

**CITY OF TOCCOA, GEORGIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**CITY OF TOCCOA, GEORGIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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**Honorable Mayor and Members of the  
City Commission of the City of Toccoa, Georgia  
Toccoa, Georgia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Toccoa, Georgia** (the "City") as of and for the year ended June 30, 2020, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toccoa, Georgia as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions on pages 4-13, 52-53 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toccoa, Georgia's basic financial statements. The combining and individual fund statements and schedules, including the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-121), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of the City of Toccoa, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Toccoa's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Toccoa, Georgia's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 13, 2020

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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As management of the City of Toccoa (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. This narrative is intended to assist the reader in understanding significant issues and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider this information presented herein, in conjunction with the additional information furnished in the financial statements, and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$53,239,555 (net position). Of this amount, \$1,941,110 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased by \$430,757 during the fiscal year ended June 30, 2020; with an increase from business-type activities of \$652,404 and a decrease in governmental activities of \$221,647.
- As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$7,724,282 an increase of \$653,402 in comparison with the prior year. This increase is attributable mainly to SPLOST VI collections offsetting expenditures and transfers out exceeding revenues and transfers in in the other funds.

**Overview of the Financial Statements**

The annual financial statements consist of a series of financial statements. This narrative is intended to serve as an introduction to the basic financial statements. The City's basic financial statements comprise three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. They are prepared using the accrual basis of accounting, which is the accounting method used in most private-sector companies. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

- 1) The "statement of net position" presents information on all of the City's assets, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.
- 2) The "statement of activities" presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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Both of the government-wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, public works, culture and recreation, and economic and community development. Business-type activities include water and sewer, solid waste, natural gas services, and the golf course.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements focus on the most significant funds, reporting on the City's operations in greater detail than the government-wide statements. All of the City's funds can be divided into two categories: governmental and proprietary.

Governmental Funds: Most of the basic services provided by the City are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements assist the reader in determining whether there are adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is short-term and the focus of the government-wide financial statements is both short-term and long-term, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 7 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the four funds which are considered to be major funds. The remaining funds are aggregated and presented as non-major governmental funds; however, a combining schedule for the non-major governmental funds is presented as supplementary information to these financial statements.

The City adopts an annual appropriated budget for the General Fund and all special revenue funds. Project length budgets are adopted for all capital project funds. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds: The City maintains one type of proprietary funds - enterprise funds. Enterprise funds charge a fee for services to outside customers. The City uses individual enterprise funds to account for its water and sewer, solid waste, natural gas, and golf course activities – each of which is considered to be a major fund. The City's enterprise fund statements are the same as the business-type activities reported in the government-wide financial statements, but provide more detail.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential for the reader in order to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23-51 of this report.

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

The required supplementary information can be found on pages 52-54 of this report.

The "combining statements" referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 55-59 of this report.

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,239,555 and \$52,808,798 at June 30, 2020 and 2019, respectively. The following is a condensed version of the government-wide statement of net position.

**City of Toccoa – Net Position (\$000)**

	Governmental Activities		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and other assets	\$ 9,268	\$ 9,152	\$ 3,007	\$ 3,030	\$ 12,275	\$ 12,182
Capital assets	10,952	12,193	44,345	46,226	55,297	58,419
Total assets	<u>20,220</u>	<u>21,345</u>	<u>47,352</u>	<u>49,256</u>	<u>67,572</u>	<u>70,601</u>
<b>Deferred outflows</b>						
of resources	<u>320</u>	<u>380</u>	<u>242</u>	<u>306</u>	<u>562</u>	<u>686</u>
<b>Liabilities:</b>						
Long-term liabilities						
outstanding	3,215	2,894	5,564	7,741	8,779	10,635
Other liabilities	659	1,571	4,084	4,203	4,743	5,774
Total liabilities	<u>3,874</u>	<u>4,465</u>	<u>9,648</u>	<u>11,944</u>	<u>13,522</u>	<u>16,409</u>
<b>Deferred inflows</b>						
of resources	<u>1,099</u>	<u>1,472</u>	<u>273</u>	<u>597</u>	<u>1,372</u>	<u>2,069</u>
<b>Net position:</b>						
Net investment in						
capital assets	10,072	11,361	37,021	36,477	47,093	47,838
Restricted	4,206	3,309	-	-	4,206	3,309
Unrestricted	1,289	1,118	652	544	1,941	1,662
Total net position	<u>\$ 15,567</u>	<u>\$ 15,788</u>	<u>\$ 37,673</u>	<u>\$ 37,021</u>	<u>\$ 53,240</u>	<u>\$ 52,809</u>

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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The largest portion of the City's net position (88%) reflects its net investment in capital assets such as land, buildings, plant, utility system, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. These capital assets are used by the City to provide services to citizens. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position of \$4,206,394 is restricted by contracts or agreements with outside parties, by law, or by enabling legislation to be used for specific purposes such as capital projects.

The remaining balance of unrestricted net position \$1,941,110 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in each category of net position for governmental activities and for business-type activities. The same situation held true for the prior fiscal year.

Governmental activities decreased the City's net position by \$221,647 and business-type activities increased the City's net position by \$652,404. Much of the decrease in governmental activities net position came from the unanticipated SPLOST and LOST distribution as a result of a sales tax audit by the State of Georgia, offset depreciation of capital assets. The increase in business-type activities net position came predominately from the fewer supply purchases by the Natural Gas Fund in 2020.

The table on the following page presents condensed financial information, derived from the government-wide statement of activities and summarizes changes in net position for the year ended June 30, 2020 and 2019.

**CITY OF TOCCOA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**City of Toccoa – Changes in Net Position (\$000)**

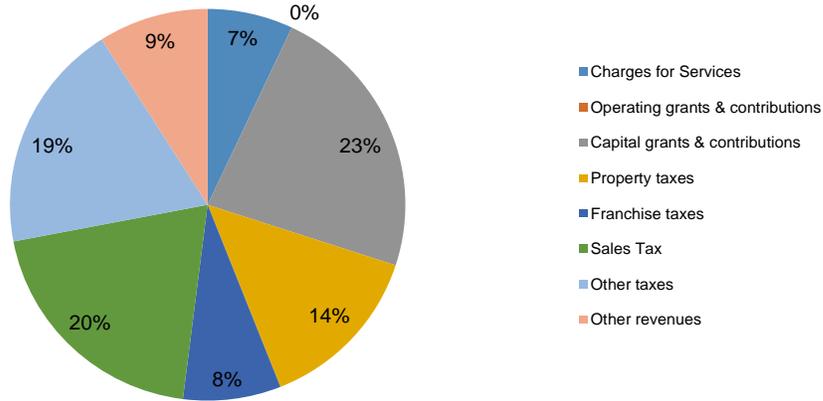
	Governmental Activities		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 523	\$ 558	\$ 19,872	\$ 20,774	\$ 20,395	\$ 21,331
Operating grants and contributions	-	72	-	-	-	72
Capital grants and contributions	1,676	1,344	-	-	1,676	1,344
General revenues:						
Property taxes	1,017	1,017	-	-	1,017	1,017
Franchise taxes	564	571	-	-	564	571
Sales tax	1,497	1,236	-	-	1,497	1,236
Other taxes	1,406	1,439	-	-	1,406	1,439
Unrestricted Investment Earnings	48	44	-	-	48	44
Other	573	519	-	-	573	519
Total revenues	<u>7,304</u>	<u>6,800</u>	<u>19,872</u>	<u>20,774</u>	<u>27,176</u>	<u>27,574</u>
Expenses						
General government	2,333	2,514	-	-	2,333	2,514
Public safety	4,452	4,151	-	-	4,452	4,151
Public works	2,975	2,893	-	-	2,975	2,893
Culture & recreation	293	240	-	-	293	240
Economic & community development	873	958	-	-	873	958
Interest on long term debt	34	37	-	-	34	37
Water and sewer	-	-	5,539	5,492	5,539	5,492
Solid waste	-	-	1,084	1,047	1,084	1,047
Natural gas	-	-	8,436	10,129	8,436	10,129
Golf course	-	-	726	816	726	816
Total expenses	<u>10,960</u>	<u>10,793</u>	<u>15,785</u>	<u>17,484</u>	<u>26,745</u>	<u>28,277</u>
Transfers	<u>3,435</u>	<u>3,531</u>	<u>(3,435)</u>	<u>(3,531)</u>	<u>-</u>	<u>-</u>
Change in net position	(221)	(463)	653	(241)	432	(703)
Net position-July 1	<u>15,788</u>	<u>16,251</u>	<u>37,020</u>	<u>37,261</u>	<u>52,808</u>	<u>53,512</u>
Net position-June 30	<u>\$ 15,567</u>	<u>\$ 15,788</u>	<u>\$ 37,673</u>	<u>\$ 37,020</u>	<u>\$ 53,240</u>	<u>\$ 52,809</u>

