority will elect members to serve as a Chairman and a Secretary/ Treasurer. Although the Authority is a legally separate entity, the City has the ability to impose its will on the Authority.

The Authority is presented in the City's financial statements as a discretely presented component unit. Financial statements may be obtained at the offices of the City of Pelham, Georgia.

B. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2023, are summarized as follows:

As reported in the Statement of Net Position:

Cash and cash equivalents \$ 92,590

Cash deposited with financial institutions \$ 92,590

B. DEPOSITS AND INVESTMENTS

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental activities:	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 7,360	\$ -	\$ 7,360
Total capital assets not being depreciated	-	7,360	-	7,360
Capital assets, being depreciated:				
Buildings	-	30,450	-	30,450
Total capital assets, being depreciated	-	30,450	-	30,450
Less accumulated depreciation for:				
Buildings	-	(63)	-	(63)
Total accumulated depreciation	-	(63)	-	(63)
Total capital assets, being depreciated	-	30,387	-	30,387
Governmental activities capital assets, net	\$ -	\$ 37,747	\$ -	\$ 37,747

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IX. SUBSEQUENT EVENTS

The City of Pelham's date for evaluating the existence of subsequent events that would affect the financial statements for the year ended June 30, 2023, was March 1, 2024, which was the date the financial statements were issued.

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Required Supplementary Information

City of Pelham, Georgia
 Budgetary Basis Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
REVENUES				
Taxes				
Property	\$ 1,080,300	\$ 1,080,300	\$ 1,181,854	\$ 101,554
Franchise	199,000	199,000	186,293	(12,707)
Alcoholic Beverage	98,000	98,000	99,813	1,813
Insurance Premium	330,000	330,000	279,916	(50,084)
Intangible	9,000	9,000	9,688	688
Financial Institution	7,500	7,500	5,415	(2,085)
Sales and Miscellaneous Taxes	10,000	10,000	4,006	(5,994)
Fees and Fines	-	-	253,328	253,328
Licenses and Permits	71,150	71,150	78,124	6,974
Intergovernmental	263,355	324,210	322,483	(1,727)
Contributions & Donations from Private Sources	42,000	42,000	2,000	(40,000)
Miscellaneous	59,028	59,028	60,874	1,846
TOTAL REVENUES	2,169,333	2,230,188	2,483,795	253,607
EXPENDITURES				
General Government				
Legislative	46,775	65,249	57,759	7,490
Executive	107,916	115,571	105,542	10,029
Elections	6,000	6,000	835	5,165
Financial	893,381	893,381	812,755	80,626
Buildings	68,631	68,631	28,540	40,091
Total General Government	1,122,703	1,148,832	1,005,431	143,401
Judicial				
Municipal Court	74,491	80,673	72,921	7,752
Total Judicial	74,491	80,673	72,921	7,752
Public Safety				
Police	1,066,697	1,465,245	1,136,588	328,657
Fire	432,534	524,231	468,422	55,809
Total Public Safety	1,499,231	1,989,476	1,605,010	384,466
Public Works				
Highway and Streets	476,831	670,290	606,402	63,888
Maintenance and Shop	105,456	126,340	113,311	13,029
Cemetery	12,288	12,288	345	11,943
Total Public Works	594,575	808,918	720,058	88,860
Culture and Recreation				
Recreation	30,990	30,990	22,716	8,274
Parks	330,120	330,120	5,857	324,263
Total Culture and Recreation	361,110	361,110	28,573	332,537
Housing and Development				
Code Enforcement	74,680	74,680	61,322	13,358
Economic Development and Assistance	53,443	53,443	22,272	31,171
Total Housing and Development	128,123	128,123	83,594	44,529
TOTAL EXPENDITURES - ALL DEPARTMENTS	3,780,233	4,517,132	3,515,587	1,001,545
Net Excess before Transfers	(1,610,900)	(2,286,944)	(1,031,792)	1,255,152
OTHER FINANCING SOURCES (USES)				
Transfers	1,430,000	1,430,000	1,133,195	(296,805)
TOTAL OTHER FINANCING SOURCES (USES)	1,430,000	1,430,000	1,133,195	(296,805)
SPECIAL ITEMS				
Proceeds from sale of capital assets	-	-	6,060	6,060
TOTAL SPECIAL ITEMS	-	-	6,060	6,060
Net Excess (Deficit)	(180,900)	(856,944)	107,463	964,407
Fund balances - beginning of the year (GAAP basis)	247,576	247,576	247,576	-
Fund balances - end of the year (budgetary basis)	\$ 66,676	\$ (609,368)	355,039	\$ 964,407
Adjustment for basis differences			(16,050)	
Fund balances - end of the year GAAP Basis			\$ 338,989	

