

# **CITY OF HARLEM, GEORGIA**

## **ANNUAL FINANCIAL REPORT**

*As of and for the Year Ended December 31, 2020*

*And Reports of Independent Auditor*

**CITY OF HARLEM, GEORGIA**

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## Report of Independent Auditor

To the Honorable Mayor and Members of City Council  
City of Harlem, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harlem, Georgia (the "City") as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of employer's contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining non-major fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds, as required by the Office Code of Georgia 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and the schedules of expenditures of special purpose local option sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 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.



Augusta, Georgia  
November 1, 2021

# CITY OF HARLEM, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

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As management of the City of Harlem (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the City for the fiscal year ended December 31, 2020.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year ended December 31, 2020 by approximately \$16.4 million. Of that amount, \$2.5 million (unrestricted net position) may be used to meet the City's ongoing obligations to the citizens and creditors.
- The City's total net position increased by approximately \$429,000 for the year ended December 31, 2020.
- As of December 31, 2020, the City's governmental funds reported combined ending fund balances of approximately \$3.2 million, an increase of approximately \$279,000 in comparison with the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e., roads, drainage improvements, and storm drains, etc.), to assess the overall health or financial condition of the City. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the statement of net position and the statement of activities, the City is divided into three categories of activities:

**Governmental Activities** – Most of the City's basic services are reported in this category including the police, fire, transportation, culture and recreation, and general administration. Property taxes, sales taxes, insurance premium taxes, and franchise fees finance most of these activities.

**Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's water and sewer system is reported in this category.

**Component Units** – The Urban Redevelopment Authority (the "URA") serves to promote the development of certain City property in accordance with the Urban Redevelopment Plan adopted by the City. Although legally separate from the City, the City appoints a voting majority of the members of the URA.

# CITY OF HARLEM, GEORGIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

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### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

#### Reporting the City's Most Significant Funds

**Fund Financial Statements** – The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

**Governmental Funds** – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds. The balances left in the funds at year-end are those available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions.

The relationships or difference between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is detailed in a reconciliation following the fund financial statements. The City maintains eight individual governmental funds.

Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Special Purpose Local Option Sales Tax ("SPLOST") 2017-2022 Fund, the Local Maintenance and Improvement Grant ("LMIG") Fund, and the non-major funds. The General Fund, the SPLOST 2017-2022 Fund, and the LMIG Fund are considered to be major funds.

**Proprietary Funds** – The City charges customers for the services it provides (water and sewer service), whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and statement of activities. In fact, the City's enterprise fund (a component of the proprietary fund) is identical to the business-type activities that are reported in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**Notes to the Basic Financial Statements** – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$16.4 million at the close of the current fiscal year.

**CITY OF HARLEM, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2020

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

By far the largest portion of the City's net position (78%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Net Position**  
**December 31, 2020**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,618,152	\$ 3,118,427	\$ 1,666,727	\$ 1,422,522	\$ 5,284,879	\$ 4,540,949
Capital assets	9,135,481	9,259,079	6,794,284	6,940,919	15,929,765	16,199,998
Total Assets	12,753,633	12,377,506	8,461,011	8,363,441	21,214,644	20,740,947
Deferred outflows of resources	127,181	50,343	190,773	54,539	317,954	104,882
Long-term liabilities outstanding	2,109,000	2,272,466	997,038	1,048,126	3,106,038	3,320,592
Other liabilities	896,798	642,870	1,093,421	878,930	1,990,219	1,521,800
Total Liabilities	3,005,798	2,915,336	2,090,459	1,927,056	5,096,257	4,842,392
Deferred inflows of resources	1,638	-	2,457	-	4,095	-
Net Position:						
Net investment in capital assets	7,026,481	6,986,613	5,797,598	5,892,793	12,824,079	12,879,406
Restricted	1,123,635	992,565	-	-	1,123,635	992,565
Unrestricted	1,723,262	1,533,335	761,270	598,131	2,484,532	2,131,466
Total Net Position	\$ 9,873,378	\$ 9,512,513	\$ 6,558,868	\$ 6,490,924	\$ 16,432,246	\$ 16,003,437

**Governmental Activities**

The City's governmental revenues increased by approximately 24% (\$723,378) when compared to 2019.

The most significant governmental expense for the City was in public safety expense which consists of operations of the public safety department. Public safety expenses totaled approximately \$835,000 in 2020. These expenses were offset to some extent by revenues from fines and forfeitures which totaled approximately \$60,000. Another significant governmental expense in 2020 was public works. Public works expenses totaled approximately \$653,000, an increase of approximately 4% from 2019.

**CITY OF HARLEM, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2020

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

**Business-Type Activities**

Revenues from the City's business-type activities were approximately \$2 million for the year ended December 31, 2020, an increase of 12% over 2019. This increase is due mainly to an increase in charges for services provided by the City. Expenses for the City's business-type activities were approximately \$1.9 million, an increase of approximately 7% over 2019. This increase is due mainly to increased costs of equipment maintenance and repairs.

Governmental and business-type activities increased the City's net position by approximately \$429,000. A summary of this increase is as follows:

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 694,542	\$ 697,158	\$ 2,021,933	\$ 1,795,444	\$ 2,716,475	\$ 2,492,602
Capital grants/contributions	595,058	531,416	-	-	595,058	531,416
General Revenues:						
Taxes	1,395,610	1,282,135	-	-	1,395,610	1,282,135
Sales tax	750,667	593,846	-	-	750,667	593,846
Other	267,028	(126,728)	(12,453)	5,719	254,575	(121,009)
Total Revenues	<u>3,702,905</u>	<u>2,977,827</u>	<u>2,009,480</u>	<u>1,801,163</u>	<u>5,712,385</u>	<u>4,778,990</u>
Expenses:						
General government	615,604	707,614	-	-	615,604	707,614
Municipal court	63,988	69,319	-	-	63,988	69,319
Public safety	834,780	733,457	-	-	834,780	733,457
Sanitation	328,891	308,343	-	-	328,891	308,343
Fire	284,961	302,844	-	-	284,961	302,844
Public works	653,443	627,473	-	-	653,443	627,473
Community development	319,561	332,151	-	-	319,561	332,151
Health and welfare	49,222	63,544	-	-	49,222	63,544
Culture and recreation	129,906	132,104	-	-	129,906	132,104
Interest and bond issuance costs	61,684	59,374	-	-	61,684	59,374
Water and sewer	-	-	1,941,536	1,813,157	1,941,536	1,813,157
Total Expenses	<u>3,342,040</u>	<u>3,336,223</u>	<u>1,941,536</u>	<u>1,813,157</u>	<u>5,283,576</u>	<u>5,149,380</u>
Surplus (Deficiency)	<u>360,865</u>	<u>(358,396)</u>	<u>67,944</u>	<u>(11,994)</u>	<u>428,809</u>	<u>(370,390)</u>
Change in net position	360,865	(358,396)	67,944	(11,994)	428,809	(370,390)
Net position, beginning	9,512,513	9,870,909	6,490,924	6,502,918	16,003,437	16,373,827
Net position, ending	<u>\$ 9,873,378</u>	<u>\$ 9,512,513</u>	<u>\$ 6,558,868</u>	<u>\$ 6,490,924</u>	<u>\$ 16,432,246</u>	<u>\$ 16,003,437</u>



**CITY OF HARLEM, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2020

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2020, the City had \$15.9 million (net of accumulated depreciation) of capital assets. This investment in capital assets includes police and fire equipment, park facilities, roads, and drains. Major capital asset additions were infrastructure consisting of roadways totaling approximately \$55,000, vehicles and equipment totaling approximately \$336,000, buildings and building improvements totaling approximately \$153,000, utility system improvements totaling approximately \$25,000, and construction in progress related to the wastewater treatment plant expansion totaling approximately \$56,000.

**Capital Assets at Year-End**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Land	\$ 547,996	\$ 40,277	\$ 588,273
Construction in progress	-	440,163	440,163
Buildings and improvements	6,256,966	110,460	6,367,426
Vehicle and equipment	2,052,207	784,062	2,836,269
Infrastructure	7,738,855	-	7,738,855
Utility system	-	12,701,610	12,701,610
	<u>16,596,024</u>	<u>14,076,572</u>	<u>30,672,596</u>
Less accumulated depreciation	<u>(7,460,543)</u>	<u>(7,282,288)</u>	<u>(14,742,831)</u>
	<u><u>\$ 9,135,481</u></u>	<u><u>\$ 6,794,284</u></u>	<u><u>\$ 15,929,765</u></u>

See the notes to financial statements for more detailed information on the capital asset activity.

**Debt**

At year-end, the City had the following debt outstanding:

	<b>2020</b>	<b>2019</b>
Business-Type:		
Notes payable - GEFA	\$ 997,038	\$ 1,048,126
Governmental:		
Note payable - Regions Bank	1,953,000	2,145,000
Note payable - Community First National Bank	156,000	
Note payable - KS State Bank	-	52,058
Note payable - Ford Motor Credit	-	75,408
	<u><u>\$ 3,106,038</u></u>	<u><u>\$ 3,320,592</u></u>

Current year activity consisted of scheduled principal and interest payments on existing long-term debt offset by a note payable obtained in the current year.

