

CITY OF PEMBROKE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Pembroke, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Pembroke, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Pembroke, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Pembroke, Georgia, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund, CHIP grant fund, and American Rescue Plan Act fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pembroke, Georgia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions on page 39 and 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pembroke, Georgia's basic financial statements. The schedule of projects paid with SPLOST proceeds, schedule of projects paid with TSPLOST proceeds, CDBG source and application of funds schedule, and CDBG project cost schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects paid with SPLOST proceeds, schedule of projects paid with TSPLOST proceeds, CDBG source and application of funds schedule, and CDBG project cost schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022 on our consideration of the City of Pembroke, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pembroke, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Pembroke, Georgia's internal control over financial reporting and compliance.

Janier, Deal + Proctor

Statesboro, Georgia
August 10, 2022

CITY OF PEMBROKE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,634,938	\$ (156,812)	\$ 5,478,126	\$ 13,592
Restricted cash and cash equivalents	-	409,276	409,276	-
Certificates of deposit	141,487	157,436	298,923	-
Receivables:				
Taxes	165,375	-	165,375	-
Accounts	38,580	88,662	127,242	-
Intergovernmental	635,213	383,143	1,018,356	-
Internal balances	519,828	(519,828)	-	-
Prepaid insurance	26,581	6,610	33,191	-
Total Current Assets	7,162,002	368,487	7,530,489	13,592
Noncurrent Assets:				
Capital assets:				
Nondepreciable capital assets	3,389,280	550,569	3,939,849	-
Depreciable capital assets, net	3,850,922	9,778,359	13,629,281	347,708
Total Capital Assets	7,240,202	10,328,928	17,569,130	347,708
Total Assets	14,402,204	10,697,415	25,099,619	361,300
DEFERRED OUTFLOWS OF RESOURCES				
Resources related to pensions	129,575	48,575	178,150	-
LIABILITIES				
Current Liabilities:				
Accounts payable	663,155	169,759	832,914	-
Accrued payroll	37,642	5,602	43,244	-
Unearned revenue	493,332	-	493,332	-
Compensated absences payable	4,575	2,653	7,228	-
Customer deposits	-	93,734	93,734	-
Notes payable	208,643	-	208,643	-
Capital leases payable	95,355	-	95,355	-
Revenue bonds payable	-	202,914	202,914	-
Total Current Liabilities	1,502,702	474,662	1,977,364	-
Long-Term Liabilities:				
Compensated absences payable (net of current portion)	18,298	10,611	28,909	-
Notes payable (net of current portion)	1,660,519	101,632	1,762,151	-
Revenue bonds payable (net of current portion)	-	3,970,135	3,970,135	-
Capital leases payable (net of current portion)	293,482	-	293,482	-
Net pension obligation	148,571	75,067	223,638	-
Total Long-Term Liabilities	2,120,870	4,157,445	6,278,315	-
Total Liabilities	3,623,572	4,632,107	8,255,679	-
DEFERRED INFLOWS OF RESOURCES				
Resources related to pensions	213,569	50,534	264,103	-
NET POSITION				
Net investment in capital assets	4,982,203	6,054,247	11,036,450	347,708
Restricted for:				
Capital projects	4,108,696	-	4,108,696	-
Other purposes	168,901	-	168,901	-
Debt service	-	272,399	272,399	-
Unrestricted	1,434,838	(263,297)	1,171,541	13,592
Total Net Position	\$ 10,694,638	\$ 6,063,349	\$ 16,757,987	\$ 361,300

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Program/Function	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General government	\$ 315,555	\$ 94,865	-	-	\$ (220,690)	-	\$ (220,690)	-
Municipal court	52,592	-	-	-	(52,592)	-	(52,592)	-
Public safety	1,191,758	244,126	\$ 55,245	-	(892,387)	-	(892,387)	-
Streets and sanitation	973,467	107,097	-	\$ 1,710,694	844,324	-	844,324	-
Recreation and culture	222,411	340	-	-	(222,071)	-	(222,071)	-
Housing and development	80,809	5,250	-	-	(75,559)	-	(75,559)	-
Health and welfare	-	-	-	153,600	153,600	-	153,600	-
Interest	51,377	-	-	-	(51,377)	-	(51,377)	-
Total Governmental Activities	<u>2,887,969</u>	<u>451,678</u>	<u>55,245</u>	<u>1,864,294</u>	<u>(516,752)</u>	<u>-</u>	<u>(516,752)</u>	<u>-</u>
Business-Type Activities:								
Water Fund	1,387,833	1,159,792	-	276,232	-	\$ 48,191	48,191	-
Total - Primary Government	<u>\$ 4,275,802</u>	<u>\$ 1,611,470</u>	<u>\$ 55,245</u>	<u>\$ 2,140,526</u>	<u>(516,752)</u>	<u>48,191</u>	<u>(468,561)</u>	<u>-</u>
Component Unit								
Downtown Development Authority	<u>\$ 29,890</u>	<u>\$ 25,503</u>	<u>\$ 5,000</u>	<u>\$ 131,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 131,756</u>
		General Revenues						
		Property taxes levied for:						
		General purposes			556,951	-	556,951	-
		Sales taxes			933,510	-	933,510	-
		Insurance premium tax			177,991	-	177,991	-
		Franchise taxes			127,305	-	127,305	-
		Other taxes			60,556	-	60,556	-
		Interest earned			2,878	389	3,267	-
		Gain on sale of capital assets			-	124,950	124,950	-
		Other			135,186	-	135,186	-
		Total General Revenues			<u>1,994,377</u>	<u>125,339</u>	<u>2,119,716</u>	<u>-</u>
		Transfers			<u>(184,012)</u>	<u>184,012</u>	<u>-</u>	<u>-</u>
		Total General Revenues and Transfers			<u>1,810,365</u>	<u>309,351</u>	<u>2,119,716</u>	<u>-</u>
		Change in Net Position			<u>1,293,613</u>	<u>357,542</u>	<u>1,651,155</u>	<u>131,756</u>
		Net Position Beginning of Year			<u>9,401,025</u>	<u>5,705,807</u>	<u>15,106,832</u>	<u>229,544</u>
		Net Position End of Year			<u>\$ 10,694,638</u>	<u>\$ 6,063,349</u>	<u>\$ 16,757,987</u>	<u>\$ 361,300</u>