**CITY OF TOCCOA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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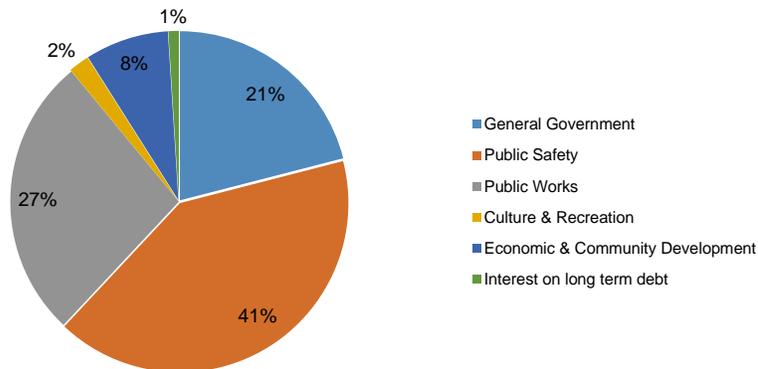
The following chart illustrates revenues of the governmental activities for the fiscal year:

**Revenues by Source-Governmental Activities**



The following chart illustrates the expenses of the governmental activities for the fiscal year:

**Expenses-Governmental Activities**



Governmental activities revenues totaled \$7,303,971 for fiscal year 2020. Capital grants and contributions, the proceeds from Stephens County for the City's portion of the Special Purpose Local Option Sales Tax (SPLOST), make up the largest portion of these revenues accounting for 23% of total revenues. Sales taxes, which include the City's Local Option Sales Tax (LOST), are also a large revenue source accounting for 20% of total revenues. Other taxes, which include insurance premium taxes, business taxes, and motor vehicle taxes, make up 19% of total revenues. Property taxes accounted for 14% of total revenues.

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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Governmental activities expenses totaled \$10,960,361 for fiscal year 2020. Of the expenses, 41% is related to public safety and 27% is related to public works. In addition, general government accounted for 21% of total governmental expenses for the year. Overall expenses increased at the City as a result of a rework of the pay scales for public safety employees.

Business-type activities: Business-type activities increased the City's net position by \$652,404, due predominately to chargers for services in the Gas Fund and fewer supply purchases.

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: As previously mentioned, the focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$7,724,282 an increase of \$653,402 or 9% in comparison with the prior year. Approximately 5% of the fund balance or \$392,504 is classified as nonspendable and includes amounts for inventory and long term advances. Restricted fund balance of \$5,490,177 or 71% is for spending on capital projects, tourism, and the GMA lease pool. Assigned fund balance of \$216,613 or 3% is for grant matching purposes. The remaining balance \$1,624,988 is considered unassigned.

The General Fund is the chief operating fund of the City. For the current fiscal year, the fund balance of the City's General Fund decreased by \$266,375 as a result of expenditures and transfers out exceeding revenues and transfers in.

Proprietary Funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about the funds.

At the fiscal year end, the Water and Sewer Fund has unrestricted net position of \$289,677. Overall, net position of this fund decreased by \$570,541 due to expenses and transfers exceeding revenues. Operating income was \$1,544,696, an increase of \$159,272 from the prior year.

The Solid Waste Fund has unrestricted net position of \$79,365 and total net position increased by \$188,482 from the prior year due to revenues exceeding expenses and transfers. Operating income was \$71,923, a decrease of \$29,413 from the prior year.

The Natural Gas Fund has an unrestricted net position of \$241,106. Total net position increased by \$1,100,957 from the prior year primarily due to revenues exceeding expenses and transfers. Operating income was \$3,200,807, an increase of \$585,348 from the prior year.

The Golf Course Fund has unrestricted net position of \$41,848. Total net position decreased by \$66,494 from the prior year primarily due to the fund receiving fewer transfers in from other funds this year and a loss of revenue due to the COVID 19 pandemic. Operating loss was \$(364,998) a decrease of \$16,936 from the prior year.

**CITY OF TOCCOA, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**General Fund Budgetary Highlights**

During the year several budget amendments were adopted by the City Commission, increasing budgeted revenues and decreasing transfers in, transfers out and expenditures, but having no significant impact on the budgeted bottom line. The adjustments are included in the final budget column totals in the budgetary statement.

During the year, General Fund revenues were less than budgetary projections by \$79,098 while expenditures were \$4,653 less than budgetary projections.

**Capital Assets and Debt Administration**

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2020, amounted to \$10,952,208 net of accumulated depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, and streets and drainage. The balance represents a \$1,241,008 decrease from the prior year, caused by depreciation expense exceeding acquisitions for the year. The business-type activities had net capital assets of \$44,345,437 at June 30, 2020, representing a decrease of \$1,880,991 caused by depreciation expense exceeding acquisitions for the year.

Capital assets held by the City at the end of the fiscal year are summarized as follows:

**City of Toccoa – Capital Assets (net of accumulated depreciation) (\$000)  
Fiscal Year 2020 and 2019**

	Governmental Activities		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$ 761	\$ 761	\$ 505	\$ 505	\$ 1,266	\$ 1,266
Buildings	8,126	7,868	4,452	4,452	12,578	12,320
Urban Renewal parks	481	481	-	-	481	481
Machinery and equipment	5,618	5,472	8,487	7,999	14,105	13,471
Infrastructure	44,262	44,144	-	-	44,262	44,144
Utility systems	-	-	96,972	96,939	96,972	96,939
Construction in progress	267	169	954	564	1,221	733
<b>Total</b>	<b>59,515</b>	<b>58,895</b>	<b>111,370</b>	<b>110,459</b>	<b>170,885</b>	<b>169,354</b>
Accumulated depreciation	48,563	46,702	67,025	61,384	115,588	108,086
<b>Net Capital Assets</b>	<b>\$ 10,952</b>	<b>\$ 12,193</b>	<b>\$ 44,345</b>	<b>\$ 49,075</b>	<b>\$ 55,297</b>	<b>\$ 61,268</b>

Additional information on the City's capital assets can be found in Note 6 of these financial statements.