City of Pelham, Georgia
Budgetary Comparison Schedule
ARPA Grant Fund - Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 225,000	\$ 187,319	\$ (37,681)
Investment earnings	-	-	489	489
TOTAL REVENUES	<u>-</u>	<u>225,000</u>	<u>187,808</u>	<u>(37,192)</u>
EXPENDITURES				
General government	-	225,000	20,095	204,905
TOTAL EXPENDITURES - ALL DEPARTMENTS	<u>-</u>	<u>225,000</u>	<u>20,095</u>	<u>204,905</u>
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(167,224)	(167,224)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(167,224)</u>	<u>(167,224)</u>
Net Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489</u>	<u>\$ 489</u>

Note A - Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and GAAP General Fund on a GAAP Basis

Financial Statements General Fund:	<u>General Fund</u>
Revenues	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 2,483,794
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	<u>\$ 2,483,794</u>
Expenditures	
Adjustments:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules	\$ 3,515,586
Adjustments:	
The City budgets for expenditures on the cash plus 30 days basis of accounting rather than all accounts payables that would be recognized using the modified accrual basis of accounting.	16,050
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-general fund	<u>\$ 3,531,636</u>
Other financing sources	
Actual amounts (budgetary basis) "other financing sources and uses" from the budgetary comparison schedule	\$ 1,133,195
Total other financing sources and uses as reported on the statement of revenues, expenditures, and changes in fund balance - general fund.	<u>\$ 1,133,195</u>

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2023

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 57,462	\$ 58,851	\$ 59,019	\$ 70,479	\$ 60,374	\$ 52,377	\$ 43,686	\$ 93,496	\$ 112,780
Interest	340,174	324,252	310,382	313,293	290,928	284,104	271,475	280,881	288,316
Differences between expected and actual experience	(53,978)	67,197	47,416	6,701	161,054	125,419	78,341	(268,694)	(187,773)
Changes of assumption	-	-	-	(119,003)	-	(80,703)	-	-	(930,031)
Changes in benefit terms	-	-	-	-	-	-	-	-	(70,126)
Benefit payments, including refunds of employee contributions	(238,545)	(227,484)	(229,679)	(227,672)	(220,852)	(235,935)	(225,164)	(228,938)	(234,396)
Net change in total pension liability	105,113	222,816	187,138	43,798	291,504	145,262	168,338	(123,255)	(1,021,230)
Total Pension Liability as of beginning	4,674,344	4,451,528	4,264,390	4,220,592	3,929,088	3,783,826	3,615,488	3,738,743	4,759,973
Total Pension Liability as of ending (a)	<u>\$ 4,779,457</u>	<u>\$ 4,674,344</u>	<u>\$ 4,451,528</u>	<u>\$ 4,264,390</u>	<u>\$ 4,220,592</u>	<u>\$ 3,929,088</u>	<u>\$ 3,783,826</u>	<u>\$ 3,615,488</u>	<u>\$ 3,738,743</u>
Employer contributions	\$ 163,664	\$ 156,824	\$ 173,682	\$ 156,757	\$ 144,684	\$ 169,966	\$ 150,000	\$ 15,800	\$ 18,974
Net investment income	(717,026)	882,514	324,744	96,577	310,634	421,651	289,059	40,345	305,522
Benefit payments, including refunds of employer contributions	(238,545)	(227,484)	(229,679)	(227,672)	(220,852)	(235,935)	(225,164)	(228,938)	(234,396)
Administrative expense	(14,965)	(15,254)	(14,893)	(14,471)	(15,247)	(15,856)	(9,772)	(11,364)	(9,403)
Other	-	-	-	-	-	-	-	-	-
Net Change in fiduciary net position	(806,872)	796,600	253,854	11,191	219,219	339,826	204,123	(184,157)	80,697
Plan fiduciary net position - beginning	4,446,090	3,649,490	3,395,636	3,384,445	3,165,226	2,825,400	2,621,277	2,805,434	2,724,737
Plan fiduciary net position - ending (b)	<u>\$ 3,639,218</u>	<u>\$ 4,446,090</u>	<u>\$ 3,649,490</u>	<u>\$ 3,395,636</u>	<u>\$ 3,384,445</u>	<u>\$ 3,165,226</u>	<u>\$ 2,825,400</u>	<u>\$ 2,621,277</u>	<u>\$ 2,805,434</u>
Net Pension Liability - ending: (a)-(b)	<u>\$ 1,140,239</u>	<u>\$ 228,254</u>	<u>\$ 802,038</u>	<u>\$ 868,754</u>	<u>\$ 836,147</u>	<u>\$ 763,862</u>	<u>\$ 958,426</u>	<u>\$ 994,211</u>	<u>\$ 933,309</u>
Plan's fiduciary net position as a percentage of the total pension liability	76.14%	95.12%	81.98%	79.63%	80.19%	80.56%	74.67%	72.50%	75.04%
Covered-employee payroll	\$ 1,320,050	\$ 1,406,949	\$ 1,310,504	\$ 1,348,521	\$ 1,202,451	\$ 1,075,865	\$ 871,718	\$ 731,207	\$ 1,252,459
Net pension liability as a percentage of covered-employee payroll	86.38%	16.22%	61.20%	64.42%	69.54%	71.00%	109.95%	135.97%	74.52%