**CITY OF HARLEM, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*DECEMBER 31, 2020*

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**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

**General Fund Budgetary Highlights**

For the year, actual revenues and expenditures were consistent with the amounts that were budgeted.

**Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials consider many factors when setting the fiscal year 2021 budget including: property tax rates, expected sales tax, insurance premium tax, and various fees that will be collected. Another factor is the economy. The local economy of the City remains strong. The City continues to experience stable economic conditions and a relatively stable 2021 tax digest will provide consistent tax revenue.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Mayor, City of Harlem at 320 N. Louisville Street, Harlem, Georgia 30814.

**CITY OF HARLEM, GEORGIA**  
**STATEMENT OF NET POSITION**

DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Urban Redevelopment Authority
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,330,143	\$ 1,507,750	\$ 4,837,893	\$ 59,219
Receivables, net:				
Taxes	87,155	-	87,155	-
Accounts	151,058	134,052	285,110	-
Prepaid expenses	49,796	24,925	74,721	-
Capital Assets:				
Land	547,996	40,277	588,273	-
Construction in process	-	440,163	440,163	-
Depreciable, net of accumulated depreciation	8,587,485	6,313,844	14,901,329	-
Assets held for sale	-	-	-	210,062
<b>Total Assets</b>	<b>12,753,633</b>	<b>8,461,011</b>	<b>21,214,644</b>	<b>269,281</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Changes in assumptions	5,976	8,964	14,940	-
Investment experience differences	86,173	129,260	215,433	-
Contributions to pension plan	35,032	52,549	87,581	-
<b>Total Deferred Outflows of Resources</b>	<b>127,181</b>	<b>190,773</b>	<b>317,954</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	97,179	78,834	176,013	-
Accrued expenses	44,952	13,384	58,336	-
Other liabilities	3,986	49,250	53,236	681
Unearned revenue	279,846	297,306	577,152	-
Noncurrent Liabilities:				
Compensated absences	76,549	63,218	139,767	-
Due within one year	226,229	105,455	331,684	185,874
Due in more than one year	1,882,771	891,583	2,774,354	-
Net pension liability	394,286	591,429	985,715	-
<b>Total Liabilities</b>	<b>3,005,798</b>	<b>2,090,459</b>	<b>5,096,257</b>	<b>186,555</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Investment experience differences	1,638	2,457	4,095	-
<b>Total Deferred Inflows of Resources</b>	<b>1,638</b>	<b>2,457</b>	<b>4,095</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	7,026,481	5,797,598	12,824,079	-
Restricted for:				
Economic development	107,728	-	107,728	-
Capital Projects	1,015,907	-	1,015,907	-
Unrestricted	1,723,262	761,270	2,484,532	82,726
<b>Total Net Position</b>	<b>\$ 9,873,378</b>	<b>\$ 6,558,868</b>	<b>\$ 16,432,246</b>	<b>\$ 82,726</b>

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

**CITY OF HARLEM, GEORGIA**  
**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2020

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit Urban Redevelopment Authority	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		Total
Primary Government								
Functions/Programs								
Governmental Activities:								
General government	\$ 615,604	\$ 115,524	\$ -	\$ 595,058	\$ 94,978	\$ -	\$ 94,978	\$ -
Municipal court	63,988	59,662	-	-	(4,326)	-	(4,326)	-
Public safety	834,780	-	-	-	(834,780)	-	(834,780)	-
Fire	284,961	-	-	-	(284,961)	-	(284,961)	-
Community development	319,561	-	-	-	(319,561)	-	(319,561)	-
Health and welfare	49,222	-	-	-	(49,222)	-	(49,222)	-
Public works (highways and streets)	653,443	-	-	-	(653,443)	-	(653,443)	-
Culture and recreation	129,906	11,739	-	-	(118,167)	-	(118,167)	-
Sanitation	328,891	507,617	-	-	178,726	-	178,726	-
Interest and fiscal charges on debt service	61,684	-	-	-	(61,684)	-	(61,684)	-
Total Governmental Activities	<u>3,342,040</u>	<u>694,542</u>	<u>-</u>	<u>595,058</u>	<u>(2,052,440)</u>	<u>-</u>	<u>(2,052,440)</u>	<u>-</u>
Business-Type Activities:								
Water	1,941,536	2,021,933	-	-	-	80,397	80,397	-
Total Business-Type Activities	<u>1,941,536</u>	<u>2,021,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,397</u>	<u>80,397</u>	<u>-</u>
Total Primary Government	<u>\$ 5,283,576</u>	<u>\$ 2,716,475</u>	<u>\$ -</u>	<u>\$ 595,058</u>	<u>(2,052,440)</u>	<u>80,397</u>	<u>(1,972,043)</u>	<u>-</u>
Component unit:								
Urban Redevelopment Authority	<u>\$ 22,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,524)</u>
General Revenues:								
Property taxes					942,926	-	942,926	-
Sales taxes					750,667	-	750,667	-
Other taxes					452,684	-	452,684	-
Payments in lieu of taxes					3,885	-	3,885	-
Unrestricted investment earnings					9,952	5,240	15,192	-
Loss on asset disposal					(1,036)	(17,693)	(18,729)	-
Other income					254,227	-	254,227	6,050
Total General Revenues					<u>2,413,305</u>	<u>(12,453)</u>	<u>2,400,852</u>	<u>6,050</u>
Change in Net Position					360,865	67,944	428,809	(16,474)
Net Position, Beginning of Year					9,512,513	6,490,924	16,003,437	99,200
Net Position, End of Year					<u>\$ 9,873,378</u>	<u>\$ 6,558,868</u>	<u>\$ 16,432,246</u>	<u>\$ 82,726</u>

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

**CITY OF HARLEM, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

DECEMBER 31, 2020

	General	SPLOST 2017-2022 Fund	LMIG Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,966,810	\$ 689,971	\$ 266,841	\$ 406,521	\$ 3,330,143
Taxes receivable	87,155	-	-	-	87,155
Accounts receivable	87,361	55,753	-	7,944	151,058
Prepaid expenses	49,796	-	-	-	49,796
<b>Total Assets</b>	<b>\$ 2,191,122</b>	<b>\$ 745,724</b>	<b>\$ 266,841</b>	<b>\$ 414,465</b>	<b>\$ 3,618,152</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 92,996	\$ -	\$ -	\$ 4,169	\$ 97,165
Accrued salaries	32,254	-	-	-	32,254
Other liabilities	-	-	-	-	-
Unearned revenue	8,225	-	266,510	5,111	279,846
<b>Total Liabilities</b>	<b>133,475</b>	<b>-</b>	<b>266,510</b>	<b>9,280</b>	<b>409,265</b>
<b>FUND BALANCE</b>					
Non-spendable:					
Prepaid expenditures	49,796	-	-	-	49,796
Restricted for:					
Capital projects	-	745,724	331	269,852	1,015,907
Economic development	-	-	-	107,728	107,728
Committed to:					
Museum building repairs	26,175	-	-	-	26,175
Capital outlay	-	-	-	22,203	22,203
Assigned to:					
Public safety	-	-	-	5,402	5,402
Unassigned	1,981,676	-	-	-	1,981,676
<b>Total Fund Balance</b>	<b>2,057,647</b>	<b>745,724</b>	<b>331</b>	<b>405,185</b>	<b>3,208,887</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,191,122</b>	<b>\$ 745,724</b>	<b>\$ 266,841</b>	<b>\$ 414,465</b>	<b>\$ 3,618,152</b>

**CITY OF HARLEM, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

DECEMBER 31, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balances - Governmental funds	<u>\$ 3,208,887</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds:	
Historical cost of capital assets	16,596,024
Accumulated depreciation	<u>(7,460,543)</u>
	<u>9,135,481</u>
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	127,181
Deferred inflows of resources related to pensions	<u>(1,638)</u>
	<u>125,543</u>
Certain liabilities, including notes payable and accrued interest which are not due and payable in the current period are, therefore, not reported in the funds:	
Notes payable	(2,109,000)
Compensated absences	(76,549)
Net pension liability	(394,286)
Accrued interest	<u>(16,698)</u>
	<u>(2,596,533)</u>
Net position of governmental activities	<u><u>\$ 9,873,378</u></u>