**CITY OF TOCCOA, GEORGIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

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Long-term debt: At June 30, 2020, the City had \$6,728,875 in Natural Gas bonded debt. Overall this is \$1,669,208 lower than the prior year due to repayment of bonds at scheduled maturity. The City's Water and Sewer fund also had \$648,000 in revenue bonds payable, which were issued in fiscal year 2013 to refund the City's notes payable with the Georgia Environmental Finance Authority, at the end of the fiscal year. The Water and Sewer bonds decreased \$782,000 from the prior year due to scheduled principal repayments. The City's net pension liability increased by \$317,618 for governmental activities and \$201,739 for business type activities.

The City's governmental activities had certificates of participation of \$2,277,000 at June 30, 2020 and 2019, which relate to the GMA Lease Pool program in which the City participates. The certificates are due in a balloon payment in 2028.

Additional information on the City's long-term debt can be found in Note 8 of this report. Additional information on the net pension liability can be found in Note 9 of this report.

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

The length and depth of effects from the Covid-19 pandemic are unknown at this time. The City will continue to closely monitor all revenue and expenditure streams and will adjust budgets as needed. Despite the pandemic, the FY2021 budget reflects the goals of the Toccoa City Commission. The budget includes continued efforts for infrastructure and facility improvements as well as replacement of aging equipment and vehicles. The City plans to continue the same level of services for our citizens and customers in FY2021. No property tax millage increases nor any utility rate increases were incorporated in the FY2021 Budget.

**Request for information**

This financial report is designed to provide a general overview of the City of Toccoa's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties. Questions concerning any of the information should be addressed to the City's Finance Department, 92 N. Alexander Street, Toccoa, Georgia 30577 or by phone at (706) 886-8451.

## **BASIC FINANCIAL STATEMENTS**

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# CITY OF TOCCOA, GEORGIA

## STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 6,005,486	\$ 1,261,289	\$ 7,266,775
Taxes receivable, net	343,270	-	343,270
Accounts receivable, net	75,225	1,417,200	1,492,425
Due from other governments	328,797	-	328,797
Internal balances	318,820	(318,820)	-
Inventory	73,684	647,133	720,817
Investments	1,395,891	-	1,395,891
Other assets	726,991	-	726,991
Capital assets, non-depreciable	1,028,236	1,459,002	2,487,238
Capital assets, depreciable, net of accumulated depreciation	9,923,972	42,886,435	52,810,407
Total assets	20,220,372	47,352,239	67,572,611
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	-	52,390	52,390
Pension related items	319,948	189,469	509,417
Total deferred outflows of resources	319,948	241,859	561,807
<b>LIABILITIES</b>			
Accounts payable	329,468	624,260	953,728
Accrued liabilities	175,629	113,982	289,611
Customer deposits payable	-	928,671	928,671
Compensated absences, due within one year	154,516	64,848	219,364
Compensated absences, due in more than one year	38,628	43,233	81,861
Bonds payable, due within one year	-	2,353,000	2,353,000
Bonds payable, due in more than one year	-	5,023,875	5,023,875
Certificates of participation, due in more than one year	2,277,000	-	2,277,000
Net pension liability, due in more than one year	899,861	496,703	1,396,564
Total liabilities	3,875,102	9,648,572	13,523,674
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cumulative change in fair value of effective hedge	726,991	-	726,991
Pension related items	371,620	272,578	644,198
Total deferred inflows of resources	1,098,611	272,578	1,371,189
<b>NET POSITION</b>			
Net investment in capital assets	10,071,099	37,020,952	47,092,051
Restricted for:			
Capital construction	4,127,371	-	4,127,371
Tourism	79,023	-	79,023
Unrestricted	1,289,114	651,996	1,941,110
Total net position	\$ 15,566,607	\$ 37,672,948	\$ 53,239,555

The accompanying notes are an integral part of these financial statements.

# CITY OF TOCCOA, GEORGIA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

<b>Functions/Programs</b>	<b>Net (Expenses) Revenues and Changes in Net Position</b>						
	<b>Expenses</b>	<b>Program Revenues</b>			<b>Primary Government</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,333,584	\$ 61,963	\$ -	\$ 204,363	\$ (2,067,258)	\$ -	\$ (2,067,258)
Public safety	4,452,307	344,920	-	-	(4,107,387)	-	(4,107,387)
Public works	2,974,686	24,933	-	1,217,628	(1,732,125)	-	(1,732,125)
Culture and recreation	292,803	91,639	-	254,538	53,374	-	53,374
Economic and community development	872,626	-	-	-	(872,626)	-	(872,626)
Interest on long-term debt	34,355	-	-	-	(34,355)	-	(34,355)
Total governmental activities	10,960,361	523,455	-	1,676,529	(8,760,377)	-	(8,760,377)
Business-type activities:							
Water and sewer	5,538,571	7,068,666	-	-	-	1,530,095	1,530,095
Solid waste	1,083,907	1,155,200	-	-	-	71,293	71,293
Natural gas	8,436,119	11,286,876	-	-	-	2,850,757	2,850,757
Golf course	726,421	361,423	-	-	-	(364,998)	(364,998)
Total business-type activities	15,785,018	19,872,165	-	-	-	4,087,147	4,087,147
Total primary government	\$ 26,745,379	\$ 20,395,620	\$ -	\$ 1,676,529	\$ (8,760,377)	\$ 4,087,147	\$ (4,673,230)
General revenues:							
Property taxes					1,017,198	-	1,017,198
Sales taxes					1,496,680	-	1,496,680
Franchise taxes					564,417	-	564,417
Insurance premium tax					649,353	-	649,353
Hotel/Motel occupancy tax					81,336	-	81,336
Business taxes					237,581	-	237,581
Other taxes					436,374	-	436,374
Unrestricted investment earnings					48,179	-	48,179
Gain on sale of capital assets					5,000	-	5,000
Other revenue					567,869	-	567,869
Transfers					3,434,743	(3,434,743)	-
Total general revenues and transfers					8,538,730	(3,434,743)	5,103,987
Change in net position					(221,647)	652,404	430,757
Net position, beginning of year					15,788,254	37,020,544	52,808,798
Net position, end of year					\$ 15,566,607	\$ 37,672,948	\$ 53,239,555

The accompanying notes are an integral part of these financial statements.