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	TSPLOST	SPLOST	CHIP Grant	American Rescue Plan Act	Total Governmental Funds
ASSETS						
Cash	\$ 973,328	\$ 788,105	\$ 2,944,205	\$ 438,883	\$ 490,417	\$ 5,634,938
Certificates of deposit	141,487	-	-	-	-	141,487
Receivables:						
Taxes	165,375	-	-	-	-	165,375
Accounts	30,192	-	8,388	-	-	38,580
Intergovernmental	150,278	97,185	167,598	220,152	-	635,213
Prepaid insurance	26,581	-	-	-	-	26,581
Due from other funds	524,383	-	215,447	-	-	739,830
TOTAL ASSETS	\$ 2,011,624	\$ 885,290	\$ 3,335,638	\$ 659,035	\$ 490,417	\$ 7,382,004
LIABILITIES						
Accounts payable	\$ 111,795	-	\$ 551,360	-	-	\$ 663,155
Accrued payroll liabilities	37,642	-	-	-	-	37,642
Unearned revenue	3,010	-	-	-	\$ 490,322	493,332
Due to other funds	-	-	-	\$ 220,002	-	220,002
TOTAL LIABILITIES	152,447	-	551,360	220,002	490,322	1,414,131
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	20,752	-	-	-	-	20,752
FUND BALANCES						
Nonspendable	26,581	-	-	-	-	26,581
Restricted for:						
Capital projects	-	885,290	2,784,278	439,033	95	4,108,696
Roads	41,176	-	-	-	-	41,176
Public safety	82,463	-	-	-	-	82,463
Health and welfare	45,262	-	-	-	-	45,262
Unassigned	1,642,943	-	-	-	-	1,642,943
TOTAL FUND BALANCES	1,838,425	885,290	2,784,278	439,033	95	5,947,121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,011,624	\$ 885,290	\$ 3,335,638	\$ 659,035	\$ 490,417	\$ 7,382,004

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Total Governmental Fund Balances		\$ 5,947,121
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	\$ 11,333,108	
Less accumulated depreciation	<u>(4,092,906)</u>	7,240,202
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds:		
Property taxes		20,752
Deferred outflows and deferred inflows related to pensions is not reported in the governmental funds:		
Deferred outflows of resources	129,575	
Deferred inflows of resources	<u>(213,569)</u>	(83,994)
The City's net pension obligation is not reported in the governmental funds but is in the statement of net position.		
		(148,571)
Liabilities, including notes payable, capital leases payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position:		
Notes payable	(1,869,162)	
Capital leases payable	(388,837)	
Compensated absences	<u>(22,873)</u>	<u>(2,280,872)</u>
Net Position Of Governmental Activities		<u>\$ 10,694,638</u>

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	TSPLOST	SPLOST	CHIP Grant	American Rescue Plan Act	Total Governmental Funds
REVENUES						
Taxes	\$ 1,865,104	-	-	-	-	\$ 1,865,104
Licenses and permits	50,030	-	-	-	-	50,030
Intergovernmental	51,308	\$ 786,813	\$ 921,707	-	-	1,759,828
Charges for services	213,300	-	-	-	-	213,300
Fines and forfeitures	188,348	-	-	-	-	188,348
Interest	2,507	438	1,736	\$ 276	\$ 95	5,052
Other	139,126	-	-	-	-	139,126
Total revenues	<u>2,509,723</u>	<u>787,251</u>	<u>923,443</u>	<u>276</u>	<u>95</u>	<u>4,220,788</u>
EXPENDITURES						
Current:						
General government	282,635	-	-	-	-	282,635
Municipal court	49,129	-	-	-	-	49,129
Public safety	1,055,240	-	-	-	-	1,055,240
Streets and sanitation	805,895	-	-	-	-	805,895
Recreation and culture	189,990	-	-	-	-	189,990
Housing and development	97,216	-	-	-	-	97,216
Capital outlay:						
General government	-	-	2,532,632	-	-	2,532,632
Public safety	-	-	20,247	-	-	20,247
Streets	-	940,279	85,695	-	-	1,025,974
Debt service:						
Principal	101,439	9,605	185,928	-	-	296,972
Interest	12,654	1,377	37,346	-	-	51,377
Total expenditures	<u>2,594,198</u>	<u>951,261</u>	<u>2,861,848</u>	<u>-</u>	<u>-</u>	<u>6,407,307</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(84,475)</u>	<u>(164,010)</u>	<u>(1,938,405)</u>	<u>276</u>	<u>95</u>	<u>(2,186,519)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	-	101,994	-	-	-	101,994
Transfers out	-	-	(184,012)	-	-	(184,012)
Total other financing sources (uses)	<u>-</u>	<u>101,994</u>	<u>(184,012)</u>	<u>-</u>	<u>-</u>	<u>(82,018)</u>
NET CHANGE IN FUND BALANCES	(84,475)	(62,016)	(2,122,417)	276	95	(2,268,537)
FUND BALANCES, JANUARY 1, 2021	<u>1,922,900</u>	<u>947,306</u>	<u>4,906,695</u>	<u>438,757</u>	<u>-</u>	<u>8,215,658</u>
FUND BALANCES, DECEMBER 31, 2021	<u>\$ 1,838,425</u>	<u>\$ 885,290</u>	<u>\$ 2,784,278</u>	<u>\$ 439,033</u>	<u>\$ 95</u>	<u>\$ 5,947,121</u>

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Net Changes In Fund Balances - Total Governmental Funds \$ (2,268,537)

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

	Depreciation expense	\$ (400,944)	
	Capital outlay	<u>3,613,944</u>	3,213,000

Governmental funds do not record contributions of capital assets. However, in the statement of activities the fair value of those assets are reported as capital contributions. 153,600

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes:			
	Unavailable revenue @ 12/31/21	20,752	
	Unavailable revenue @ 12/31/20	<u>(29,546)</u>	(8,794)

Other financing sources for proceeds from capital lease are reported on the fund level operating statement but are reported as a liability on the government-wide financial statements. (101,994)

Repayment of notes payable and capital leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 296,972

The change in the net pension liability and pension related deferred outflows and deferred inflows is reported on the government-wide statement of activities but not in the governmental funds. 9,395

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences payable:			
	Liability @ 12/31/21	(22,873)	
	Liability @ 12/31/20	<u>22,844</u>	<u>(29)</u>

Change In Net Position of Governmental Activities \$ 1,293,613

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,630,501	\$ 1,865,104	\$ 234,603
Licenses and permits	35,185	50,030	14,845
Intergovernmental	205,000	51,308	(153,692)
Charges for services	219,130	213,300	(5,830)
Fines and forfeitures	355,850	188,348	(167,502)
Interest income	5,194	2,507	(2,687)
Other	94,350	139,126	44,776
Total revenues	<u>2,545,210</u>	<u>2,509,723</u>	<u>(35,487)</u>
EXPENDITURES			
Current:			
General government	402,397	282,635	119,762
Municipal court	65,171	49,129	16,042
Public safety	1,034,706	1,055,240	(20,534)
Streets and sanitation	752,314	805,895	(53,581)
Recreation and culture	71,168	189,990	(118,822)
Housing and development	97,971	97,216	755
Debt service:			
Principal	115,182	101,439	13,743
Interest	11,301	12,654	(1,353)
Total expenditures	<u>2,550,210</u>	<u>2,594,198</u>	<u>(43,988)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,000)</u>	<u>(84,475)</u>	<u>(79,475)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	5,000	-	(5,000)
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(84,475)</u>	<u>\$ (84,475)</u>
FUND BALANCE, JANUARY 1, 2021		<u>1,922,900</u>	
FUND BALANCE, DECEMBER 31, 2021		<u>\$ 1,838,425</u>	