Note: This schedule will present 10 year of information once the data is available.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2023

SCHEDULE OF CONTRIBUTIONS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	--*	\$164,767	\$156,471	\$ 177,124	\$ 149,968	\$ 142,922	\$ 134,235	\$ 183,915	\$ 195,053
Contributions in relation to the actuarially determined contribution	--*	164,767	**	156,471	177,124	149,968	142,922	135,235	15,800
Contribution deficiency (excess)	--*	-	-	-	-	-	-	33,915	179,253
Covered-employee payroll	--*	1,406,949	***	1,310,504	1,348,521	1,202,451	1,075,865	871,718	731,207
Contributions as a percentage of covered-employee payroll	--*	11.71%	11.94%	13.13%	12.47%	13.28%	15.40%	20.51%	1.26%

* 2023 information will be determined after fiscal year end and will be included in the 2024 valuation report.

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

*** 2022 covered payroll is based on data collected as of September 30, 2021 for the 2022 actuarial valuation.

City of Pelham, Georgia
Required Supplementary Information - Pension Plan
June 30, 2023

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	The actuarially determined contribution rate was determined as of January 1, 2023, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending June 30, 2024.
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Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
-----------------------	-----------------------

Amortization Method	Closed level dollar for remaining unfunded liability
---------------------	--

Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
-------------------------------	--

Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
------------------------	--

Actuarial Assumptions:

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	2.25%
Retirement Age	
age 66 to 71	25%
72 and over	100%
Mortality	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25

Supplementary Information

Combining Fund Statements and Schedules

City of Pelham, Georgia
 Non-Major Governmental Funds
 Combining Balance Sheet
 June 30, 2023

	<u>Capital Project Funds</u>	<u>Special Revenue Funds</u>		
	<u>CDBG 21 Housing Rehabilitation Fund</u>	<u>Hotel/Motel Tax Fund</u>	<u>Confiscated Assets Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 4,810	\$ 13,682	\$ 19,240	\$ 37,732
Intergovernmental receivable	40,358	-	-	40,358
TOTAL ASSETS	<u>\$ 45,168</u>	<u>\$ 13,682</u>	<u>\$ 19,240</u>	<u>\$ 78,090</u>
LIABILITIES				
Accounts Payable	\$ 40,358	\$ -	\$ -	\$ 40,358
Deferred revenue	14,660	-	-	14,660
TOTAL LIABILITIES	<u>55,018</u>	<u>-</u>	<u>-</u>	<u>55,018</u>
FUND BALANCES				
Restricted for:				
Public Safety	-	-	19,240	19,240
Community Development Projects	-	13,682	-	13,682
Unassigned	(9,850)	-	-	(9,850)
TOTAL FUND BALANCE	<u>(9,850)</u>	<u>13,682</u>	<u>19,240</u>	<u>23,072</u>
TOTAL LIABILITES AND FUND BALANCE	<u>\$ 45,168</u>	<u>\$ 13,682</u>	<u>\$ 19,240</u>	<u>\$ 78,090</u>