**CITY OF TOCCOA, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

ASSETS	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	SPLOST IV Fund	SPLOST V Fund	SPLOST VI Fund		
Cash and cash equivalents	\$ 1,840,511	\$ 127,413	\$ 1,262,384	\$ 2,438,667	\$ 336,511	\$ 6,005,486
Taxes receivable, net	337,953	-	-	-	5,317	343,270
Accounts receivable	75,225	-	-	-	-	75,225
Intergovernmental receivable	-	-	-	328,797	-	328,797
Investments	1,395,891	-	-	-	-	1,395,891
Advances to other funds	318,820	-	-	-	-	318,820
Inventory	73,684	-	-	-	-	73,684
<b>Total assets</b>	<b>\$ 4,042,084</b>	<b>\$ 127,413</b>	<b>\$ 1,262,384</b>	<b>\$ 2,767,464</b>	<b>\$ 341,828</b>	<b>\$ 8,541,173</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 253,386	\$ 3,501	\$ 55,901	\$ 16,663	\$ 17	\$ 329,468
Accrued salaries	166,616	-	-	-	-	166,616
<b>Total liabilities</b>	<b>420,002</b>	<b>3,501</b>	<b>55,901</b>	<b>16,663</b>	<b>17</b>	<b>496,084</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - sales taxes	124,502	-	-	112,108	-	236,610
Unavailable revenue - property taxes	84,197	-	-	-	-	84,197
<b>Total deferred inflows of resources</b>	<b>208,699</b>	<b>-</b>	<b>-</b>	<b>112,108</b>	<b>-</b>	<b>320,807</b>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventory	73,684	-	-	-	-	73,684
Advances to other funds	318,820	-	-	-	-	318,820
Restricted:						
Capital construction	-	123,912	1,206,483	2,638,693	46,175	4,015,263
GMA Lease Pool participation	1,395,891	-	-	-	-	1,395,891
Tourism	-	-	-	-	79,023	79,023
Assigned for grant match	-	-	-	-	216,613	216,613
Unassigned	1,624,988	-	-	-	-	1,624,988
<b>Total fund balances</b>	<b>3,413,383</b>	<b>123,912</b>	<b>1,206,483</b>	<b>2,638,693</b>	<b>341,811</b>	<b>7,724,282</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,042,084</b>	<b>\$ 127,413</b>	<b>\$ 1,262,384</b>	<b>\$ 2,767,464</b>	<b>\$ 341,828</b>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	10,952,208
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds.	320,807
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds	(951,533)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(2,479,157)
<b>Net position of governmental activities</b>	<b>\$ 15,566,607</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TOCCOA, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	SPLOST IV Fund	SPLOST V Fund		
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 1,003,379	\$ -	\$ -	\$ -	\$ 1,003,379
Sales taxes	1,372,178	-	-	-	1,372,178
Hotel/Motel occupancy taxes	-	-	-	81,336	81,336
Franchise taxes	564,417	-	-	-	564,417
Insurance premium tax	649,353	-	-	-	649,353
Business taxes	237,581	-	-	-	237,581
Other taxes	436,374	-	-	-	436,374
Licenses and permits	67,890	-	-	-	67,890
Intergovernmental	45,325	-	-	1,160,584	1,562,603
Fines and forfeitures	327,435	-	-	-	327,435
Charges for services	47,603	-	-	-	47,603
Investment earnings	48,179	81	676	1,038	49,997
Other revenues	648,396	-	-	-	648,396
<b>Total revenues</b>	<b>5,448,110</b>	<b>81</b>	<b>676</b>	<b>1,161,622</b>	<b>7,048,542</b>
<b>Expenditures</b>					
Current:					
General government	2,379,961	-	-	29,814	2,409,775
Judicial	183,812	-	-	-	183,812
Police	2,191,630	-	-	834	2,192,464
Fire	2,002,387	-	-	-	2,002,387
Streets and sanitation	606,831	-	-	42,301	649,132
Cemetery	65,404	-	-	-	65,404
Public building and grounds	748,644	-	-	-	748,644
Parks and recreation	169,025	-	-	323,580	492,605
Planning, building inspection, and development	837,975	-	-	38,287	876,262
Capital outlay	90,874	7,799	10,425	70,945	180,043
Debt service:					
Interest	34,355	-	-	-	34,355
<b>Total expenditures</b>	<b>9,310,898</b>	<b>7,799</b>	<b>10,425</b>	<b>70,945</b>	<b>9,834,883</b>
Excess (deficiency) of revenues over (under) expenditures	(3,862,788)	(7,718)	(9,749)	1,090,677	(2,786,341)
<b>Other financing sources (uses):</b>					
Proceeds from sale of capital assets	5,000	-	-	-	5,000
Transfers in	3,972,270	-	-	216,613	4,188,883
Transfers out	(380,857)	(31,404)	(116,451)	(134,273)	(754,140)
<b>Total other financing sources (uses)</b>	<b>3,596,413</b>	<b>(31,404)</b>	<b>(116,451)</b>	<b>(134,273)</b>	<b>3,439,743</b>
Net change in fund balances	(266,375)	(39,122)	(126,200)	956,404	653,402
<b>Fund balances, beginning of year</b>	<b>3,679,758</b>	<b>163,034</b>	<b>1,332,683</b>	<b>1,682,289</b>	<b>7,070,880</b>
<b>Fund balances, end of year</b>	<b>\$ 3,413,383</b>	<b>\$ 123,912</b>	<b>\$ 1,206,483</b>	<b>\$ 2,638,693</b>	<b>\$ 7,724,282</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF TOCCOA, GEORGIA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$	653,402
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(1,241,088)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		250,429
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>115,610</u>
<b>Change in net position - governmental activities</b>	<b>\$</b>	<b><u><u>(221,647)</u></u></b>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF TOCCOA, GEORGIA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,030,000	\$ 998,600	\$ 1,003,379	\$ 4,779
Sales taxes	1,225,000	1,372,000	1,372,178	178
Franchise taxes	573,000	573,000	564,417	(8,583)
Insurance premium taxes	642,000	642,000	649,353	7,353
Business taxes	245,000	245,000	237,581	(7,419)
Other taxes	500,950	427,750	436,374	8,624
Licenses and permits	60,200	67,950	67,890	(60)
Intergovernmental	31,000	45,400	45,325	(75)
Fines and forfeitures	449,150	447,095	327,435	(119,660)
Charges for services	59,080	47,990	47,603	(387)
Investment earnings	40,000	48,200	48,179	(21)
Other revenues	599,715	612,223	648,396	36,173
<b>Total revenues</b>	<b>5,455,095</b>	<b>5,527,208</b>	<b>5,448,110</b>	<b>(79,098)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,032,250	2,471,219	2,470,835	384
Judicial	176,170	183,820	183,812	8
Police	2,245,591	2,192,391	2,191,630	761
Fire	1,802,714	2,003,114	2,002,387	727
Streets and sanitation	662,810	606,943	606,831	112
Cemetery	62,927	65,893	65,404	489
Public building and grounds	790,030	748,691	748,644	47
Parks and recreation	169,279	169,179	169,025	154
Planning, building inspection, and development	909,440	839,884	837,975	1,909
<b>Debt service:</b>				
Principal	96,837	-	-	-
Interest	28,831	34,417	34,355	62
<b>Total expenditures</b>	<b>9,976,879</b>	<b>9,315,551</b>	<b>9,310,898</b>	<b>4,653</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(4,521,784)</b>	<b>(3,788,343)</b>	<b>(3,862,788)</b>	<b>(74,445)</b>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	-	5,000	5,000	-
Proceeds from issuance of debt	988,622	168,695	-	(168,695)
Transfers in	4,160,488	3,995,574	3,972,270	(23,304)
Transfers out	(627,326)	(380,926)	(380,857)	69
<b>Total other financing sources</b>	<b>4,521,784</b>	<b>3,788,343</b>	<b>3,596,413</b>	<b>(191,930)</b>
Net change in fund balances	-	-	(266,375)	(266,375)
<b>Fund balances, beginning of year</b>	<b>3,679,758</b>	<b>3,679,758</b>	<b>3,679,758</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 3,679,758</b>	<b>\$ 3,679,758</b>	<b>\$ 3,413,383</b>	<b>\$ (266,375)</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF TOCCOA, GEORGIA