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
CHIP GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Interest income	\$ 149	\$ 276	\$ 127
Total revenues	149	276	127
EXPENDITURES			
Capital:			
Housing and development	-	-	-
Total expenditures	-	-	-
NET CHANGE IN FUND BALANCE	\$ 149	276	\$ 127
FUND BALANCE, JANUARY 1, 2021		438,757	
FUND BALANCE, DECEMBER 31, 2021		\$ 439,033	

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
AMERICAN RESCUE PLAN ACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Interest income	\$ -	\$ 95	\$ 95
Total revenues	-	95	95
EXPENDITURES			
Capital:			
Public works	-	-	-
Total expenditures	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	95	\$ 95
FUND BALANCE, JANUARY 1, 2021		-	
FUND BALANCE, DECEMBER 31, 2021		\$ 95	

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF NET POSITION
WATER AND SEWER FUND
DECEMBER 31, 2021

ASSETS	
Current Assets	
Cash and cash equivalents	\$ (156,812)
Restricted cash and cash equivalents	409,276
Certificates of deposit	157,436
Accounts receivable	88,662
Intergovernmental receivable	383,143
Prepaid insurance	6,610
Total Current Assets	888,315
Noncurrent Assets	
Capital Assets	
Construction in progress	550,569
Water and sewer system	14,548,087
Machinery and equipment	525,041
Less accumulated depreciation	(5,294,769)
Total Capital Assets	10,328,928
Total Assets	11,217,243
DEFERRED OUTFLOWS OF RESOURCES	
Resources related to pensions	48,575
LIABILITIES	
Current Liabilities	
Accounts payable	169,759
Accrued payroll	5,602
Compensated absences payable	2,653
Due to other funds	519,828
Customer deposits	93,734
Revenue bonds payable	202,914
Total Current Liabilities	994,490
Long-term Liabilities	
Compensated absences payable (net of current portion)	10,611
Revenue bonds payable (net of current portion)	3,970,135
Note payable	101,632
Net pension obligation	75,067
Total Long-term Liabilities	4,157,445
Total Liabilities	5,151,935
DEFERRED INFLOWS OF RESOURCES	
Resources related to pensions	50,534
NET POSITION	
Net investment in capital assets	6,054,247
Restricted for debt service	272,399
Unrestricted	(263,297)
Total Net Position	\$ 6,063,349

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES	
Water and sewer sales	\$ 1,055,879
Other	103,913
Total operating revenues	1,159,792
OPERATING EXPENSES	
Salaries	238,957
Payroll taxes	17,804
Retirement	18,073
Depreciation	414,941
Professional fees	24,421
Utilities	155,168
Rent	75,000
Repairs and maintenance	67,903
Insurance	67,701
Chemicals	22,126
Postage	8,255
Lab fees	7,407
Fuel	12,668
Telephone	9,029
Supplies	37,602
Small equipment	20,101
Contracted services	63,131
Uniforms	5,774
Equipment rental	264
Other	12,144
Total operating expenses	1,278,469
OPERATING INCOME (LOSS)	(118,677)
NONOPERATING REVENUE (EXPENSE)	
Interest income	389
Gain on sale of capital assets	124,950
Interest expense	(109,364)
Total nonoperating revenue (expense)	15,975
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(102,702)
Capital contributions/grants	276,232
Transfers in	184,012
CHANGE IN NET POSITION	357,542
NET POSITION, BEGINNING OF YEAR	5,705,807
NET POSITION, END OF YEAR	\$ 6,063,349

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,165,391
Cash payments for employees	(275,436)
Cash payments for goods and services	(509,070)
Net cash provided by operating activities	<u>380,885</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from (to) other funds	<u>215,447</u>
Net cash provided by noncapital financing activities	<u>215,447</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in from SPLOST Fund	184,012
Capital grants	61,629
Purchase of capital assets	(635,401)
Proceeds from sale of capital assets	124,950
Proceeds from note payable	14,518
Principal payments on long-term debt	(197,762)
Interest payments	(109,364)
Net cash used by capital and related financing activities	<u>(557,418)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>389</u>
Net cash provided by investing activities	<u>389</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,303
CASH AND CASH EQUIVALENTS, JANUARY 1, 2021	<u>213,161</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2021	<u>\$ 252,464</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (118,677)
Adjustments:	
Depreciation	414,941
(Increase) decrease in operating assets:	
Accounts receivable	(623)
Prepaid insurance	7,302
(Increase) decrease in deferred outflows of resources - resources related to pensions	35,922
Increase (decrease) in operating liabilities:	
Accounts payable	82,322
Escrow deposit	(10,000)
Accrued payroll	121
Customer deposits	6,222
Compensated absences payable	1,625
Net pension obligation	(86,959)
Increase (decrease) in deferred inflows of resources - resources related to pensions	48,689
Net cash provided by operating activities	<u><u>\$ 380,885</u></u>

See accompanying notes to the basic financial statements.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

The City of Pembroke was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture and recreation, planning and zoning, and general administrative services. In addition, the City operates a water and sewer system.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, in its government-wide and proprietary fund financial statements, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The Downtown Development Authority of the City of Pembroke is a public corporation created to promote industry, trade, and economic growth. The City appoints the members of the authority's board and assists in its funding. Separate financial statements are not prepared.

1-B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, grants and the City’s general revenues, from business-type activities, generally financed in whole or part with service charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City’s services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental funds are reported in separate columns.

Fund Accounting – The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses two categories of funds: governmental and proprietary.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City’s major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund’s fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Georgia.

SPLOST Fund – This capital projects fund accounts for the special purpose local option sales tax collected to be used for various capital improvements within the City.

TSPLOST Fund – This fund accounts for the transportation special purpose local option sales tax collected for transportation capital improvements within the City.

CHIP Grant Fund – This fund accounts for the Community Home Investment Program grant funds and the funds received from the sale of homes under the program to be used to provide affordable housing for low-income families.

American Rescue Plan Act Fund – This fund accounts for all Local Fiscal Recovery Funds received by the City through the American Rescue Plan Act of 2021.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds and internal service funds. The City’s only major enterprise fund is the water and sewer fund which accounts for the water and sewer provided to the City’s constituents.