**CITY OF HARLEM, GEORGIA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED DECEMBER 31, 2020

	General	SPLOST 2017-2022 Fund	LMIG Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenue:</b>					
Taxes	\$ 1,396,741	\$ -	\$ -	\$ -	\$ 1,396,741
Permits and licenses	124,872	-	-	-	124,872
Fines and forfeitures	59,662	-	-	-	59,662
Intergovernmental revenue	749,636	515,583	3,745	75,470	1,344,434
Charges for services	508,167	-	-	3,180	511,347
Uses of money/property	8,374	889	215	734	10,212
Culture and recreation	31,756	-	-	-	31,756
Grants	180,409	-	-	-	180,409
Other	39,247	-	-	5,261	44,508
<b>Total Revenue</b>	<b>3,098,864</b>	<b>516,472</b>	<b>3,960</b>	<b>84,645</b>	<b>3,703,941</b>
<b>Expenditures:</b>					
<b>Current operating:</b>					
General government	562,815	-	-	70,321	633,136
Public safety	728,402	-	-	2,365	730,767
Fire	408,815	-	-	-	408,815
Public works (highways and streets)	402,832	-	-	-	402,832
Health and welfare	57,062	-	-	-	57,062
Culture and recreation	135,719	-	-	-	135,719
Sanitation	319,648	-	-	-	319,648
Community development	292,470	-	-	-	292,470
Municipal court	63,988	-	-	-	63,988
Capital outlay	-	-	3,745	149,612	153,357
<b>Debt service:</b>					
Principal	319,466	-	-	-	319,466
Interest	63,486	-	-	-	63,486
<b>Total Expenditures</b>	<b>3,354,703</b>	<b>-</b>	<b>3,745</b>	<b>222,298</b>	<b>3,580,746</b>
Excess (deficiency) of revenues over (under) expenditures	(255,839)	516,472	215	(137,653)	123,195
<b>Other Financial Sources (Uses):</b>					
Transfers in	242,829	-	-	-	242,829
Transfers (out)	-	(242,829)	-	-	(242,829)
Capital lease proceeds	156,000	-	-	-	156,000
<b>Total Other Financing Sources (Uses)</b>	<b>398,829</b>	<b>(242,829)</b>	<b>-</b>	<b>-</b>	<b>156,000</b>
Net change in fund balances	142,990	273,643	215	(137,653)	279,195
Fund balance, beginning of year	1,914,657	472,081	116	542,838	2,929,692
Fund balance, end of year	\$ 2,057,647	\$ 745,724	\$ 331	\$ 405,185	\$ 3,208,887

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

**CITY OF HARLEM, GEORGIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2020*

Amounts reported for governmental activities in the  
statement of activities are different because:

Net change in fund balances - total governmental funds \$ 279,195

Governmental funds report capital outlay as expenditures.  
However, in the statement of activities the costs of those assets  
are allocated over their estimated useful lives and reported as  
depreciation expense. This is the amount by which depreciation  
expense exceeded capital outlays in the current period.

Current year capital outlay, net of transfers	\$ 444,325	
Loss on disposal of capital assets	(1,036)	
Depreciation expense	<u>(566,888)</u>	
		(123,599)

The issuance of long-term debt (e.g., notes payable) provides current  
financial resources to governmental funds, while the repayment  
of the principal of long-term debt consumes the current financial  
resources of governmental funds. Neither transaction, however,  
has any effect on net assets. This amount is the net effect of these  
differences in the treatment of long-term related accounts.

Issuance of long-term debt	(156,000)	
Principal payments on long-term debt	319,466	
Compensated absences	(4,034)	
Accrued interest	<u>1,802</u>	
		161,234

In the fund financials, contributions to pension plans are expensed when paid.  
In the statement of activities, pension expense is recognized for the change  
in the City's proportionate share of the collective net pension liability and  
related deferred inflows and outflows.

		<u>44,035</u>
Change in net position of governmental activities		<u><u>\$ 360,865</u></u>



**CITY OF HARLEM, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED DECEMBER 31, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 1,479,400	\$ 1,394,850	\$ 1,396,741	\$ 1,891
Permits and licenses	112,150	124,775	124,872	97
Fines and forfeitures	140,000	59,000	59,662	662
Intergovernmental	600,000	749,500	749,636	136
Charges for services	493,500	508,150	508,167	17
Use of money/property	7,000	8,350	8,374	24
Culture and recreation	59,150	31,580	31,756	176
Grants	5,120	180,334	180,409	75
Other	35,135	39,795	39,247	(548)
Total Revenues	<u>2,931,455</u>	<u>3,096,334</u>	<u>3,098,864</u>	<u>2,530</u>
<b>Expenditures:</b>				
General government	584,888	631,119	562,815	68,304
Public safety	663,110	729,810	728,402	1,408
Fire	422,495	422,495	408,815	13,680
Public works, highways	398,160	404,960	402,832	2,128
Health and welfare	69,125	69,125	57,062	12,063
Culture and recreation	200,410	168,410	135,719	32,691
Sanitation	288,000	320,000	319,648	352
Community services	332,413	299,828	292,470	7,358
Municipal court	72,960	66,360	63,988	2,372
Debt service:				
Principal	240,340	319,506	319,466	40
Interest	59,319	63,486	63,486	-
Total Expenditures	<u>3,331,220</u>	<u>3,495,099</u>	<u>3,354,703</u>	<u>140,396</u>
Revenue over (under) expenditures	<u>(399,765)</u>	<u>(398,765)</u>	<u>(255,839)</u>	<u>142,926</u>
<b>Other Financial Sources:</b>				
Transfers in	242,765	242,765	242,829	64
Capital lease proceeds	157,000	156,000	156,000	-
Total Other Financial Sources	<u>399,765</u>	<u>398,765</u>	<u>398,829</u>	<u>64</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	142,990	<u>\$ 142,990</u>
Fund balance, beginning of year			<u>1,914,657</u>	
Fund balance, end of year			<u>\$ 2,057,647</u>	

**CITY OF HARLEM, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND – WATER AND SEWER FUND**

DECEMBER 31, 2020

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 1,507,750
Accounts receivable, net of allowance	134,052
Prepaid expenses	24,925
<b>Total Current Assets</b>	<b>1,666,727</b>

Capital Assets:

Land	40,277
Construction in progress	440,163
Depreciable, net of accumulated depreciation	6,313,844
<b>Total Capital Assets</b>	<b>6,794,284</b>

**Total Assets**

**8,461,011**

**DEFERRED OUTFLOWS OF RESOURCES**

Investment experience differences	129,260
Changes in assumptions	8,964
Contributions to pension plan	52,549
<b>Total Deferred Outflows of Resources</b>	<b>190,773</b>

**LIABILITIES**

Current Liabilities:

Accounts payable	78,834
Accrued expenses	13,384
Compensated absences	63,218
Unearned income and customer deposits	346,556
Construction loan payable - GEFA - current portion	105,455
<b>Total Current Liabilities</b>	<b>607,447</b>

Noncurrent liabilities:

Net pension liability	591,429
Construction loan payable - GEFA	891,583
<b>Total Noncurrent Liabilities</b>	<b>1,483,012</b>

**Total Liabilities**

**2,090,459**

**DEFERRED INFLOWS OF RESOURCES**

Investment experience differences	2,457
<b>Total Deferred Inflows of Resources</b>	<b>2,457</b>

**NET POSITION**

Net investment in capital assets	5,797,598
Unrestricted	761,270
<b>Total Net Position</b>	<b>\$ 6,558,868</b>

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

**CITY OF HARLEM, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND – WATER AND SEWER FUND**

*YEAR ENDED DECEMBER 31, 2020*

Operating Revenues:	
Water and sewer sales	\$ 1,963,449
Service charges/penalties	38,684
Other revenues	19,800
Total Operating Revenues	<u>2,021,933</u>
Operating Expenses:	
Salaries and wages	424,720
Insurance and pension cost	266,147
Utilities	86,365
Maintenance and repair	275,784
Chemicals	46,537
Postage and supplies	13,671
Miscellaneous	28,388
County water and sewerage charges	415,789
Depreciation	297,753
Professional fees	41,207
Testing and training	15,128
Vehicle expense	8,660
Total Operating Expenses	<u>1,920,149</u>
Operating Income	<u>101,784</u>
Nonoperating Revenue (Expense):	
Interest income	5,240
Loss on sale of asset	(17,693)
Interest expense	(21,387)
Total Nonoperating Expenses	<u>(33,840)</u>
Income before transfers and contributions	<u>67,944</u>
Change in net position	67,944
Net position, beginning of year	<u>6,490,924</u>
Net position, end of year	<u><u>\$ 6,558,868</u></u>

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

**CITY OF HARLEM, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND – WATER AND SEWER FUND**

YEAR ENDED DECEMBER 31, 2020

**Cash flows from operating activities:**

Cash received from customers and others	\$ 1,994,570
Cash paid for goods and services	(903,166)
Cash paid to or on behalf of employees	<u>(635,761)</u>
Net cash flows from operating activities	<u>455,643</u>

**Cash flows from capital and related financing activities:**

Principal paid on long-term debt	(51,088)
Interest paid on long-term debt	<u>(21,387)</u>
Net cash flows from capital and related financing activities	<u>(72,475)</u>

**Cash flows from investing activities:**

Purchase of capital assets	(181,503)
Loss from sale of capital assets	(17,693)
Disposal of construction in progress and capital assets	30,385
Interest income received	<u>5,240</u>
Net cash flows from investing activities	<u>(163,571)</u>

Net change in cash and cash equivalents	219,597
Cash and cash equivalents, beginning of year	<u>1,288,153</u>
Cash and cash equivalents, end of year	<u>\$ 1,507,750</u>

**Reconciliation of operating income to net cash from operating activities:**

Operating income	\$ 101,784
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	297,753
Net change in assets and liabilities:	
Accounts receivable	(24,513)
Prepaid expenses	(95)
Accounts payable and accrued expenses	19,294
Unearned income and customer deposits	(2,850)
Net pension changes	<u>64,270</u>
Net cash flows from operating activities	<u>\$ 455,643</u>

# CITY OF HARLEM, GEORGIA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 1—Summary of significant accounting policies

The accounting and reporting policies of the City of Harlem, Georgia (“City”) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to state and local governments.