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2020

ASSETS	Business-type Activities - Enterprise Funds				Totals
	Water and Sewer Fund	Solid Waste Fund	Natural Gas Fund	Golf Course Fund	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 322,285	\$ 27,203	\$ 872,726	\$ 39,075	\$ 1,261,289
Accounts receivable, net	675,887	126,392	614,503	418	1,417,200
Inventory	250,135	-	359,457	37,541	647,133
Total current assets	1,248,307	153,595	1,846,686	77,034	3,325,622
<b>NONCURRENT ASSETS</b>					
Capital assets:					
Nondepreciable	602,732	-	764,962	91,308	1,459,002
Depreciable assets, net of accumulated depreciation	24,435,483	525,880	17,158,276	766,796	42,886,435
Total noncurrent assets	25,038,215	525,880	17,923,238	858,104	44,345,437
Total assets	26,286,522	679,475	19,769,924	935,138	47,671,059
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	-	-	52,390	-	52,390
Pension related items	98,035	14,662	76,772	-	189,469
Total deferred outflows of resources	98,035	14,662	129,162	-	241,859
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	88,678	2,659	507,477	25,446	624,260
Accrued salaries	43,771	5,685	31,254	6,209	86,919
Accrued interest	2,511	-	24,552	-	27,063
Compensated absences payable, current	36,342	3,433	22,955	2,118	64,848
Customer deposits payable	377,381	-	551,290	-	928,671
Bonds payable, current	648,000	-	1,705,000	-	2,353,000
Total current liabilities	1,196,683	11,777	2,842,528	33,773	4,084,761
<b>NONCURRENT LIABILITIES</b>					
Compensated absences payable	24,227	2,289	15,304	1,413	43,233
Advances from other funds	87,250	15,000	216,570	-	318,820
Net pension liability	259,135	41,723	195,845	-	496,703
Bonds payable	-	-	5,023,875	-	5,023,875
Total noncurrent liabilities	370,612	59,012	5,451,594	1,413	5,882,631
Total liabilities	1,567,295	70,789	8,294,122	35,186	9,967,392
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related items	137,370	18,103	117,105	-	272,578
Total deferred inflows of resources	137,370	18,103	117,105	-	272,578
<b>NET POSITION</b>					
Net investment in capital assets	24,390,215	525,880	11,246,753	858,104	37,020,952
Unrestricted	289,677	79,365	241,106	41,848	651,996
Total net position	\$ 24,679,892	\$ 605,245	\$ 11,487,859	\$ 899,952	\$ 37,672,948

The accompanying notes are an integral part of these financial statements.

**CITY OF TOCCOA, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Totals</b>
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Natural Gas Fund</b>	<b>Golf Course Fund</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 7,068,666	\$ 1,155,200	\$ 11,286,876	\$ 361,423	\$ 19,872,165
Total operating revenues	<u>7,068,666</u>	<u>1,155,200</u>	<u>11,286,876</u>	<u>361,423</u>	<u>19,872,165</u>
<b>OPERATING EXPENSES</b>					
Personnel services and benefits	2,068,396	299,984	1,534,793	333,659	4,236,832
Purchased and contracted services	576,559	657,353	534,405	254,263	2,022,580
Supplies and equipment	1,306,205	61,054	4,755,906	81,346	6,204,511
Depreciation and amortization	1,521,233	56,523	1,158,829	57,153	2,793,738
Miscellaneous	51,577	8,993	102,136	-	162,706
Total operating expenses	<u>5,523,970</u>	<u>1,083,907</u>	<u>8,086,069</u>	<u>726,421</u>	<u>15,420,367</u>
Operating income (loss)	<u>1,544,696</u>	<u>71,293</u>	<u>3,200,807</u>	<u>(364,998)</u>	<u>4,451,798</u>
<b>NON-OPERATING EXPENSES</b>					
Interest and fiscal agent fees	(14,601)	-	(350,050)	-	(364,651)
Total non-operating expenses	<u>(14,601)</u>	<u>-</u>	<u>(350,050)</u>	<u>-</u>	<u>(364,651)</u>
Income (loss) before transfers	<u>1,530,095</u>	<u>71,293</u>	<u>2,850,757</u>	<u>(364,998)</u>	<u>4,087,147</u>
Transfers in	201,010	230,013	-	298,504	729,527
Transfers out	<u>(2,301,646)</u>	<u>(112,824)</u>	<u>(1,749,800)</u>	<u>-</u>	<u>(4,164,270)</u>
	<u>(2,100,636)</u>	<u>117,189</u>	<u>(1,749,800)</u>	<u>298,504</u>	<u>(3,434,743)</u>
Change in net position	(570,541)	188,482	1,100,957	(66,494)	652,404
<b>NET POSITION, beginning of year</b>	<u>25,250,433</u>	<u>416,763</u>	<u>10,386,902</u>	<u>966,446</u>	<u>37,020,544</u>
<b>NET POSITION, end of year</b>	<u>\$ 24,679,892</u>	<u>\$ 605,245</u>	<u>\$ 11,487,859</u>	<u>\$ 899,952</u>	<u>\$ 37,672,948</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TOCCOA, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Business-type Activities - Enterprise Funds				Total
	Water and Sewer Fund	Solid Waste Fund	Natural Gas Fund	Golf Course Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 7,157,054	\$ 1,163,144	\$ 11,423,618	\$ 361,305	\$ 20,105,121
Payments to vendors	(1,997,107)	(728,635)	(5,505,452)	(323,636)	(8,554,830)
Payments to or on behalf of employees	(2,094,147)	(303,828)	(1,558,555)	(338,369)	(4,294,899)
Net cash provided by (used in) operating activities	<u>3,065,800</u>	<u>130,681</u>	<u>4,359,611</u>	<u>(300,700)</u>	<u>7,255,392</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	95,740	-	298,504	394,244
Transfers to other funds	(2,301,646)	(112,824)	(1,749,800)	-	(4,164,270)
Net cash provided by (used in) non-capital financing activities	<u>(2,301,646)</u>	<u>(17,084)</u>	<u>(1,749,800)</u>	<u>298,504</u>	<u>(3,770,026)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments on bonds payable	(782,000)	-	(1,645,000)	-	(2,427,000)
Interest paid	(17,631)	-	(355,098)	-	(372,729)
Received (paid) advance from other fund	(16,140)	-	50,050	-	33,910
Transfers from other funds specifically for capital purposes	201,010	134,273	-	-	335,283
Purchases of capital assets	(321,617)	(292,012)	(297,376)	-	(911,005)
Net cash used in capital and related financing activities	<u>(936,378)</u>	<u>(157,739)</u>	<u>(2,247,424)</u>	<u>-</u>	<u>(3,341,541)</u>
Net increase (decrease) in cash and cash equivalents	(172,224)	(44,142)	362,387	(2,196)	143,825
<b>Cash and cash equivalents, beginning of year</b>	<u>494,509</u>	<u>71,345</u>	<u>510,339</u>	<u>41,271</u>	<u>1,117,464</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 322,285</u>	<u>\$ 27,203</u>	<u>\$ 872,726</u>	<u>\$ 39,075</u>	<u>\$ 1,261,289</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 1,544,696	\$ 71,293	\$ 3,200,807	\$ (364,998)	\$ 4,451,798
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,521,233	56,523	1,158,829	57,153	2,793,738
Change in assets and liabilities:					
Accounts receivables	88,388	7,944	136,742	(118)	232,956
Inventory	(34,497)	-	(69,125)	3,818	(99,804)
Deferred outflows for pension items	19,464	2,605	16,185	-	38,254
Accounts payable	(46,326)	(1,235)	(87,784)	8,155	(127,190)
Accrued salaries	16,388	1,930	11,672	430	30,420
Compensated absences	1,057	8	485	(5,140)	(3,590)
Customer deposits payable	18,057	-	43,904	-	61,961
Net pension liability	102,646	13,740	85,353	-	201,739
Deferred inflows for pension items	(165,306)	(22,127)	(137,457)	-	(324,890)
Net cash provided by (used in) operating activities	<u>\$ 3,065,800</u>	<u>\$ 130,681</u>	<u>\$ 4,359,611</u>	<u>\$ (300,700)</u>	<u>\$ 7,255,392</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TOCCOA, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City of Toccoa, Georgia (the “City”) was incorporated, under the laws of the State of Georgia, in 1874 and operates under an elected Mayor-Commission form of government. The five commissioners each year elect the mayor from the elected commissioners. The City provides such services as police protection, fire services, parks and recreation amenities, planning and building inspection, municipal court services, public works, water and sewer services, natural gas services, solid waste services, and general and administrative services.