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis in accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues – Non-exchange Transactions – Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-E. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or United States Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible, where applicable.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonexpendable as this amount is not available for general appropriation.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Restricted assets represent amounts set aside to meet the requirements of applicable covenants of the water and sewer revenue bonds.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the City fund financial statements. Capital assets utilized by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position and in the proprietary fund's statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges and water lines. For roads and bridges, the City will only capitalize infrastructure constructed after June 30, 2003. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land, right-of-way and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	7-40 years
Machinery and equipment	3-10 years
Infrastructure	10-40 years
Water and sewer system	15-40 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for the 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 then. The City only has one item that qualifies for reporting in this category. It is resources related to pensions reported at the government-wide level for governmental and business-type activities and at the fund level for enterprise funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City also has deferred inflows of resources related to its pension plan reported at the government-wide level for governmental and business-type activities and at the fund level for its proprietary fund.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "*when due.*"

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as obligations of those funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are amortized over the life of the bonds using the effective interest method and bond issuance costs are expensed in the current period.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

Fund Equity

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

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

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

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

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City Council’s intent to be used for specific purposes but are neither restricted nor committed. Only the City Council is authorized to assign fund balance by resolution.

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

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Flow Assumptions - The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between the assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the City, these revenues are charges for services for water and sewer. Operating expenses are necessary costs incurred to provide the water and sewer services and includes administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between governmental and business-type activities are eliminated from the total column.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City adopts an annual operating budget for the general fund and each special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures over Appropriations

For the year ended December 31, 2021, expenditures exceeded appropriations for the following departments within the general fund:

	<u>Overexpenditures</u>
Public safety	\$ 20,534
Streets and sanitation	53,581
Recreation and culture	118,822
Debt service - interest	1,353

These over expenditures were funded primarily by available fund balance.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – DEPOSITS

At December 31, 2021, the carrying amount of the City’s deposits (checking and certificates of deposit) was \$6,186,325 and the bank balance was \$6,237,553. Of the bank balance, \$698,927 was covered by federal depository insurance and \$5,538,626 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about September 15th of each year and are payable within sixty days. The Bryan County Tax Commissioner bills and collects the City’s property taxes. Property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended December 31, 2021, property taxes were levied on August 11, 2021, and were due November 15, 2021.

NOTE 5 – RECEIVABLES

Receivables at December 31, 2021, consisted of taxes, accounts (billings for user charges) and intergovernmental receivables arising from grants.

Receivables are recorded on the City’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability. The allowance for uncollectible accounts netted against accounts receivable at December 31, 2021 for the water and sewer fund totaled \$3,766.

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	\$ 304,381
	CHIP grant	220,002
SPLOST	Water and Sewer	215,447
		<u>\$ 739,830</u>

Interfund balances at December 31, 2021 represent charges for services or reimbursable expenses. The City expects to repay all interfund balances within one year.

During the year ended December 31, 2021, the SPLOST fund transferred \$184,012 to the Water and Sewer fund to help fund water and sewer system improvements and equipment purchases.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2021</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 434,143	-	-	\$ 434,143
Construction in progress	315,691	\$ 2,639,446	-	2,955,137
Total capital assets not being depreciated	<u>749,834</u>	<u>2,639,446</u>	<u>-</u>	<u>3,389,280</u>
Capital assets being depreciated:				
Buildings and other improvements	2,052,036	266,340	-	2,318,376
Machinery and equipment	2,397,023	722,907	-	3,119,930
Infrastructure	2,366,671	138,851	-	2,505,522
Total capital assets being depreciated	<u>6,815,730</u>	<u>1,128,098</u>	<u>-</u>	<u>7,943,828</u>
Total capital assets	<u>7,565,564</u>	<u>3,767,544</u>	<u>-</u>	<u>11,333,108</u>
Accumulated depreciation:				
Buildings and other improvements	1,428,192	41,003	-	1,469,195
Machinery and equipment	1,547,948	237,091	-	1,785,039
Infrastructure	715,822	122,850	-	838,672
Total accumulated depreciation	<u>3,691,962</u>	<u>400,944</u>	<u>-</u>	<u>4,092,906</u>
Governmental activities capital assets, net	<u>\$ 3,873,602</u>	<u>\$ 3,366,600</u>	<u>\$ -</u>	<u>\$ 7,240,202</u>

Governmental activities depreciation expense:

General government	\$ 28,414
Municipal court	3,643
Public safety	148,311
Recreation	32,421
Streets and sanitation	<u>188,155</u>
Total governmental activities depreciation expense	<u>\$ 400,944</u>

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – CAPITAL ASSETS (Continued)

The following table presents the changes in capital assets for the City’s enterprise fund:

	Balance 1/1/2021	Additions	Deductions	Balance 12/31/2021
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	-	\$ 550,569	\$ -	\$ 550,569
Total capital assets not being depreciated	-	550,569	-	550,569
Capital assets being depreciated:				
Water and sewer system	\$ 14,514,276	33,811	-	14,548,087
Machinery and equipment	474,020	51,021	-	525,041
Total capital assets being depreciated	14,988,296	84,832	-	15,073,128
Total capital assets	14,988,296	635,401	-	15,623,697
Accumulated depreciation:				
Water and sewer system	4,496,435	382,999	-	4,879,434
Machinery and equipment	383,393	31,942	-	415,335
Total accumulated depreciation	4,879,828	414,941	-	5,294,769
Business-type activities capital assets, net	<u>\$ 10,108,468</u>	<u>\$ 220,460</u>	<u>\$ -</u>	<u>\$ 10,328,928</u>

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – NOTES PAYABLE

Governmental Activities

The notes payable outstanding at December 31, 2021, consisted of the following:

	<u>Governmental Activities</u>
Note payable to John Deere Financial, payable in monthly installments of \$543 at 0% interest through November, 2023, secured by equipment	\$ 12,493
Note payable to KS State Bank, payable in annual installments of \$3,178 including interest at 6.34%, through December, 2022, secured by computer equipment	2,989
Note payable to KS State Bank, payable in annual installments of \$10,114 including interest at 5.27%, through October, 2022, secured by computer equipment and software	9,608
Note payable to Truist Bank, payable in monthly installments of \$18,606 including interest at 1.92%, through December, 2030, secured by real estate	1,844,072
	<u>\$ 1,869,162</u>

As of December 31, 2021, annual debt service requirements for governmental activities are as follows:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 208,643	\$ 34,440	\$ 243,083
2023	199,175	30,073	229,248
2024	196,942	26,331	223,273
2025	200,757	22,516	223,273
2026	204,646	18,627	223,273
2027-2030	858,998	34,094	893,092
	<u>\$ 1,869,162</u>	<u>\$ 166,081</u>	<u>\$ 2,035,243</u>

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – NOTES PAYABLE (Continued)

Business-type Activities

In July 2021, the City obtained a loan for \$603,000 through the Georgia Environmental Finance Authority to finance sewer system improvements. The loan provides for principal forgiveness of \$211,050 through special subsidies.