City of Pelham, Georgia
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2023

	Capital Project Funds	Special Revenue Funds		Totals
	CDBG 21 Housing Rehabilitation Fund	Hotel/Motel Tax Fund	Confiscated Assets Fund	
REVENUES				
Hotel/Motel Tax	\$ -	\$ 28,600	\$ -	\$ 28,600
Intergovernmental Revenue	257,759	-	-	257,759
TOTAL REVENUES	<u>257,759</u>	<u>28,600</u>	<u>-</u>	<u>286,359</u>
EXPENDITURES				
Capital Outlay:				
Public Safety	-	-	3,757	3,757
Economic Development	257,759	17,534	-	275,293
TOTAL EXPENDITURES	<u>257,759</u>	<u>17,534</u>	<u>3,757</u>	<u>279,050</u>
Excess (Deficiency) of revenues over expenditures before transfers	<u>-</u>	<u>11,066</u>	<u>(3,757)</u>	<u>7,309</u>
Transfers In (Out)	-	(20,000)	-	(20,000)
Net Transfers	-	(20,000)	-	(20,000)
Net Change in Fund Balance	<u>-</u>	<u>(8,934)</u>	<u>(3,757)</u>	<u>(12,691)</u>
Fund Balance - Beginning of Year	<u>(9,850)</u>	<u>22,616</u>	<u>22,997</u>	<u>35,763</u>
Fund Balance - End of Year	<u>\$ (9,850)</u>	<u>\$ 13,682</u>	<u>\$ 19,240</u>	<u>\$ 23,072</u>

City of Pelham, Georgia
Budgetary Comparison Schedule
Hotel/Motel - Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Hotel/Motel Tax	\$ 25,000	\$ 25,000	\$ 28,600	\$ 3,600
TOTAL REVENUES	<u>25,000</u>	<u>25,000</u>	<u>28,600</u>	<u>3,600</u>
EXPENDITURES				
Housing & Development: Economic Development & Assistance	<u>25,000</u>	<u>25,000</u>	<u>17,534</u>	<u>7,466</u>
TOTAL EXPENDITURES - ALL DEPARTMENTS	<u>25,000</u>	<u>25,000</u>	<u>17,534</u>	<u>7,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Net Excess (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,934)</u>	<u>\$ 11,066</u>

City of Pelham, Georgia
Budgetary Comparison Schedule
Confiscated Assets Fund - Non-Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget- Positive (Negative)
REVENUES				
Fines & Forfeitures	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
EXPENDITURES				
Public Safety	<u>5,600</u>	<u>5,600</u>	<u>3,757</u>	<u>1,843</u>
TOTAL EXPENDITURES - ALL DEPARTMENTS	<u>5,600</u>	<u>5,600</u>	<u>3,757</u>	<u>1,843</u>
Net Excess (Deficit)	<u>\$ 4,400</u>	<u>\$ 4,400</u>	<u>\$ (3,757)</u>	<u>\$ (8,157)</u>

State Reporting Requirements

City of Pelham, Georgia
Schedule of Transportation Special Purpose
Local Option Sales Tax
June 30, 2023

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2020						
Transportation	<u>\$ 2,466,429</u>	<u>\$ 2,466,429</u>	<u>\$ -</u>	<u>\$ 438,862</u>	<u>\$ 438,862</u>	<u>17.79%</u>
TOTAL	<u><u>\$ 2,466,429</u></u>	<u><u>\$ 2,466,429</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 438,862</u></u>	<u><u>\$ 438,862</u></u>	<u><u>17.79%</u></u>

Expenditures and transfers per Statements on page 5 \$ 438,862

City of Pelham, Georgia
Schedule of Special Purpose
Local Option Sales Tax
June 30, 2023