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the “primary government”) and its component units, an entity for which the government is considered to be financially accountable. Based on these criteria, the Toccoa Downtown Development Authority is a component unit of the City; however, the Authority has no assets, liabilities or financial transactions as of and for the year ended June 30, 2020.

The Toccoa Housing Authority administers Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the governing board of the Authority are appointed by the City Commission; however, the City has no significant influence over the management, budget or policies of the Authority. As a result, the Authority is not a component unit of the City, but is considered a related organization and reports independently.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The **SPLOST IV Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program IV of the City, in an agreement with Stephens County.

The **SPLOST V Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program V of the City, in an agreement with Stephens County.

The **SPLOST VI Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program VI of the City, in an agreement with Stephens County.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements (Continued)

The City aggregates other nonmajor governmental funds in a single column in the fund financial statements.

The City reports the following major enterprise funds:

The **Water and Sewer Fund** accounts for the operation of the water and sewerage system including all revenues from sources applicable to the system's operations and all expenses of the operation.

The **Solid Waste Fund** accounts for the activities associated with the collection of residential and commercial garbage. Activity is rendered on a user charge basis.

The **Natural Gas Fund** accounts for the activities associated with distributing natural gas to customers, both inside and outside the City. Activity is rendered on a user charge basis.

The **Golf Course Fund** accounts for the activities associated with the City's golf course operations.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes, sales taxes, franchise taxes, hotel/motel occupancy taxes, business taxes, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year if recognition criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for goods and services applicable to the fund. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **D. Budgets**

Annual appropriated budgets are adopted for all funds, except as noted below. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

#### **E. Deposits and Investments**

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States Government or one of its agencies; (4) obligations of any corporation of the United States Government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition.

The City's investments are nonparticipating interest-earning investment contracts and are recorded at cost.

#### **F. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year end.

#### **G. Interfund Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### H. Inventory

Inventories are valued at lower of cost or market using the first-in, first-out method. The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased.

#### I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated acquisition value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	20-40
Machinery and equipment	5-20
Utility plant and system	20-40
Infrastructure and urban parks	15-100

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### K. Long-Term Obligations

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

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

#### L. Fund Equity and Net Position

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when 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.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### L. Fund Equity and Net Position (Continued)

- **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 Commission through the adoption of a resolution including the verbiage “committed for the purpose of”. Only the City Commission may modify or rescind the commitment through a subsequent resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Commission has authorized the City Manager to assign fund balances through a written memorandum, in addition to the City Commission being able to assign fund balance through a motion at a public meeting.
- **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.

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

- Committed
- Assigned
- Unassigned

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### L. Fund Equity and Net Position (Continued)

**Minimum Fund Balance Policy** – The City Commission adopted a policy to maintain a reserve account of not less than \$2,000,000. This reserve account shall be in addition to any and all regular operating Fund Balances maintained in the General, Special Revenue and Enterprise Funds of the City. This account is to be set up as a separate bank account and maintained in the General Fund. This reserve account shall obtain its funding from the transfer of the employee health insurance payroll deductions, the sale of surplus and obsolete equipment, one-time general fund/enterprise revenues, allocations of annual budget transfers, unexpected revenues received and/or unexpected budget savings designated to be deposited into the account. This account is to be used solely for purposes approved by the City Commission. These uses are to be approved in a publicly held meeting and must be voted on by the City Commission.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those capital assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed

#### M. Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the business type activities on the statement of net position as well as statement of net position for major proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second type of deferred outflow of resources relates to pensions. These amounts are described more fully on the following page.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **M. Deferred Outflows of Resources/Deferred Inflows of Resources (Continued)**

In addition to liabilities, the financial statements 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 three types of deferred inflows of resources, one of which arises only under the modified accrual basis of accounting and the other two which arise only under the accrual basis of accounting. For the governmental funds, under the modified accrual basis of accounting, the City reports unavailable revenues from property taxes and other sources as a deferred inflow of resources, as these amounts will not be recognized as an inflow of resources until the period that the amounts become available. Additionally, the governmental activities, in the government-wide financial statements, report a deferred inflow of resources for the cumulative changes in fair value related to the hedging derivative financial instrument which was determined to be an effective hedge as described in more detail in Note 8. The third type of deferred inflow of resources relate to pensions and are describe below.

Finally, the City has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

#### **N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Toccoa Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### O. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

### Note 2. Reconciliation of Government-Wide and Fund Financial Statements

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.” The details of this \$2,479,157 difference are as follows:

Certificates of participation (COPs) payable	\$ (2,277,000)
Fair value of interest swap agreement on COPs	726,991
Deferred inflow of resources effective hedge swap agreement	(726,991)
Accrued interest payable	(9,013)
Compensated absences	<u>(193,144)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (2,479,157)</u></u>

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City’s pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.” The details of this \$951,533 difference are as follows:

Net pension liability	\$ (899,861)
Deferred outflows of resources:	
Pension plan contributions subsequent to the measurement date	262,086
Pension plan experience differences	57,862
Deferred inflows of resources, difference between projected and actual investment earnings	(82,883)
Deferred inflows of resources, experience differences	(47,281)
Deferred inflows of resources, pension plan assumption changes	<u>(241,456)</u>
Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (951,533)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,241,088 difference are detailed below:

Capital outlay	\$	621,061
Depreciation expense		<u>(1,862,149)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>		<u>\$ (1,241,088)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$115,610 difference are as follows:

Compensated absences	\$	(18,056)
Net pension liability and related deferred inflows and outflows of resources		<u>133,666</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>		<u>\$ 115,610</u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 3. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at City Hall to obtain taxpayer comments.
- c. Prior to July 1, the Commission approves the budget.
- d. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the City Commission.

### Note 4. Deposits and Investments

The table below summarizes the City's cash and cash equivalents and investments by type as of June 30, 2020.

Investment	Maturities	Fair Value
Deposits with Financial Institutions	---	\$ 7,266,775
Guaranteed Investment Contract	June 1, 2028	1,395,891
Total		\$ 8,662,666
<b>As reported in the Statement of Net Position:</b>		
Cash and cash equivalents		\$ 7,266,775
Investments		1,395,891
Total		\$ 8,662,666

**Credit Risk** – Georgia law and the City's Investment Policy allow investments in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Deposits and Investments (Continued)

**Interest rate risk** – With regard to its investments, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Fair Value Measurements** – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2020:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fair value hedging derivative: Interest rate swap agreement	<u>\$ -</u>	<u>\$ 726,991</u>	<u>\$ -</u>	<u>\$ 726,991</u>

The interest rate swap agreement is more fully described in Note 8. The fair value of the interest rate swap agreement classified as Level 2 of the fair value hierarchy is valued using an option-adjusted discounted cash flow model.

The Guaranteed Investment Contract classified as an investment in the amount of \$1,395,891 is a nonparticipating interest-earning investment contract and, accordingly, is recorded at cost.

**Custodial Credit Risk - Deposits** – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations back by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2020, the financial institution holding the City's deposits has properly collateralized the City's deposits in accordance with State law.

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Receivables

The City receives property tax assessments from Stephens County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers in September. The due date for these taxes was in December, and after that date, both penalty and interest are accrued until the taxes are collected. Property taxes are recorded as receivables and deferred inflows of resources when assessed.

Accordingly, the January 1, 2019 Property Tax Digest was recognized as revenues for fiscal year 2020, if available (i.e. collected within sixty days subsequent to year-end).