As of December 31, 2021, total loan disbursements to the City were \$156,357 less principal forgiveness subsidies of \$54,725 resulting in an outstanding loan balance of \$101,632. The loan has an annual interest rate of 0.13% and interest payments will begin on the earliest of the completion date, the date the loan is fully disbursed, or May 1, 2022. Principal and interest payments will be made in 239 monthly installments together with a final installment due 20 years from the date the loan has been fully disbursed.

NOTE 9 – WATER AND SEWER REVENUE BONDS

In June, 2016, the City issued a City of Pembroke Water and Sewer Refunding Revenue Bond, Series 2016, for \$4,210,000. The bond was issued to pay the cost of refunding and defeasing the City of Pembroke Water and Sewer Revenue Bond, Series 2003A; the City of Pembroke Water and Sewer Revenue Bond, Series 2003B; the City of Pembroke Water and Sewer Revenue Bond, Series 2013; and a note from First Bank of Coastal Georgia dated December 14, 2015. Additionally, a portion of the net proceeds was deposited into a debt service reserve account.

The bond has an interest rate of 2.57% for the first 15 years. After that, the interest rate will be at a monthly variable rate equal to 70% of the Wall Street Journal prime rate not to exceed a rate of 10%.

The bond requires monthly principal and interest payments of \$22,445 from July, 2016 through June, 2036. The principal amount outstanding at December 31, 2021 was \$3,257,398.

The bond is secured by a lien on the revenues of the water and sewer system. The City will be required to create a special fund designated as the City of Pembroke Water and Sewer Revenue Bond Sinking Fund (Sinking Fund), which will include a debt service and a reserve account.

In April 2019, the City issued a City of Pembroke Water and Sewer Revenue Bond, Series 2019, for \$954,000 through the United States Department of Agriculture. The bond was issued to pay the cost of acquiring property in Bulloch County, drilling a new well, connecting to the City's water system, and constructing a 250,000-gallon elevated storage tank for the water system. As of December 31, 2021, the principal amount outstanding was \$915,651.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – WATER AND SEWER REVENUE BONDS (Continued)

The bonds payable outstanding at December 31, 2021, consisted of the following:

	<u>Business-Type Activities</u>
Series 2016 Water and Sewer Refunding Revenue Bonds, payable in monthly installments of \$22,445 from July, 2016 through June, 2036, including interest at 2.57%	\$ 3,257,398
Series 2019 Water and Sewer Revenue Bonds, payable in monthly installments of \$3,149 from May, 2019 through April, 2059, including interest at 2.50%	915,651
	<u><u>\$ 4,173,049</u></u>

As of December 31, 2021, annual debt service requirements are as follows:

<u>Year ending December 31</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 202,914	\$ 104,211	\$ 307,125
2023	208,180	98,945	307,125
2024	213,583	93,542	307,125
2025	219,125	88,000	307,125
2026	224,812	82,313	307,125
2027-2031	1,214,661	320,964	1,535,625
2032-2036	1,244,921	156,037	1,400,958
2037-2041	115,273	73,667	188,940
2042-2046	130,606	58,334	188,940
2047-2051	147,977	40,963	188,940
2052-2056	167,657	21,283	188,940
2057-2059	83,340	2,472	85,812
	<u><u>\$ 4,173,049</u></u>	<u><u>\$ 1,140,731</u></u>	<u><u>\$ 5,313,780</u></u>

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – CAPITAL LEASES

The City has entered into lease agreements for financing the acquisition of police vehicles and equipment costing \$167,709, street equipment costing \$101,994, and two fire trucks costing \$496,310. Amortization of the cost is included in depreciation expense in the government-wide financial statements and accumulated depreciation was \$304,874, at December 31, 2021. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2021:

<u>Year ending December 31</u>	<u>Governmental Activities</u>
2022	\$ 106,287
2023	106,287
2024	99,070
2025	91,854
2026	<u>10,967</u>
Total minimum lease payments	414,465
Less amount representing interest	<u>25,628</u>
Present value of future minimum lease payments	<u><u>\$ 388,837</u></u>

NOTE 11 – CHANGES IN LONG-TERM DEBT

	<u>Outstanding January 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding December 31, 2021</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Compensated absences	\$ 22,844	\$ 2,274	\$ 2,245	\$ 22,873	\$ 4,575
Notes payable	2,073,544	-	204,382	1,869,162	208,643
Capital leases payable	<u>379,433</u>	<u>101,994</u>	<u>92,590</u>	<u>388,837</u>	<u>95,355</u>
Total Governmental Activities	<u><u>\$ 2,475,821</u></u>	<u><u>\$ 104,268</u></u>	<u><u>\$ 299,217</u></u>	<u><u>\$ 2,280,872</u></u>	<u><u>\$ 308,573</u></u>
Business-Type Activities					
Compensated absences	\$ 11,639	\$ 1,625	-	\$ 13,264	\$ 2,653
Notes payable	-	101,632	-	101,632	-
Revenue bonds payable	<u>4,370,811</u>	<u>-</u>	<u>\$ 197,762</u>	<u>4,173,049</u>	<u>202,914</u>
Total Business-Type Activities	<u><u>\$ 4,382,450</u></u>	<u><u>\$ 103,257</u></u>	<u><u>\$ 197,762</u></u>	<u><u>\$ 4,287,945</u></u>	<u><u>\$ 205,567</u></u>

The compensated absences liability will be paid from the general fund for governmental activities and from the water and sewer fund for business-type activities. Payments on notes payable and capital leases for governmental activities will be paid from the general fund, SPLOST fund and TSPLOST fund. Revenue bonds payable and notes payable for the City's Water and Sewer System are financed from income derived from the operation of the Water and Sewer System.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City's defined benefit pension plan, the City of Pembroke Retirement Plan (the "Plan"), provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the State of Georgia. The City is assigned the authority to establish and amend benefit provisions of the Plan. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Benefits Provided

The Plan provides retirement benefits to eligible employees of the City. All regular employees meeting the eligibility requirements are covered under the plan. Municipal legal officers are not eligible to participate in the plan. In order to be eligible for participation, regular employees must work a minimum of thirty hours per week for at least five months per year. Regular employees qualify for immediate participation in the plan and participation is mandatory for all eligible employees.

Plan participants are eligible to receive early retirement benefits at the age of fifty-five with the completion of ten years of total credited service. Normal retirement benefits may be received at the age of sixty-five with five years of total credited service.

Normal retirement benefits are calculated based on a flat percentage of 2.0 percent of final average earnings multiplied by years of total credited service as an eligible regular employee. The number of years of total credited service which may be used to calculate the benefit is not limited. Monthly benefits are paid at 1/12th of the calculated amount. The same formula is used for all participants who are regular employees. Final average earnings are the annual average of earnings paid to a participant by the City for the five consecutive years of credited service preceding the participant's most recent termination in which the participant's earnings were the highest. All elected or appointed members of the City eligible to participate will receive \$17 per month for each year of total credited service.