Project	Original Estimated Cost	Current Estimated Cost	Prior Year	Current Year	Total	Estimated Percentage Of Completion
2018						
Park & Recreational facilities construction and/or improvements	\$ 154,000	\$ 154,000	\$ 97,959	\$ 17,600	\$ 115,559	75.04%
Police vehicles and/or equipment	140,000	140,000	136,877	64,885	201,762	144.12%
Public Works and Water/Gas/Sewer vehicles and/or equipment	60,000	60,000	124,493	20,658	145,151	241.92%
Water & Sanitations Systems construction and/or improvements	120,000	120,000	462,651	102,918	565,569	471.31%
Retirement of general obligation debt for water and sewer improvements and Hand Trading Company Building	1,476,000	1,476,000	165,954	97,833	263,787	17.87%
Construction, maintenance, and improvement of city roads, streets, and bridges	382,030	382,030	194,363	7,161	201,524	52.75%
TOTAL	\$ 2,332,030	\$ 2,332,030	\$ 1,182,297	\$ 311,055	\$ 1,493,352	64.04%

Expenditures and transfers per Statements on page 5 \$ 311,055

City of Pelham, Georgia
Community Development Block Grant
Source and Application of Funds Schedule
June 30, 2023

Grant #21h-x-101-2-6198

Total Program Year 2022 funds allocated to recipient	\$	750,000
Less: Total Program Year 2022 funds drawn down by recipient		-
Less: Total Program Year 2023 funds drawn down by recipient		<u>(257,759)</u>
Funds still available from Program Year 2023 resources	\$	<u>492,241</u>
Total Program Year 2022 funds held at beginning of year	\$	-
Total Program Year 2022 funds drawn down and received by recipient		-
Total Program Year 2023 funds drawn down and received by recipient		(257,739)
Less: Funds applied and expended to Program Year 2023 costs		<u>262,549</u>
TOTAL PROGRAM YEAR 2023 FUNDS HELD BY RECIPIENT	\$	<u>4,810</u>

City of Pelham, Georgia
 Community Development Block Grant
 Budget to Actual Funds Schedule
 June 30, 2023

<u>Grant #21h-x-101-2-6198</u>						
Activity Number	Latest Approved Budget CDBG Funds	Current Period Expenditures	Prior Period Expenditures	Grand Total Expenditures to Date	Questioned Costs	
H-001-00	\$ 1,760	\$ -	\$ -	\$ -	\$ -	
H-004-00	31,900	-	-	-	-	
H14a-01	460,661	244,259	2,870	247,129	-	
H14a-02	203,179	-	-	-	-	
A-21a-00	52,500	13,500	7,000	20,500	-	
TOTAL	<u>\$ 750,000</u>	<u>\$ 257,759</u>	<u>\$ 9,870</u>	<u>\$ 267,629</u>	<u>\$ -</u>	

Governmental Auditing Standards Requirements

Perry L. Henry, LLC

Certified Public Accountant and Consultant

Perry L. Henry, CPA, CGFM, CFS

Members

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

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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

Honorable Mayor and Members of
the City Council
City of Pelham, Georgia

We have audited, in accordance with audit 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 aggregate business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Pelham, Georgia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pelham, Georgia's basic financial statements, and have issued our report dated thereon March 1, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pelham, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pelham, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pelham, 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, detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pelham, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Pelham's Response to Findings

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

Purpose of this Report

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

Perry L. Henry, LLC

Perry L. Henry, LLC
Bainbridge, Georgia
March 1, 2024

City of Pelham, Georgia
Schedule of Findings and Responses
June 30, 2023

2012-1

Condition: The City does not have adequate separation of duties in various functions of the City.

Criteria: Internal control is a process designed to provide reasonable assurance about your objectives with regard to reliability of:

- (1) financial reporting,
- (2) effectiveness and efficiency of operations, and
- (3) Compliance with applicable laws and regulations.

Cause: There is an insufficient number of staff to properly segregate functions of all transaction cycles.

Effect: The City will be exposed to increased risk that the financial statements could be materially misstated whether by error or intentionally and not be detected in a timely manner.

Recommendation: The City should monitor the control environment and continue to strengthen controls were cost effective.

Management's Response: Management agrees. A corrective action plan will be issued under a separate cover.