*Introduction* – The City complies with U.S. GAAP pronouncements.

#### A. Financial reporting entity – basis of presentation

*Primary Government* – The City was created in 1870. The City provides the following services: public safety, streets and highways, public improvements, culture and recreation, and general and administrative services. The accompanying financial statements present the City’s primary government funds for which the City is financially accountable.

*Discretely Presented Component Unit:*

*Urban Redevelopment Authority* – The component unit column in the government-wide financial statements includes the financial data of the Urban Redevelopment Authority (the “URA”). It is reported in a separate column to emphasize that it is legally separate from the City. The URA is governed by a five-member board appointed by the Mayor and City Council. The URA serves to promote the development of certain City property in accordance with the Urban Redevelopment Plan adopted by the City. The URA entered an intergovernmental agreement with the City to convey an option for the URA for the purchase of certain real property. Because the financial statements of the URA include only one fund, the fund level is the same as the government-wide level. Therefore, no fund level financial statements for the URA are included in this report.

No separately issued financial statements are available for the URA.

#### B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and statement of activities and report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements, if applicable. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Each major fund is reported in a separate column in the fund financial statements. The combined amounts for these funds are reflected in a single column in the fund balance sheets and statements of revenues, expenditures, and changes in fund balances.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

*DECEMBER 31, 2020*

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**Note 1—Summary of significant accounting policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of timing and 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 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Major revenue sources that are susceptible to accrual are property taxes, sales taxes, insurance premium taxes, and intergovernmental revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues, and investment of idle funds. Primary expenditures are for general administration, public safety, public works, streets, recreation, and capital acquisition.

Sales Tax 2017-2022 Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City projects.

LMIG Fund is a capital project fund used to account for grant funds received for local maintenance and improvement projects.

The government reports the following non-major governmental funds:

Confiscation Fund is a special revenue fund used to account for funds received from seizures and forfeitures by the Police department.

The Revolving Loan Fund is a special revenue fund originating from a grant from the Community Development Block Grant Employment Incentive Program. The grant was received by the City to provide a direct loan to a local business for equipment which created new positions. The repayment of the loan created the Revolving Loan Fund, the funds of which are available to be loaned to local businesses for the creation of new jobs in the area.

The Technology Fund is a capital projects fund that accounts for the financial resources to be used for the information technology projects specific for the operations of the City's courts.

Sales Tax 2011-2016 Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City projects.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 1—Summary of significant accounting policies (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (continued)**

The T-SPLOST Fund is a capital project fund used to account for monies received from intergovernmental revenues (i.e., Special Purpose Sales Taxes) for various City infrastructure projects.

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred. On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

The City reports the following major proprietary fund:

Water and Sewerage Fund is used to account for water and sewer operations as well as construction and maintenance of water and sewerage projects.

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. State statutes and the City's official Investment Policy authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, banker's acceptances, money market mutual funds, and direct obligations of the state of Georgia.

As of December 31, 2020, the City did not hold any investments. All investment income is recognized as revenue in the appropriate fund's statement of activity of revenues, expenditures, and changes in fund balance.

**2. Receivables and payables**

*Accounts Receivable* – Property tax receivables and revenues for property taxes are reflected in the government-wide statements based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed, including billable services for certain contracts, are recorded as receivables and revenues when they are earned in the government-wide statements. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 1—Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**3. Inventories and prepaid expenses**

Inventories of the general and proprietary funds are accounted for as expenditures at the time of purchase and are not inventoried at year-end due to the amounts being immaterial. Expenditures for insurance and similar services extending over more than one accounting period are allocated between accounting periods. Reported prepaid expenses are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources”.

**4. Capital assets – primary government**

Capital assets, which include land, buildings, and infrastructure assets, are reported in the government-wide financial statements. Capital assets such as vehicles, furniture, and equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include city-owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets, including vehicles, furniture, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Furniture and fixtures	5-7
General equipment	5-10
Trucks	4-7
Cars	4-5
Computer hardware	3-5
Infrastructure	30
Utility systems	5-40



**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 1—Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**5. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources for the City consist of pension contributions made after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**6. Compensated absences and postretirement benefits**

The vacation policy of the City provides for the accumulation of up to a certain amount of earned vacation leave with such leave being fully vested when earned. For the City's government-wide financial statements and proprietary fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded when leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. No accrual has been established for accumulated sick leave of employees since it is the City's policy to record the cost of sick leave only when it is used.

The City has established a single-employer defined benefit other postemployment benefit plan (the "OPEB Plan"). The OPEB Plan states that these retirees shall be entitled after separation from City employment to continue to participate in and be covered by the health insurance plan of the City with the same benefits as those offered to active employees provided that such retiree must have served at least 25 years of employment and pay 13% of the premium associated with such participation, and enroll in a Medicare health insurance plan when the retiree becomes eligible, at which time the retiree will no longer participate in the City's OPEB Plan. The City has determined that the effects of the OPEB Plan are immaterial to the basic financial statements.

**7. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 1—Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**8. Unemployment compensation benefits**

The City is the reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of regular billings received from the Georgia Unemployment Commission.

**9. Net position/fund balance**

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

- *Non-Spendable* – Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form 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 through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.
- *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 of Harlem City Council (the “Council”) through the adoption of a formal policy. Only the Council 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 policy, authorization to assign fund balance remains with the Council.
- *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 in the general fund only. Negative unassigned fund balances may be reported in all governmental funds.

**Flow assumptions**

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, the City’s policy is to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the City’s policy is to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 1—Summary of significant accounting policies (continued)**

**D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)**

**9. Net position/fund balance (continued)**

**Net position**

Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position is classified in the following categories:

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.
- *Restricted Net Position* – This category represents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through Constitutional provision enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the City which is not restricted for any project or other purpose. The City first applies unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net positions are available.

**10. Use of estimates**

The preparation of the basic financial statements in conformance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**E. Stewardship, compliance, and accountability**

**1. Budgetary information**

During the year proceeding the budget year, the City follows the administrative and fiscal procedures below in establishing the budgetary data reflected in the accompanying financial statements of the General Fund:

In October, City Department Heads prepare a tentative budget to be given to the City Manager for review. After the review is completed, the City Manager prepares a preliminary budget to be submitted to the Mayor and City Council. The City Clerk then publishes notice of a public hearing on the proposed budget. The hearing is held a week from the date the notice is published.

After the public hearing has been held, the budget is voted on and approved at the first City Council meeting in December.

Changes in and amendments to the adopted budget are approved during the course of the year, as long as reserves are available to fund these modifications.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 1—Summary of significant accounting policies (continued)**

**E. Stewardship, compliance and accountability (continued)**

**1. Budgetary information (continued)**

The accompanying statement of revenues, expenditures, and changes in fund balances, budget (budgetary basis) and actual, for the General Fund, presents a comparison of the legally adopted budget with actual operating results on a budgetary basis. The City's budget is prepared using U.S. GAAP. Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is not used by the City.

**2. Fund balance deficit**

As of December 31, 2020, there were no funds with a deficit fund balance.

**F. Future accounting pronouncements**

Governmental Accounting Standards Board ("GASB") Statement 87, *Leases*, was issued in June 2017. The standard requires lessors to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. This standard will be effective for the year ending December 31, 2022. The City is currently in the process of evaluating the impact of this adoption on the financial statements.

**Note 2—Deposits, investments, and investment policies**

**A. Primary government**

For the purpose of the statement of cash flow, the City's reporting entity considers highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents. The carrying amount of cash is a reasonable estimate of fair value. Investment fair values are based on quoted market prices or dealer quotes.

**B. Custodial credit risk – deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the City's policy for cash to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2020, the carrying amount of the City's deposits was \$4,837,418 and cash on hand was \$475 which are classified as cash and cash equivalents in the accompanying statement of net position. As of December 31, 2020, all of the deposits of the City were properly insured and collateralized as required by the Official Code of Georgia Annotated ("OCGA") Section 45-8-12(c) and as defined by GASB pronouncements. The City uses the pooled method to collateralize funds, which are held in the name of the City.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 2—Deposits, investments, and investment policies (continued)**

**C. Investments**

The City can invest money subject to its control and jurisdiction in obligations of the United States, bonds or certificates of indebtedness of the state of Georgia, certificates of deposits of banks which have deposits insured by the FDIC, and other legal investments. All investments held by the City are in accordance with this policy.