For participants electing to receive early retirement benefits, the benefit will be reduced on an actuarially equivalent basis to account for early commencement of benefits.

Disability retirement benefits shall be computed in the same manner as the normal retirement benefit, based upon the participant's accrued benefit as of his disability retirement date. The minimum disability benefit will be no less than 20% of the participant's average monthly earnings for the twelve calendar month period immediately preceding his termination of employment as a result of a disability.

In-service death benefits are payable to the participant's pre-retirement beneficiary, equal to the actuarially equivalent of the reserve required for the participant's anticipated normal retirement benefit. For purposes of computing the actuarial reserve death benefit, the participant's total credited service shall include total credited service accrued prior to the date of the participant's death, plus one-half of the service between such date of

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

death and what would otherwise have been the participant’s normal retirement date. Terminated vested death benefits are payable to the participant’s pre-retirement beneficiary, equal to the decreased monthly retirement benefit that would have otherwise been payable to the participant had he elected 100% joint and survivor benefit under the plan.

Employees Covered by Benefit Terms

At July 1, 2021, the most recent actuarial valuation, there were 82 participants as follows:

Active participants	37
Retirees and beneficiaries	21
Vested former employees	<u>24</u>
	<u>82</u>

Contributions

The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is \$97,386. This minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial accrued liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the employer contributes the recommended contribution developed under the actuarial funding policy each year, the Plan will meet applicable state funding standards.

Net Pension Liability

The City’s net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Range of 3.00 to 8.50 percent, including inflation
Investment rate of return	7.375 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on the Pri-2012 Weighted Employee Mortality Table with rates multiplied by 1.25.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to June 30, 2019.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major asset class 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%	6.40%
International equity	20%	7.05%
Domestic fixed income	20%	1.15%
Real estate	10%	4.50%
Global fixed income	5%	1.25%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (c) = (a)-(b)</u>
Balance, March 31, 2020	\$ 1,973,489	\$ 1,315,057	\$ 658,432
Changes for the year:			
Service cost	61,397	-	61,397
Interest	146,461	-	146,461
Contributions from the employer	-	86,708	(86,708)
Net investment income	-	592,823	(592,823)
Difference between expected and actual experience	28,513	-	28,513
Benefit payments, including refunds of employee contributions	(97,953)	(97,953)	-
Administrative expenses	-	(8,366)	8,366
Net Changes	<u>138,418</u>	<u>573,212</u>	<u>(434,794)</u>
Balance, March 31, 2021	<u>\$ 2,111,907</u>	<u>\$ 1,888,269</u>	<u>\$ 223,638</u>

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – EMPLOYEE RETIREMENT PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.375 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.375 percent) or one percentage point higher (8.375 percent) than the current rate:

	<u>Discount Rate - 1%</u> <u>(6.375%)</u>	<u>Current Discount</u> <u>Rate</u> <u>(7.375%)</u>	<u>Discount Rate + 1%</u> <u>(8.375%)</u>
City's net pension	\$ 499,601	\$ 223,638	\$ (4,224)

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

For the year ended December 31, 2021, the City recognized pension expense of \$91,723. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Employer contributions after measurement date	\$ 76,580	-
Differences in expected and actual experience	93,312	-
Effects of changes in assumptions	8,258	-
Net differences between projected and actual net investment income	-	\$ (264,103)
	<u>\$ 178,150</u>	<u>\$ (264,103)</u>

City contributions subsequent to the measurement date of \$76,580 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u> <u>December 31</u>	
2021	\$ (3,373)
2022	(8,742)
2023	(51,106)
2024	<u>(99,312)</u>
	<u>\$ (162,533)</u>

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2021 there was no pending litigation that would have a material effect on the financial statements.

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters. The City has joined the Georgia Interlocal Risk Management Agency, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. This membership allows the city to share liability, crime, motor vehicle and property damage risks.

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Pembroke retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the \$1,000 deductible.

There have been no settlements exceeding insurance coverage for each of the past three years.

Pursuant to Title 34, Chapter 9, Article 4 of the Official Code of Georgia Annotated, the City of Pembroke became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Pembroke) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

As part of this risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the fund.

CITY OF PEMBROKE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RISK MANAGEMENT (Continued)

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs assessed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 15 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten county Southeast Georgia area, is a member of the Coastal Regional Commission of Georgia (RC) and is required to pay annual dues thereto. During the year ended December 31, 2021, the City paid \$2,855 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Regional Council membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of a RC. Separate financial statements may be obtained from:

Coastal Regional Commission of Georgia
1181 Coastal Drive SW
Darien, Georgia 31305

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 10, 2022 which is the date the financial statements were available to be issued. No subsequent events were noted.

CITY OF PEMBROKE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF PEMBROKE RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
Total pension liability							
Service cost	\$ 61,397	\$ 55,453	\$ 54,096	\$ 58,556	\$ 57,515	\$ 65,475	\$ 50,064
Interest	146,461	132,011	120,236	117,456	113,520	104,898	99,754
Differences between expected and actual experience	28,513	109,581	68,552	(82,639)	(33,365)	24,858	(18,499)
Changes of assumptions	-	16,514	-	26,374	-	-	12,064
Benefit payments, including refunds of employee contributions	(97,953)	(89,539)	(84,926)	(87,582)	(86,209)	(81,739)	(72,284)
Net change in total pension liability	<u>138,418</u>	<u>224,020</u>	<u>157,958</u>	<u>32,165</u>	<u>51,461</u>	<u>113,492</u>	<u>71,099</u>
Total pension liability—beginning	<u>1,973,489</u>	<u>1,749,469</u>	<u>1,591,511</u>	<u>1,559,346</u>	<u>1,507,885</u>	<u>1,394,393</u>	<u>1,323,294</u>
Total pension liability—ending (a)	<u>\$ 2,111,907</u>	<u>\$ 1,973,489</u>	<u>\$ 1,749,469</u>	<u>\$ 1,591,511</u>	<u>\$ 1,559,346</u>	<u>\$ 1,507,885</u>	<u>\$ 1,394,393</u>
Plan fiduciary net position							
Contributions—employer	\$ 86,708	\$ 82,023	\$ 74,238	\$ 91,263	\$ 76,374	\$ 77,939	\$ 78,050
Net investment income	592,823	(98,732)	50,048	155,450	140,607	3,983	100,213
Benefit payments, including refunds of employee contributions	(97,953)	(89,539)	(84,926)	(87,582)	(86,209)	(81,739)	(72,284)
Administrative expense	(8,366)	(9,069)	(8,608)	(8,415)	(8,646)	(5,743)	(5,274)
Net change in plan fiduciary net position	<u>573,212</u>	<u>(115,317)</u>	<u>30,752</u>	<u>150,716</u>	<u>122,126</u>	<u>(5,560)</u>	<u>100,705</u>
Plan fiduciary net position—beginning	<u>1,315,057</u>	<u>1,430,374</u>	<u>1,399,622</u>	<u>1,248,906</u>	<u>1,126,780</u>	<u>1,132,340</u>	<u>1,031,635</u>
Plan fiduciary net position—ending (b)	<u>\$ 1,888,269</u>	<u>\$ 1,315,057</u>	<u>\$ 1,430,374</u>	<u>\$ 1,399,622</u>	<u>\$ 1,248,906</u>	<u>\$ 1,126,780</u>	<u>\$ 1,132,340</u>
Net pension liability—ending (a)-(b)	<u>\$ 223,638</u>	<u>\$ 658,432</u>	<u>\$ 319,095</u>	<u>\$ 191,889</u>	<u>\$ 310,440</u>	<u>\$ 381,105</u>	<u>\$ 262,053</u>
Plan fiduciary net position as a percentage of the total pension liability	89.41%	66.64%	81.76%	87.94%	80.09%	74.73%	81.21%
Covered-employee payroll	\$ 1,095,176	\$ 1,079,826	\$ 928,791	\$ 812,810	\$ 785,198	\$ 775,601	\$ 782,586
Net pension liability as a percentage of covered-employee payroll	20.42%	60.98%	34.36%	23.61%	39.54%	49.14%	33.49%