Receivables as of year-end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>SPLOST VI</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Natural Gas</u>	<u>Golf</u>	<u>Nonmajor Governmental</u>
Receivables:							
Taxes	\$ 365,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,317
Accounts	75,225	-	793,695	151,662	704,415	418	-
Intergovernmental	-	328,797	-	-	-	-	-
Less allowance for uncollectible	<u>(27,714)</u>	<u>-</u>	<u>(117,808)</u>	<u>(25,270)</u>	<u>(89,912)</u>	<u>-</u>	<u>-</u>
Net total receivable	<u>\$ 413,178</u>	<u>\$ 328,797</u>	<u>\$ 675,887</u>	<u>\$ 126,392</u>	<u>\$ 614,503</u>	<u>\$ 418</u>	<u>\$ 5,317</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 761,081	\$ -	\$ -	\$ 761,081
Construction in progress	168,598	449,769	(351,212)	267,155
Total assets, not being depreciated	<u>929,679</u>	<u>449,769</u>	<u>(351,212)</u>	<u>1,028,236</u>
Capital assets, being depreciated:				
Buildings	7,867,576	25,150	232,978	8,125,704
Urban renewal parks	481,186	-	-	481,186
Machinery and equipment	5,471,626	146,142	-	5,617,768
Infrastructure	44,143,764	-	118,234	44,261,998
Total assets, being depreciated	<u>57,964,152</u>	<u>171,292</u>	<u>351,212</u>	<u>58,486,656</u>
Less accumulated depreciation for:				
Buildings	(3,797,205)	(200,184)	-	(3,997,389)
Urban renewal parks	(85,619)	(246,146)	-	(331,765)
Machinery and equipment	(4,462,082)	(19,656)	-	(4,481,738)
Infrastructure	(38,355,629)	(1,396,163)	-	(39,751,792)
Total accumulated depreciation	<u>(46,700,535)</u>	<u>(1,862,149)</u>	<u>-</u>	<u>(48,562,684)</u>
Total assets, being depreciated, net	<u>11,263,617</u>	<u>(1,690,857)</u>	<u>351,212</u>	<u>9,923,972</u>
Governmental activities capital assets, net	<u>\$ 12,193,296</u>	<u>\$ (1,241,088)</u>	<u>\$ -</u>	<u>\$ 10,952,208</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 504,735	\$ -	\$ -	\$ 504,735
Construction in progress	563,740	390,527	-	954,267
Total assets, not being depreciated	<u>1,068,475</u>	<u>390,527</u>	<u>-</u>	<u>1,459,002</u>
Capital assets, being depreciated:				
Buildings	4,451,625	-	-	4,451,625
Utility systems	96,939,474	32,629	-	96,972,103
Machinery and equipment	7,999,416	487,849	-	8,487,265
Total assets, being depreciated	<u>109,390,515</u>	<u>520,478</u>	<u>-</u>	<u>109,910,993</u>
Less accumulated depreciation for:				
Buildings	(2,742,384)	(96,210)	-	(2,838,594)
Utility systems	(56,205,313)	(2,322,976)	-	(58,528,289)
Machinery and equipment	(5,284,865)	(372,810)	-	(5,657,675)
Total accumulated depreciation	<u>(64,232,562)</u>	<u>(2,791,996)</u>	<u>-</u>	<u>(67,024,558)</u>
Total assets, being depreciated, net	<u>45,157,953</u>	<u>(2,271,518)</u>	<u>-</u>	<u>42,886,435</u>
Business-type activities capital assets, net	<u>\$ 46,226,428</u>	<u>\$ (1,880,991)</u>	<u>\$ -</u>	<u>\$ 44,345,437</u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Capital Assets (Continued)

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

<b>Governmental activities:</b>		
General government	\$	48,592
Public safety		165,072
Public works		1,619,429
Culture and recreation		29,056
		29,056
Total depreciation expense - governmental activities	\$	1,862,149
 <b>Business-type activities:</b>		
Water and sewer	\$	1,521,233
Solid waste		56,523
Natural gas		1,157,087
Golf course		57,153
		57,153
Total depreciation expense - business-type activities	\$	2,791,996

### Note 7. Inter-Fund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2020, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
General fund	Solid waste fund	\$ 15,000
General fund	Water and sewer fund	87,250
General fund	Natural gas fund	216,570
Total		\$ 318,820

The outstanding balances of advances between funds result from financing of equipment by the enterprise funds through the GMA lease pool for which the related assets and ultimate repayment are accounted for in the General Fund. See further discussion in Note 8.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Inter-Fund Receivables, Payables, and Transfers (Continued)

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Inter-fund transfers for the year ended June 30, 2020:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Water & Sewer fund	SPLOST IV fund	\$ 31,404
Water & Sewer fund	SPLOST V fund	116,451
Solid waste fund	SPLOST VI fund	134,273
General fund	Nonmajor governmental funds	38,000
Water & Sewer fund	Nonmajor governmental funds	53,155
Solid waste fund	General fund	95,740
Golf fund	General fund	68,504
Nonmajor governmental funds	General fund	216,613
General fund	Water & Sewer fund	2,301,646
General fund	Solid waste fund	112,824
General fund	Natural gas fund	1,519,800
Golf fund	Natural gas fund	230,000
		<u>\$ 4,918,410</u>

Transfers are used to 1) make subsidies to the General Fund from the enterprise funds and 2) move unrestricted General Fund revenues to finance certain programs. Transfers from the SPLOST II, IV, V & VI Funds to the Water & Sewer Fund and Solid Waste Fund are for the reimbursement of purchases of SPLOST assets in the Water & Sewer and Solid Waste Fund. 3) Make subsidies to the Golf Fund from the Natural Gas Fund.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Debt

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Certificates of participation	\$ 2,277,000	\$ -	\$ -	\$ 2,277,000	\$ -
Compensated absences	175,088	203,393	(185,337)	193,144	154,516
Net pension liability	582,243	1,190,245	(872,627)	899,861	-
Governmental activity					
Long-term liabilities	<u>\$ 3,034,331</u>	<u>\$ 1,393,638</u>	<u>\$ (1,057,964)</u>	<u>\$ 3,370,005</u>	<u>\$ 154,516</u>
<b>Business-type activities:</b>					
Revenue bonds:					
Natural gas bonds	\$ 8,325,000	\$ -	\$ (1,645,000)	\$ 6,680,000	\$ 1,705,000
Add: Premium	73,083	-	(24,208)	48,875	-
Net Natural Gas	8,398,083	-	(1,669,208)	6,728,875	1,705,000
Water and sewer bonds	1,430,000	-	(782,000)	648,000	648,000
Net pension liability	294,964	755,994	(554,255)	496,703	-
Compensated absences	111,671	124,779	(128,369)	108,081	64,848
Business-type activity					
Long-term liabilities	<u>\$ 10,234,718</u>	<u>\$ 880,773</u>	<u>\$ (3,133,832)</u>	<u>\$ 7,981,659</u>	<u>\$ 2,417,848</u>

For governmental activities, compensated absences and the net pension liability are predominately liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the fund which funds the related personnel costs.

All of the City's revenue bonds at June 30, 2020 are private placements.