**Note 3—Property taxes and other receivables**

**A. Receivables**

The Columbia County Tax Commissioner bills and collects property taxes, then remits the City its respective share of property taxes. Property taxes for 2020 that were levied on September 15, 2020, were due November 15, 2020. The unpaid taxes became a lien 30 days after the due date. Unpaid property taxes received within 60 days of the year-end are recognized and recorded as revenue.

The City receives approximately 2.5% of a 1% local option sales tax on all retail sales within the County. The proceeds of such tax collected each year are used to reduce, on a dollar-for-dollar basis, the millage equivalent amount of property taxes to be levied in the subsequent year. Local option sales tax collections collected during the year ended December 31, 2020 totaled \$749,636.

The City also receives approximately 3% of a 1% Special Purpose Local Option Sales Tax (“SPLOST”) funds to be used as designated and approved after public hearings. The approved expenditures are generally for capital projects in the City. The SPLOST received during the year ended December 31, 2020 totaled \$515,583.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to November 15 and are delinquent after that date.

Receivables as of year-end for the governmental activities and business-type activities, individual major governmental funds, including the applicable allowances for uncollectible accounts, as required by U.S. GAAP are as follows:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes	\$ 87,155	\$ -	\$ 87,155
Accounts	151,058	234,811	385,869
Gross receivables	238,213	234,811	473,024
Less allowance for uncollectible	-	(100,759)	(100,759)
Net Total Receivable	<u>\$ 238,213</u>	<u>\$ 134,052</u>	<u>\$ 372,265</u>

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 4—Capital assets**

**A. General government**

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 547,996	\$ -	\$ -	\$ 547,996
Total capital assets, not being depreciated	<u>547,996</u>	<u>-</u>	<u>-</u>	<u>547,996</u>
Capital assets, being depreciated:				
Infrastructure	7,683,472	55,383	-	7,738,855
Buildings and improvements	6,105,089	153,357	(1,480)	6,256,966
Vehicles and equipment	1,816,622	235,585	-	2,052,207
Total capital assets, being depreciated	<u>15,605,183</u>	<u>444,325</u>	<u>(1,480)</u>	<u>16,048,028</u>
Less accumulated depreciation:				
Infrastructure	(3,890,914)	(264,088)	-	(4,155,002)
Buildings and improvements	(1,722,372)	(157,857)	445	(1,879,784)
Vehicles and equipment	(1,280,814)	(144,943)	-	(1,425,757)
Total accumulated depreciation	<u>(6,894,100)</u>	<u>(566,888)</u>	<u>445</u>	<u>(7,460,543)</u>
Total capital assets, being depreciated	<u>8,711,083</u>	<u>(122,563)</u>	<u>(1,035)</u>	<u>8,587,485</u>
Governmental activities capital assets, net	<u>\$ 9,259,079</u>	<u>\$ (122,563)</u>	<u>\$ (1,035)</u>	<u>\$ 9,135,481</u>

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

Governmental Activities:	
General government	\$ 55,933
Public Safety	150,804
Fire	49,146
Community services	34,343
Sanitation	9,243
Public works	260,299
Museum	1,162
Community development	5,958
Total depreciation expense - governmental activities	<u>\$ 566,888</u>

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 4—Capital assets (continued)**

**B. Proprietary fund**

A summary of changes in business-type activities capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 40,277	\$ -	\$ -	\$ 40,277
Construction in progress	389,374	56,175	(5,386)	440,163
Total capital assets, not being depreciated	<u>429,651</u>	<u>56,175</u>	<u>(5,386)</u>	<u>480,440</u>
Capital assets, being depreciated				
Building	110,460	-	-	110,460
Vehicles and equipment	709,062	100,000	(25,000)	784,062
Utility systems	12,676,281	25,329	-	12,701,610
Total capital assets, being depreciated	<u>13,495,803</u>	<u>125,329</u>	<u>(25,000)</u>	<u>13,596,132</u>
Less accumulated depreciation:				
Building	(23,014)	(4,603)	-	(27,617)
Vehicles and equipment	(473,706)	(45,279)	25,000	(493,985)
Utility systems	(6,487,815)	(272,871)	-	(6,760,686)
Total accumulated depreciation	<u>(6,984,535)</u>	<u>(322,753)</u>	<u>25,000</u>	<u>(7,282,288)</u>
Total capital assets, being depreciated, net	<u>6,511,268</u>	<u>(197,424)</u>	<u>-</u>	<u>6,313,844</u>
Capital assets, net	<u>\$ 6,940,919</u>	<u>\$ (141,249)</u>	<u>\$ (5,386)</u>	<u>\$ 6,794,284</u>

**C. Discretely presented component unit**

A summary of changes in the Urban Redevelopment Authority capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Urban Redevelopment Authority				
Assets held for sale	\$ 210,062	\$ -	\$ -	\$ 210,062
Total Capital Assets	<u>\$ 210,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,062</u>

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 5—Long-term debt**

The following is a summary of the changes in noncurrent liabilities reported in the statement of net position for the year ended December 31, 2020:

	Balance	2020		Balance	Due Within
	January 1, 2020	Additions	Reductions	December 31, 2020	
Governmental activities:					
Notes payable from direct borrowings	\$ 2,145,000	\$ -	\$ 192,000	\$ 1,953,000	\$ 197,000
KS State Bank note payable from direct borrowings	52,058	-	52,058	-	-
Ford Motor Credit Lease Purchase from direct borrowings	75,408	-	75,408	-	-
Community First National Bank Lease Purchase from direct borrowings	-	156,000	-	156,000	29,229
Compensated absences	72,514	76,549	72,514	76,549	76,549
Net pension liability	363,121	31,165	-	394,286	-
Governmental activities long-term liabilities	<u>\$ 2,708,101</u>	<u>\$ 263,714</u>	<u>\$ 391,980</u>	<u>\$ 2,579,835</u>	<u>\$ 302,778</u>
Business-type activities:					
2005 GEFA loan from direct borrowings	\$ 1,048,126	\$ -	\$ 51,088	\$ 997,038	\$ 105,455
Compensated absences	59,844	63,218	59,844	63,218	63,218
Net pension liability	393,382	198,047	-	591,429	-
Business-type activities long-term liabilities	<u>\$ 1,501,352</u>	<u>\$ 261,265</u>	<u>\$ 110,932</u>	<u>\$ 1,651,685</u>	<u>\$ 168,673</u>
Discretely presented component unit:					
Urban Redevelopment Authority					
Cadence Bank Line of Credit	\$ 61,119	\$ -	\$ -	\$ 61,119	\$ 61,119
First State Bank Line of Credit	125,000	277	522	124,755	124,755
Discretely presented component unit long-term liabilities	<u>\$ 186,119</u>	<u>\$ 277</u>	<u>\$ 522</u>	<u>\$ 185,874</u>	<u>\$ 185,874</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.



**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 5—Long-term debt (continued)**

**A. Governmental activities debt**

**1. Notes payable**

In August 2011, the City received a 20-year, direct borrowing note from BB&T Bank for renovations to the Public Safety Facility as well as the addition of a new fire station, secured by the property financed. The interest rate on the loan is 4.71%. During the year ended December 31, 2016, the City refinanced the loan through an installment sale agreement with the Georgia Municipal Association; the interest of which was subsequently transferred to a bank. The loan is secured by the property financed and is due in varying installments of principal and interest, at a fixed rate of 2.44%, through 2029. In the event of default all unpaid amounts shall become immediately due and payable.

Annual debt service requirements as of December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 197,000	\$ 45,813	\$ 242,813
2022	201,000	40,896	241,896
2023	206,000	35,868	241,868
2024	211,000	30,808	241,808
2025	217,000	25,429	242,429
2026-2029	921,000	46,216	967,216
	<u>\$ 1,953,000</u>	<u>\$ 225,030</u>	<u>\$ 2,178,030</u>

In May 2019, the City financed the purchase of computers for police cars through direct borrowings from KS State Bank. The loan is secured by the equipment financed. The interest rate on the loan is 13.37%. The loan is due in varying installments of principal and interest through 2023. In the event of default all unpaid amounts shall become immediately due and payable. The loan was paid off during the year ended December 31, 2020.

In May 2019, the City entered into a direct borrowing lease purchase agreement with Ford Motor Credit Company to purchase vehicles for the police department. The loan is secured by the vehicles financed. The interest rate is 7.75%. The payments are due in two annual installments of \$42,141 through 2021. In the event of default all unpaid amounts shall become immediately due and payable. The loan was paid off during the year ended December 31, 2020.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 5—Long-term debt (continued)**

**A. Governmental activities debt (continued)**

**1. Notes payable (continued)**

In April 2020, the City financed the purchase of equipment for the fire department through direct borrowings from Community First National Bank. The loan is secured by the equipment financed. The interest rate on the loan is 10%. The loan is due in varying installments of principal and interest through 2025. In the event of default all unpaid amounts shall become immediately due and payable.