(1) Only fiscal years 2021, 2020, 2019, 2018, 2017, 2016, and 2015 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

Notes to Schedule:

Changes of assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

- The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.
- The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the *sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25*
- The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.
- The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.
- Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.
- Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%.
- The turnover rates were changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The disability rates were changed to 50% of the rates in the prior age-based table.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service
- The investment return assumption was decreased from 7.50% to 7.375%.

Benefit changes

There were no changes in benefit provisions in the last two fiscal years.

CITY OF PEMBROKE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF PEMBROKE RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	*	\$ 81,575	\$ 73,955	\$ 82,550	\$ 84,750	\$ 82,998	\$ 76,253
Contributions in relation to the actuarially determined contribution	*	<u>74,777</u>	<u>73,955</u>	<u>82,550</u>	<u>84,750</u>	<u>89,352</u>	<u>69,899</u>
Contribution deficiency (excess)	*	<u><u>6,798</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (6,354)</u></u>	<u><u>\$ 6,354</u></u>
Covered-employee payroll	*	\$ 1,079,826	928,791	812,810	\$ 785,198	\$ 775,601	\$ 782,586
Contributions as a percentage of covered-employee payroll	*	6.92%	7.96%	10.16%	10.79%	11.52%	8.93%

*2021 information will be determined after fiscal year end and will be included in the 2022 valuation report

Notes to Schedule:

Valuation Date The actuarially determined contribution rate was determined as of July 1, 2021, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 13 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement Age	5% ages 55 to 59; 7% ages 60 to 61; 20% age 62; 10% ages 63-64; 35% age 65; 25% ages 66-71; 100% ages 72 and older.
Mortality	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF PROJECTS PAID
WITH SPLOST PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		Total	Estimated Percentage of Completion
			Prior Years	Current Year		
SPLOST VI						
Public safety building	\$ 1,700,000	\$ 1,158,207	\$ 818,682	-	\$ 818,682	70.7%
Public safety equipment	-	496,310	-	\$ 20,247	20,247	4.1%
TOS theater	905,000	905,000	-	-	-	0.0%
Recreation improvements	-	74,558	74,558	-	74,558	100.0%
Street improvements	-	194,251	194,251	-	194,251	100.0%
Street equipment	-	20,247	-	20,247	20,247	100.0%
Water sewer equipment	-	51,021	-	51,021	51,021	100.0%
Water sewer projects	445,000	445,000	358,640	80,677	439,317	98.7%
CDBG project match on water and sewer system improvements	55,000	73,055	73,055	-	73,055	100.0%
Storm drainage improvements	95,000	122,428	122,428	-	122,428	100.0%
Totals	\$ 3,200,000	\$ 3,540,077	\$ 1,641,614	\$ 172,192	\$ 1,813,806	51.2%
SPLOST VII						
General government vehicles	-	\$ 18,500	\$ 18,500	-	\$ 18,500	100.0%
Water improvements	\$ 812,000	812,000	94,500	-	94,500	11.6%
Sewer improvements	812,000	812,000	-	\$ 52,314	52,314	6.4%
Street improvements	513,000	513,000	-	65,448	65,448	12.8%
Stormwater improvements	96,000	96,000	-	-	-	0.0%
Sidewalk improvements	117,000	117,000	-	-	-	0.0%
Municipal facilities	850,000	1,203,151	247,796	955,355	1,203,151	100.0%
Totals	\$ 3,200,000	\$ 3,571,651	\$ 360,796	\$ 1,073,117	\$ 1,433,913	40.1%
Total SPLOST expenditures				\$ 1,245,309		

Reconciliation of current year expenditures to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total SPLOST fund expenditures per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,861,848
Transfers to other funds	184,012
Less use of loan proceeds - Municipal facilities	(1,800,551)
Total current year expenditures per above	<u>\$ 1,245,309</u>

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF PROJECTS PAID WITH TSPLOST PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2021

2018 TSPLOST

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Streets	\$ 2,667,500	\$ 342,387	\$ 823,556	\$ 1,165,943	43.7%

Reconciliation of current year expenditures to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total TSPLOST fund expenditures per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 951,261
DOT Grant expenditures	(25,711)
Less proceeds from capital lease	(101,994)
Total current year expenditures per above	<u>\$ 823,556</u>

CITY OF PEMBROKE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT
20p-x-015-2-6153
SOURCE AND APPLICATION OF FUNDS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2021

TOTAL PROGRAM YEAR 2020 FUNDS ALLOCATED TO RECIPIENT	\$ 750,000
LESS: TOTAL PROGRAM YEAR 2020 FUNDS DRAWN BY RECIPIENT	<u>221,507</u>
FUNDS STILL AVAILABLE FROM PROGRAM YEAR 2020 RESOURCES	<u><u>\$ 528,493</u></u>
TOTAL PROGRAM YEAR 2020 FUNDS DRAWN AND RECEIVED BY RECIPIENT	\$ 221,507
LESS: FUNDS APPLIED AND EXPENDED ON PROGRAM YEAR 2020 COSTS	<u>221,507</u>
TOTAL PROGRAM YEAR 2020 FUNDS HELD BY RECIPIENT	<u><u>\$ -</u></u>