The annual debt service requirements as of December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 29,229	\$ 5,092	\$ 34,321
2022	30,183	4,138	34,321
2023	31,168	3,153	34,321
2024	32,185	2,135	34,320
2025	33,235	1,085	34,320
	<u>\$ 156,000</u>	<u>\$ 15,603</u>	<u>\$ 171,603</u>

**B. Business-type activities debt**

**1. Notes payable**

In 2005, the City applied for and received a construction loan from GEFA for improvements to the water and sewer system. The direct borrowings, which have an interest rate of 4.2%, consist of 240 installments of \$12,109. In June 2020 the City was notified of the alleviation of interest for the time period of July 1, 2020 through December 31, 2020 and no principal being due or payable during this same time period. The payments of principal and interest are to recommence on January 1, 2021. The maturity date of the loan is extended six months to March 1, 2029.

Annual debt service requirements as of December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2021	\$ 105,445	\$ 39,861	\$ 145,306
2022	109,960	35,346	145,306
2023	114,668	30,638	145,306
2024	119,578	25,728	145,306
2025	124,698	20,608	145,306
2026-2029	422,689	28,931	451,620
	<u>\$ 997,038</u>	<u>\$ 181,112</u>	<u>\$ 1,178,150</u>

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

*DECEMBER 31, 2020*

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**Note 5—Long-term debt (continued)**

**C. Discretely presented component unit**

**1. Lines of credit**

The URA has a line of credit with a commercial bank with an available credit limit of \$250,000, which matures on December 20, 2022. Amounts outstanding under the line bear interest at 5.25%. The line of credit is due and payable in full on demand. \$61,119 was outstanding under the line of credit at December 31, 2020. The unused amount of the line of credit at December 31, 2020 was \$188,881. This line of credit is guaranteed by the City.

The URA has a line of credit with a commercial bank with an available credit limit of \$250,000, which matures on October 26, 2022. Amounts outstanding under the line bear interest at 3.50%. The line of credit is due and payable in full on demand. \$124,755 was outstanding under the line of credit at December 31, 2020. The unused amount of the line of credit at December 31, 2020 was \$125,245.

**Note 6—Interfund receivables/transfers**

The SPLOST 2017-2022 transferred \$242,829 to the General Fund for the payment of a Regions loan on a building for which the cost was included in the SPLOST 2017-2022 budget; however, the General Fund obtained debt to construct the building prior to the collection of SPLOST funds; therefore, the SPLOST funds are being transferred to the General Fund to reimburse the General Fund for prior years' capital outlay as stated in the SPLOST Intergovernmental Agreement with Columbia County.

Interfund receivables and payables result from timing differences related to charges for services or reimbursable expenses. The City expects to repay these interfund balances within one year.

**Note 7—Risk management**

The City carries property and liability insurance through commercial insurance companies. Annual premiums are based on the amount of coverage and policy deductibles requested by the City.

**A. Risk pool**

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency for property and liability insurance and the Worker's Compensation Self-Insurance Fund, public entity risk pools currently operating as common risk management, and insurance programs for member local governments. The Georgia Municipal Association administers both risk pools.

As part of their agreement, the City must assist and cooperate in the defense and settlement of claims against the City. The City must furnish full cooperation to the pools' attorneys, claims adjusters, and any agent or independent contractor of the pools. In addition, the City must report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a fund or funds in which the City participates.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 7—Risk management (continued)**

**A. Risk pool (continued)**

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

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the City's insurance coverage.

**Note 8—Pension plan**

**A. Plan description**

The City Council approved the adoption of a defined benefit pension plan, the City of Harlem Retirement Plan (the "Plan"), covering all full-time employees in 1987, and closed entry to the Plan to new participants as of December 17, 2012. The Plan is administered by the Georgia Municipal Employees Benefit System ("GMEBS"), a statewide, agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for cities in the state of Georgia. GMEBS handles all administrative and investment functions relative to the Plan. All full-time City employees prior to December 17, 2012, were eligible to participate in the Plan after one year of service. Benefits vest after ten years of service. City employees may retire at age 55 under the early retirement provisions if they have completed ten years of service. Normal retirement is at age 60. Benefits are payable for life in an amount of covered compensation plus 2% of Participant Final Average Earnings, multiplied by years of service. The Plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the GMEBS Pension Trust and Adoption Agreement executed by the City. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to GMEBS, 201 Pryor Street SW, Atlanta, Georgia 30303.

**B. Plan membership**

As of July 1, 2020, the Plan membership consisted of the following:

Inactive Plan members or beneficiaries currently receiving benefits	20
Inactive Plan members entitled to, but not receiving benefits	20
Active Plan members	15
	<hr/>
	55
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**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 8—Pension plan (continued)**

**C. Contributions**

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the Plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the Plan. The funding policy for the Plan is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by the Plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2020, the City's contribution rate was 34.23% of annual covered payroll. City contributions to the Plan were \$160,998 for the year ended December 31, 2020.

**D. Net pension liability**

The City's net pension liability was measured as of March 31, 2020, which would make it applicable to the fiscal year beginning January 1, 2020 and ending December 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

**E. Actuarial assumptions**

The methods and assumptions used in the July 1, 2020 valuation were approved by the Board in December 2019 based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted in November and December 2019. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Net investment rate of return	7.375%
Projected salary increases	2.25% plus service based merit increases
Cost of living adjustment	1.70%

Mortality rates for the valuation period were based on the gender-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The long-term expected rate of return on 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 target asset allocation percentage and by adding expected inflation.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 8—Pension plan (continued)**

**E. Actuarial assumptions (continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of March 31, 2019 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%	6.41%
International equity	20%	6.96%
Domestic fixed income	20%	1.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
	<u>100%</u>	

**F. Discount rate**

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to actuarially determined contribution rates assumed that City contributions will be made at rates equal to the actuarial determined rates. 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-term expected rate of return on Plan investments was applied to all of the projected benefit payments to determine the total pension liability.

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 year.

	<u>1% Decrease (6.375%)</u>	<u>Current Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
City's net pension liability	\$ 1,316,674	\$ 985,715	\$ 707,463

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 8—Pension plan (continued)**

**G. Changes in the net pension liability**

The changes in the components of the net pension liability for the City for the year ended December 31, 2020 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at March 31, 2019	\$ 2,570,038	\$ 1,813,535	\$ 756,503
Changes for the year:			
Service cost	35,636	-	35,636
Interest	191,053	-	191,053
Differences between expected and actual experience	(8,189)	-	(8,189)
Contributions – employer	-	162,578	(162,578)
Net investment income	-	(132,166)	132,166
Benefit payments, including refunds of employee contributions	(116,591)	(116,591)	-
Administrative expense	-	(11,244)	11,244
Other	29,880	-	29,880
Net changes	131,789	(97,423)	229,212
Balances at March 31, 2020	\$ 2,701,827	\$ 1,716,112	\$ 985,715

The required schedule of changes in the City's net pension liability and related ratios on page 41 presents multiyear trend information about whether the value of Plan assets are increasing or decreasing over time relative to the total pension liability.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 8—Pension plan (continued)**

**H. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2020, the City recognized pension expense of \$181,233. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual pension plan experience	\$ -	\$ 4,095
Changes of assumptions	14,940	-
Net difference between projected and actual earnings on pension plan investments	215,433	-
Employer contributions subsequent to the measurement date	87,581	-
	<u>\$ 317,954</u>	<u>\$ 4,095</u>

City contributions subsequent to the measurement date of \$87,581 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	
2021	\$ 51,833
2022	53,210
2023	67,338
2024	53,897
	<u>\$ 226,278</u>

**Note 9—Georgia Firefighters’ Pension Fund**

Certain employees of the Fire Department are covered by The Georgia Firefighters’ Pension Fund (“GFPF”). The GFPF was established by the Georgia General Assembly in 1995 for the purpose of providing retirement benefits for qualified firefighters. The GFPF is a cost-sharing, multiple-employer defined benefit pension plan as defined in the GASB Statement 68, *Accounting and Financial Reporting for Pensions*.



# CITY OF HARLEM, GEORGIA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### **Note 9—Georgia Firefighters’ Pension Fund (continued)**

Any person employed as a firefighter or enrolled as a volunteer firefighter within the state of Georgia or any regular employee of the GPF is eligible for membership in the GPF. The various fire departments located within the state of Georgia, as employers of the members of GPF, do not make contributions to the fund. The state of Georgia provides nonemployer contributions to the GPF through the collection of insurance premiums tax. Since the City does not contribute directly to the GPF, management has determined the related impact on the financial statements to be immaterial. GPF issues a publicly available financial report that can be obtained at <http://gfpf.org/about/annualreports/>

### **Note 10—Other retirement plans**

In 2011, the City Council approved the adoption of “The Georgia Municipal Association 457(b) Deferred Compensation Plan” (the “457(b) Plan”). The 457(b) Plan allows employees to voluntarily supplement their retirement savings through the deferral of income before it is taxed. All employees of the City are eligible to participate in the 457(b) Plan. The City does not contribute to the 457(b) Plan.

In December 2012, the City Council approved the adoption of “The Georgia Municipal Association 401(a) Defined Contribution Plan” (the “401(a) Plan”). All full-time employees with six months of service hired after December 17, 2012, are eligible to participate in the plan. The City contributes 3% of total compensation to the 401(a) Plan. Additionally, the City will match 100% of contributions to the 457(b) Plan up to 3% of total compensation through contributions to the 401(a) Plan. Matching and nonmatching contributions are 100% vested after a participant has been employed five years and matching contributions remain 0% vested until the participant satisfies the full vesting period. As of December 31, 2020, there were fifteen plan participants. For the year ended December 31, 2020, the City made contributions of \$33,345 to the Defined Contribution Plan.

### **Note 11—Joint venture**

Under Georgia law, the City, in conjunction with other cities and counties in the Central Savannah River Area, is a member of the Central Savannah River Area Regional Commission (“RC”) and is required to pay annual dues thereto. During the year ended December 31, 2020, the City paid \$3,066 in such dues and service charges. Membership in a RC is required by the OCGA Section 50-8-34 that provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: CSRA Regional Commission, 3626 Walton Way Ext. #300, Augusta, GA 30909.

### **Note 12—Housing authority**

The Housing Authority of Harlem, Georgia (the “Housing Authority”), is considered a related organization based in accordance with U.S. GAAP. Pursuant to OCGA 8-3-4, the Housing Authority is a separate legal entity from the City. Further, pursuant to OCGA 8-3-50, the City appoints a voting majority of the Housing Authority members. However, the City is not able to impose its will upon the Housing Authority nor does a financial benefit/burden relationship exist between them. In 2020, the City received \$3,885 for the 2019 assessment year from the Harlem Housing Authority as payment in lieu of taxes.

**CITY OF HARLEM, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**

*DECEMBER 31, 2020*

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**Note 13—Commitments and contingencies**

**A. Commitments**

The City guarantees one of the URA's lines of credit as discussed in Note 5. No additional outstanding commitments existed for the City as of December 31, 2020.

**B. Contingencies**

The City is subject to various legal proceedings covering a wide range of matters that arise in the ordinary course of its activities.

**Note 14—Landfill post-closure cost**

The City contracts with a disposal company to dispose of its solid waste materials collected. In prior years the City maintained a landfill; however, it was closed during 2016. The state of Georgia requires the City to perform certain maintenance and monitoring functions at the closed landfill and to make periodic reports to the appropriate agencies. The estimated liability for post-closure cost is undeterminable; however, the City believes the maintenance cost is immaterial. However, changes in the post-closure care may occur for increases or decreases in cost due to inflation or deflation, changes in technology, changes to post-closure care requirements, and changes in the extent of environmental remediation required by law. If at such time that the post-closure care cost is determined and is a material liability appropriate disclosure will be reflected in the financial statements. Maintenance costs \$480 and landfill services fees were \$12,665 for the year ended December 31, 2020.

**Note 15—Subsequent events**

In June 2021, the City paid off the construction loan from GEFA described in Note 5.

On July 1, 2021, the City entered into an intergovernmental agreement with Columbia County for the sale of its municipal water distribution and wastewater collection and treatment systems for a one-time payment of \$7 million.

The City has evaluated subsequent events November 1, 2021, the date which the financial statements were available to be issued. As of this date, other than the above mentioned, there were no material subsequent events requiring adjustment to or disclosure in the financial statements for the year ended December 31, 2020.

**CITY OF HARLEM, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

DECEMBER 31, 2020

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Total pension liability:</b>					
Service cost	\$ 35,636	\$ 39,252	\$ 41,081	\$ 52,796	\$ 57,426
Interest on total pension liability	191,053	181,878	167,511	165,691	154,267
Differences between expected and actual experience	(8,189)	20,257	76,315	(29,694)	105,065
Changes of assumptions	29,880	-	51,773	-	-
Benefit payments, including refunds of employee contributions	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
<b>Net change in total pension liability</b>	<b>131,789</b>	<b>127,103</b>	<b>226,320</b>	<b>(31,453)</b>	<b>198,286</b>
Total pension liability - beginning	2,570,038	2,442,935	2,216,615	2,248,068	2,049,782
Total pension liability - ending (a)	<b>\$ 2,701,827</b>	<b>\$ 2,570,038</b>	<b>\$ 2,442,935</b>	<b>\$ 2,216,615</b>	<b>\$ 2,248,068</b>
<b>Plan fiduciary net position:</b>					
Contributions - employer	\$ 162,578	\$ 152,731	\$ 159,294	\$ 155,680	\$ 152,944
Net investment income	(132,166)	63,040	188,091	167,063	5,352
Benefit payments, including refunds of employee contributions	(116,591)	(114,284)	(110,360)	(220,246)	(118,472)
Administrative expense	(11,244)	(10,684)	(10,685)	(11,072)	(8,025)
<b>Net change in fiduciary net position</b>	<b>(97,423)</b>	<b>90,803</b>	<b>226,340</b>	<b>91,425</b>	<b>31,799</b>
Plan fiduciary net position - beginning	1,813,535	1,722,732	1,496,392	1,404,967	1,373,168
Plan fiduciary net position - ending (b)	<b>\$ 1,716,112</b>	<b>\$ 1,813,535</b>	<b>\$ 1,722,732</b>	<b>\$ 1,496,392</b>	<b>\$ 1,404,967</b>
<b>Net pension liability (a) - (b)</b>	<b>\$ 985,715</b>	<b>\$ 756,503</b>	<b>\$ 720,203</b>	<b>\$ 720,223</b>	<b>\$ 843,101</b>
Plan fiduciary net position as a percentage of the total pension liability	63.52%	70.56%	70.52%	67.51%	62.50%
Covered-employee payroll	<b>\$ 431,794</b>	<b>\$ 469,860</b>	<b>\$ 519,400</b>	<b>\$ 518,351</b>	<b>\$ 670,477</b>
City's net pension liability as a percentage of covered-employee payroll	228.28%	161.01%	138.7%	138.9%	125.7%

**\*NOTE: This schedule will present 10 years of information once it is accumulated.**

**CITY OF HARLEM, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S CONTRIBUTION**

*DECEMBER 31, 2020*

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	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 163,105	\$ 149,273	\$ 162,634	\$ 153,362	\$ 152,944
Contributions in relation to the actuarially determined contribution	(163,105)	(149,273)	(162,634)	(153,362)	(152,944)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 469,860	\$ 519,400	\$ 518,351	\$ 670,477	\$ 670,477
Contributions as a percentage of covered-employee payroll	34.71%	28.74%	31.38%	22.87%	22.81%

**\*NOTE: This schedule will present 10 years of information once it is accumulated.**

**CITY OF HARLEM, GEORGIA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*DECEMBER 31, 2020*

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**Note 1—Methods and assumptions used in calculations of actuarially determined contributions**

The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1 of the year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for the remaining unfunded liability
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 the end of the 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	1.70%

There were no changes in the methods or assumptions from the prior valuation.

**CITY OF HARLEM, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**

DECEMBER 31, 2020

	Special Revenue Funds		Capital Project Funds			Combined Totals
	Confiscation Fund	Revolving Loan Fund	Technology Fund	T-SPLOST Fund	SPLOST 2011-2016 Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,513	\$ 107,728	\$ 22,203	\$ 146,954	\$ 119,123	\$ 406,521
Accounts receivable	-	-	-	7,944	-	7,944
<b>Total Assets</b>	<u>\$ 10,513</u>	<u>\$ 107,728</u>	<u>\$ 22,203</u>	<u>\$ 154,898</u>	<u>\$ 119,123</u>	<u>\$ 414,465</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 4,169	\$ 4,169
Unearned revenue	5,111	-	-	-	-	5,111
<b>Total Liabilities</b>	<u>5,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,169</u>	<u>9,280</u>
<b>FUND BALANCE</b>						
Restricted for						
Capital projects	-	-	-	154,898	114,954	269,852
Economic development	-	107,728	-	-	-	107,728
Committed to						
Capital outlay	-	-	22,203	-	-	22,203
Assigned						
Public safety	5,402	-	-	-	-	5,402
<b>Total Fund Balance</b>	<u>5,402</u>	<u>107,728</u>	<u>22,203</u>	<u>154,898</u>	<u>114,954</u>	<u>405,185</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 10,513</u>	<u>\$ 107,728</u>	<u>\$ 22,203</u>	<u>\$ 154,898</u>	<u>\$ 119,123</u>	<u>\$ 414,465</u>