CITY OF PEMBROKE, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT
20p-x-015-2-6153
PROJECT COST SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>PROGRAM ACTIVITY</u>	<u>ACTIVITY NUMBER</u>	<u>APPROVED BUDGET CDBG FUNDS</u>	<u>CUMULATIVE EXPENDITURES CDBG FUNDS</u>
Engineering - Water/Sewer Improvements	T-03J-00	\$ 50,000	\$ 31,455
Sewer facilities	P-03J-01	655,000	163,802
Administration	P-21A-00	45,000	26,250
Total		<u>\$ 750,000</u>	<u>\$ 221,507</u>

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PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

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

To the City Council
City of Pembroke, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Pembroke, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Pembroke, Georgia's basic financial statements and have issued our report thereon dated August 10, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pembroke, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pembroke, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pembroke, Georgia'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, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as 2021-1 through 2021-3 and 2021-6 in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as 2021-4, 2021-5, and 2021-7 in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

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

City of Pembroke, Georgia's Response to Findings

City of Pembroke, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Pembroke, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Janier, Deal + Proctor

Statesboro, Georgia
August 10, 2022

CITY OF PEMBROKE, GEORGIA
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2021

2021-1 Reconciliation of Accounts to Subsidiary Ledgers

Condition: The City does not reconcile accounts receivable and customer deposit accounts within the general ledger to subsidiary ledgers generated from the computer system for utility billing purposes.

Criteria: The computer system is used to maintain subsidiary ledgers for accounts receivable and customer deposits. As a primary means of preventing and detecting errors or fraud in these accounts, the subsidiary ledgers should be reconciled to their respective general ledger accounts on a monthly basis.

Cause: The City does not have procedures in place to reconcile the subsidiary ledgers to general ledger accounts.

Effect: Without a monthly reconciliation, errors can accumulate in these accounts and become difficult to reconcile at year end.

Auditor's Recommendation: We recommend that the subsidiary ledgers generated from the computer system be utilized each month to perform a reconciliation of all associated accounts receivable and customer deposits accounts.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding and we will implement procedures to establish effective reconciliation processes for accounts receivable and customer deposits within the general ledger.

2021-2 Recording of Year End Accruals for the Financial Statements

Condition: The City's procedures to make sure all year end accruals such as receivables, prepaid items, and deferred revenue are included in the financial statements are inadequate.

Criteria: All revenues earned and realizable and all expenditures incurred should be recorded at the end of the year via journal entry.

Cause: The City does not have procedures in place to make sure all accruals are recorded at year end for the financial statements.

Effect: Many of the adjusting journal entries needed to record these accruals were material to the City's financial statements.

Auditor's Recommendation: When conducting the year end closing, we recommend the City review for all needed accruals for receivables, prepaid items, and deferred revenue.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to establish a process for ensuring the completeness of year end accruals for the City's financial statements.

2021-3 Inadequate Recordkeeping for Georgia Environmental Finance Authority (GEFA) Loan Draw Requests

Condition: The City duplicated draw requests in the amount of \$163,802 by including the same invoice amounts on both GEFA and Community Development Block Grant (CDBG) drawdowns. This amount should not have been included in the GEFA loan drawdown requests.

Criteria: Proper matching of expenditures with grant and loan drawdowns should be monitored by a grant administrator or project manager as a primary means of preventing and detecting such errors.

Cause: The City lacks adequate procedures for recordkeeping and monitoring of grant and loan funds.

Effect: The City is required to pay back funds that were drawn in error on the GEFA loan. An extensive amount of additional time was required to obtain the documentation necessary to properly resolve the matter and reconcile expenditures to supporting grant and loan draw requests.

Auditor's Recommendation: The City should establish proper controls and procedures to ensure adequate grant and loan compliance and recordkeeping.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to establish effective recordkeeping and compliance for grant and loan draw requests.

2021-4 Overpayment of Accounts Payable Invoice

Condition: During the annual audit, we noted the City overpaid an invoice submitted by a vendor for final payment by \$8,388.

Criteria: The accounts payable module should be used to process all accounts payable and serve as a means of preventing and detecting certain errors, such as duplicate payment.

Cause: The accounts payable system is not being utilized for all vendor payments which allowed for overpayment of a vendor invoice request for which a down payment had already been processed.

Effect: Without proper monitoring, errors in payment can occur and be difficult to resolve.

Auditor's Recommendation: The City should establish proper controls and procedures to ensure project invoices are approved and submitted to accounts payable for the correct payment amount.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to establish effective recordkeeping for payment of accounts payable related to projects requiring progress billings or down payments.

2021-5 Accounting for Capital Assets

Condition: Internal controls for the reconciliation and review of construction in process, infrastructure, and other capital assets are not properly designed to ensure that all capital assets are properly recorded at year end.

Criteria: The City should have procedures to properly track capital projects and capital assets within the general ledger to ensure that all capital assets are added to the City's capital asset listing at each year end.

Cause: The City lacks adequate procedures for recordkeeping and monitoring of capital asset purchases.

Effect: An extensive amount of additional time was required to identify capital projects, determine water and sewer fund capital assets paid by capital projects funds, and match capital asset expenditures with grant and loan drawdown requests.

Auditor's Recommendation: We recommend that the City design and implement controls over the reconciliation and review of information used to capture capital asset information and report assets in the proper categories and funds in the City's annual financial statements.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to establish effective recordkeeping for the City's capital assets.

2021-6 Accounting for Donated Assets

Condition: The City did not properly record donated funds and property received from the Pembroke Hospital Authority.

Criteria: Donated funds and property should be recorded in the City accounting records when received.

Cause: The City lacks adequate policies and procedures to account for donated funds and property.

Effect: Approximately \$40,000 of donated funds received by the City were put into a certificate of deposit and not recorded in the City's accounting records, causing an understatement of assets and revenues in that amount.

Auditor's Recommendation: The City should establish proper accounting procedures to record all donations received by the City in a timely manner. The City should also make sure bank certificate of deposit balances agree to the City's accounting records for financial reporting purposes.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to properly account for all donations received by the City and we will make sure changes in certificate of deposit balances are recorded in a timely manner.

2021-7 Accounting for Fire Protection Fees

Condition: The City is not properly tracking manually billed fire protection fees.

Criteria: The City should maintain adequate detail or a subsidiary ledger for manually billed fire protection fees to track payments received and outstanding balances.

Cause: The City lacks adequate procedures to track manually billed fire protection fees and related collections.

Effect: The City is unable to provide a complete detail of outstanding uncollected fire protection fees that agrees to the general ledger receivable balance.

Auditor's Recommendation: The City should implement procedures to utilize its accounting software to maintain a subsidiary ledger of manually billed fire protection fees and monitor collections and outstanding balances.

Views of Responsible Officials and Planned Corrective Actions: We concur with this finding, and we will implement procedures to improve the tracking of manually billed fire protection fees.