**CITY OF HARLEM, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED DECEMBER 31, 2020

	Special Revenue Funds		Capital Project Funds			Total Non-Major Governmental Funds
	Confiscation Fund	Revolving Loan Fund	Technology Fund	T-SPLOST Fund	SPLOST 2011-2016 Fund	
Revenue:						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 75,470	\$ -	\$ 75,470
Charges for services	-	-	3,180	-	-	3,180
Uses of money/property	-	198	38	238	260	734
Other	5,261	-	-	-	-	5,261
<b>Total Revenue</b>	<b>5,261</b>	<b>198</b>	<b>3,218</b>	<b>75,708</b>	<b>260</b>	<b>84,645</b>
Expenditures:						
Current Operating:						
General government	979	13,800	-	55,384	158	70,321
Public safety	2,365	-	-	-	-	2,365
Capital outlay	-	-	-	-	149,612	149,612
<b>Total Expenditures</b>	<b>3,344</b>	<b>13,800</b>	<b>-</b>	<b>55,384</b>	<b>149,770</b>	<b>222,298</b>
Excess (deficiency) of revenues over (under) expenditures	1,917	(13,602)	3,218	20,324	(149,510)	(137,653)
Net change in fund balances	1,917	(13,602)	3,218	20,324	(149,510)	(137,653)
Fund balance, beginning of year	3,485	121,330	18,985	134,574	264,464	542,838
<b>Fund balance, end of year</b>	<b>\$ 5,402</b>	<b>\$ 107,728</b>	<b>\$ 22,203</b>	<b>\$ 154,898</b>	<b>\$ 114,954</b>	<b>\$ 405,185</b>

**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of City Council  
City of Harlem, Georgia

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Harlem, Georgia (the “City”), as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 1, 2021.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be material weaknesses as described in 2020-001.

**Compliance and Other Matters**

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



**City of Harlem's Response to Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not audited 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Cheryl Bekant LLP in black ink.

Augusta, Georgia  
November 1, 2021

# **CITY OF HARLEM, GEORGIA**

## **SCHEDULE OF FINDINGS AND RESPONSES**

*YEAR ENDED DECEMBER 31, 2020*

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### **Finding 2020-001**

#### **CONDITION:**

The City of Harlem, Georgia (the "City") did not prepare its financial statements for the year ended December 31, 2020, or its conversion entries related to converting the fund financial statements to the statement of net position and statement of activities.

During our audit procedures, significant adjustments were posted to the internal financial statements in order for the financial statements to be in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Based upon the City's request, we prepared the conversion entries to convert the fund financial statements to the statement of net position and statement of activities, and other year-end adjustments and reclassifications. Also, during our audit procedures as accounts were reconciled to supporting documentation, we proposed adjustments to correct balance sheet accounts to the supporting schedules.

#### **CAUSE:**

The City does not have sufficient resources with the financial statement expertise which would allow the City to internally prepare its conversion entries for the fund financial statements to the government-wide financial statements, in accordance with U.S. GAAP. Historically, due to the cost-benefit analysis made by management of internal control over financial reporting, the City has engaged its auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

The City also has not had sufficient resources in the accounting and finance departments which would allow sufficient time to be spent on reconciling balance sheet accounts for all funds to the supporting documentation on a timely basis.

#### **RECOMMENDATION:**

We recommend management consider the cost-benefit analysis of the preparation of its financial statements in accordance with U.S. GAAP. We also recommend management continue the training and supervision of its finance and accounting staff in order to reconcile all balance sheet accounts to supporting documentation on a timely basis.

#### **MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:**

Management concurs with the findings. Management reviews the cost benefit of internal control over financial reporting and has determined the most prudent course of action is to engage the auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

**CITY OF HARLEM, GEORGIA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

*YEAR ENDED DECEMBER 31, 2020*

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**Finding 2019-001**

**CONDITION:**

The City of Harlem, Georgia (the "City") did not prepare its financial statements for the year ended December 31, 2019, or its conversion entries related to converting the fund financial statements to the statement of net position and statement of activities.

During our audit procedures, significant adjustments were posted to the internal financial statements in order for the financial statements to be in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Based upon the City's request, we prepared the conversion entries to convert the fund financial statements to the statement of net position and statement of activities, and other year-end adjustments and reclassifications. Also, during our audit procedures as accounts were reconciled to supporting documentation, we proposed adjustments to correct balance sheet accounts to the supporting schedules.

The City relies on an external party to maintain the capital assets and calculate depreciation. The City has placed an overreliance on the external party and performed an insufficient review of the depreciation calculation in order to detect material misstatements.

**CAUSE:**

The City does not have sufficient resources with the financial statement expertise which would allow the City to internally prepare its conversion entries for the fund financial statements to the government-wide financial statements, in accordance with U.S. GAAP. Historically, due to the cost-benefit analysis made by management of internal control over financial reporting, the City has engaged its auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

The City also has not had sufficient resources in the accounting and finance departments which would allow sufficient time to be spent on reconciling balance sheet accounts for all funds to the supporting documentation on a timely basis.

**RECOMMENDATION:**

We recommend management consider the cost-benefit analysis of the preparation of its financial statements in accordance with U.S. GAAP. We also recommend management continue the training and supervision of its finance and accounting staff in order to reconcile all balance sheet accounts to supporting documentation on a timely basis.

**ACTIONS TAKEN OR PLANNED TO CORRECT DEFICIENCIES:**

Management concurs with the findings. Management reviews the cost benefit of internal control over financial reporting and has determined the most prudent course of action is to engage the auditor to assist in the conversion to U.S. GAAP basis and financial statement preparation.

**CURRENT STATUS:**

Repeat finding at 2020-001.

**CITY OF HARLEM, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE**  
**LOCAL OPTION SALES TAX PROCEEDS (2011-2016)**

*YEAR ENDED DECEMBER 31, 2020*

<b>Project</b>	<b>Original Estimated Cost</b>	<b>Amended Estimated Cost</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>To Date</b>	<b>Percentage of Completion</b>
<b>Tier I</b>						
Vehicles and equipment	\$ 350,000	\$ 325,000	\$ 325,000	\$ -	\$ 325,000	100%
Infrastructure (water and sewer)	718,224	193,224	128,832	-	128,832	67%
Transportation (roads and sidewalks)	200,000	160,000	11,000	111,750	122,750	77%
Public buildings	850,000	1,480,000	1,672,036	-	1,672,036	113%
Recreation	250,000	210,000	147,615	37,862	185,477	88%
Total - Tier I	<u>2,368,224</u>	<u>2,368,224</u>	<u>2,284,483</u>	<u>149,612</u>	<u>2,434,095</u>	
<b>Tier II</b>						
Vehicles and equipment	50,000	50,000	-	-	-	0%
Infrastructure (water and sewer)	610,377	610,377	-	-	-	0%
Public buildings	150,000	150,000	95,892	-	95,892	64%
Total - Tier II	<u>810,377</u>	<u>810,377</u>	<u>95,892</u>	<u>-</u>	<u>95,892</u>	
<b>Tier III</b>						
Infrastructure (water and sewer)	521,749	521,749	-	-	-	0%
Total - Tier III	<u>521,749</u>	<u>521,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Grand Total	<u>\$ 3,700,350</u>	<u>\$ 3,700,350</u>	<u>\$ 2,380,375</u>	<u>\$ 149,612</u>	<u>\$ 2,529,987</u>	

**CITY OF HARLEM, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE**  
**LOCAL OPTION SALES TAX PROCEEDS (2017-2022)**

YEAR ENDED DECEMBER 31, 2020

<b>Project</b>	<b>Original Estimated Cost</b>	<b>Amended Estimated Cost</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>To Date</b>	<b>Percentage of Completion</b>
<b>Tier I</b>						
Public buildings	\$ 1,942,531	\$ 1,955,481	\$ 638,611	\$ 242,829 *	\$ 881,440	45%
Total - Tier I	1,942,531	1,955,481	638,611	242,829	881,440	
<b>Tier II</b>						
Vehicles and equipment	25,000	25,000	-	-	-	0%
Infrastructure (water and sewer)	25,000	25,000	-	-	-	0%
Transportation (roads and sidewalks)	25,000	25,000	-	-	-	0%
Public buildings	223,755	262,606	-	-	-	0%
Recreation	25,000	25,000	-	-	-	0%
Total - Tier II	323,755	362,606	-	-	-	
<b>Tier III</b>						
Buildings	283,755	231,954	-	-	-	0%
Transportation (roads and sidewalks)	10,000	10,000	-	-	-	0%
Recreation	10,000	10,000	-	-	-	0%
Vehicles and equipment	10,000	10,000	-	-	-	0%
Infrastructure (water and sewer)	10,000	10,000	-	-	-	0%
Total - Tier III	323,755	271,954	-	-	-	
Grand Total	\$ 2,590,041	\$ 2,590,041	\$ 638,611	\$ 242,829	\$ 881,440	

\* Consistent with the Intergovernmental Agreement with Columbia County, the City is reimbursing the General Fund for capital outlay expenditures for a public building which occurred in previous years.