#### Governmental Activities

##### Certificates of Participation

In June 1998, the City entered into a lease pool agreement with the Georgia Municipal Association (the "Association"). The funding of the lease pool was provided by the issuance of \$150,126,000 Certificates of Participation by the Association. The Association passed the net proceeds through to the participating municipalities with the City's participation totaling \$2,277,000. The lease pool agreement with the Association provides that the City owns their portion of the assets invested by the pool and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal is due in a lump sum payment on June 1, 2028. Interest is payable at a rate of 4.75% each year. The City draws from the investment to lease equipment from the Association. The lease pool agreement requires the City to make lease payments back into its investment account to fund the principal and interest requirements of the 1998 GMA Certificates of Participation.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 8. Long-Term Debt (Continued)**

#### **Governmental Activities (Continued)**

#### **Certificates of Participation (Continued)**

As part of the issuance of the certificates of participation, the City entered into an interest rate swap agreement. Under the Swap Agreement, the City is required to pay (1) a semiannual (and beginning July 1, 2003, a monthly) floating rate of interest based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (plus a 31 basis points spread) to, or on behalf of, the Swap Counterparty (the "Swap Payment"); and the Swap Counterparty will pay to, or on behalf of, the City a semi-annual payment based on a rate equal to the fixed rate on the certificates of participation (4.75%) times a notional amount specified in the Swap Agreement, but generally equal to the outstanding unpaid principal portion of such Contract, less the amount originally deposited in the Reserve Fund relating to the Contract, and (2) a one-time Swap Premium to be paid on the effective date of the Swap Agreement. The semiannual payments from the Swap Counterparty with respect to the City are structured, and expected, to be sufficient to make all interest payments due under the Contract, and related distributions of interest on the Certificates. Monthly interest payments between the City, the holders of the Certificates of Participation, and the Swap Counterparty can be made in net settlement form as part of this agreement. Under the Swap Agreement, the City's obligation to pay floating payments to the Swap Counterparty in any calendar year may not exceed an amount equal to the SIFMA Municipal Swap Index plus 5% to be determined on the first business day of December in the preceding year. This agreement matures on June 1, 2028, at the same time of the certificates of participation. This derivative qualifies as a fair market hedge.

In the unlikely event that the Swap Counterparty becomes insolvent, or fails to make payments as specified in the Swap Agreement, the City would be exposed to credit risk in the amount of the Swap's fair value. To minimize this risk, the City executed this agreement with counterparties of appropriate credit strength, with the counterparty being rated Aa3 by Moody's. At June 30, 2020, the floating rate being paid by the City is .13% and the market value of this agreement is \$726,991, an increase of \$138,371 from the market value at the end of the previous fiscal year. The market value of the hedge was determined using settlement prices at the end of the day on June 30, 2020 based on the derivative contract. This fair value is reported as an other asset in the statement of net position. As this derivative is an effective hedge, qualifying for hedge accounting, the inflow from the hedge (any change in fair value from inception until fiscal year end) is deferred and reported as a deferred inflow of resources in the statement of net position.

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Long-Term Debt (Continued)

#### Governmental Activities (Continued)

#### Certificates of Participation (Continued)

Annual debt service requirements to maturity for the certificates of participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ 108,158	\$ 108,158
2022	-	108,158	108,158
2023	-	108,158	108,158
2024	-	108,158	108,158
2025	-	108,158	108,158
2026-2028	2,277,000	324,473	2,601,473
Total	<u>\$ 2,277,000</u>	<u>\$ 865,263</u>	<u>\$ 3,142,263</u>

#### Business-Type Activities

#### Revenue Bonds Payable – Natural Gas Fund

On March 1, 1999, the City entered into an agreement with the Municipal Gas Authority of Georgia whereby revenue bonds were issued, in two phases, through the Municipal Gas Authority of Georgia, for the City to construct a gas line from Toccoa, Georgia to Franklin, North Carolina. The two phases of bonds issued were Series 1999 in the amount of \$23,975,000 and Series 2000 in the amount of \$2,925,000. The revenues of the City's Natural Gas Fund were pledged as collateral for these bonds. The City has also agreed to levy a tax on the properties in the City, if necessary, to meet this obligation. Interest rates on these bonds range from 3.75% to 5% with annual maturities through fiscal year 2024. The Series 1999 and 2000 bonds were refunded in fiscal year 2011 with the Series 2011 bonds as discussed below.

On March 31, 2011, the City entered into an agreement with the Municipal Gas Authority of Georgia whereby revenue bonds were issued, through the Municipal Gas Authority of Georgia, to refund all of the \$20,625,000 outstanding Series 1999 and 2000 bonds. The Series 2011 Bonds were issued in the amount of \$20,630,000. Interest rates on the bonds range from 3.00% to 5.00% with annual maturities through fiscal year 2024. The net proceeds from the Series 2011 Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$1,644,885 and a present value savings, or economic gain, of \$1,290,747. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$7,030,000 in outstanding refunded bonds at June 30, 2020 are not reported in the City's financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Long-Term Debt (Continued)

#### Business-Type Activities (Continued)

#### Revenue Bonds Payable – Natural Gas Fund (continued)

Annual debt service requirements, as of June 30, 2020, for the Series 2011 Bonds, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,705,000	\$ 294,619	\$ 1,999,619
2022	1,775,000	226,419	2,001,419
2023	1,865,000	137,669	2,002,669
2024	1,335,000	58,406	1,393,406
Total	<u>\$ 6,680,000</u>	<u>\$ 717,113</u>	<u>\$ 7,397,113</u>

#### Revenue Bonds Payable – Water and Sewer Fund

On May 22, 2013, the City issued the Series 2013 revenue bonds in the amount of \$6,133,000 which mature April 1, 2021, with an interest rate of 1.55%. The Series 2013 bonds were issued to refund the City's five (5) outstanding loans with the Georgia Environmental Finance Authority. The net revenues of the Water and Sewer Fund are pledged as collateral for the repayment of these bonds.

Remaining annual debt service requirements, as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 648,000	\$ 5,796	\$ 653,796
Total	<u>\$ 648,000</u>	<u>\$ 5,796</u>	<u>\$ 653,796</u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan

#### Plan Description

The City, as authorized by the City Commission, has established a non-contributory defined benefit pension plan (The City of Toccoa Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Commission, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at [www.gmanet.com](http://www.gmanet.com) or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

**Plan Membership.** As of January 1, 2020, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	103
Inactive plan members entitled to but not receiving benefits	107
Active plan members	169
	<u>379</u>

**Contributions.** The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended June 30, 2020, the City's contribution rate was 8.38% of annual payroll. City contributions to the Plan were \$497,473 for the fiscal year ended June 30, 2020. Employees of the City of Toccoa do not contribute to the Plan.

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan (Continued)

#### Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2019 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2019.

**Actuarial assumptions.** The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.25% - 8.25%, including inflation
Investment rate of return	7.375%, net of investment income, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 2.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 are summarized in the table on the following page.

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Pension Plan (Continued)

#### Net Pension Liability of the City (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.41%
International equity	20%	6.96
Real estate	10%	4.76
Global fixed income	5%	3.06
Domestic fixed income	20%	1.96
Cash	—%	
Total	100%	

\* Rates shown are net of the 2.75% assumed rate of inflation

**Discount rate.** The discount rate used to measure the total pension liability was 7.375%, a decrease from the discount rate of 7.5% in the prior year. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension Plan (Continued)

#### Net Pension Liability of the City (Continued)

**Changes in the Net Pension Liability of the City.** The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2020 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/19</b>	\$ 21,160,522	\$ 20,283,315	\$ 877,207
<b>Changes for the year:</b>			
Service cost	285,119	-	285,119
Interest	1,572,803	-	1,572,803
Differences between expected and actual experience	50,350	-	50,350
Assumption changes	(346,106)	-	(346,106)
Contributions—employer	-	492,499	(492,499)
Net investment income	-	588,277	(588,277)
Benefit payments, including refunds of employee contributions	(949,876)	(949,876)	-
Administrative expense	-	(37,967)	37,967
<b>Net changes</b>	<b>612,290</b>	<b>92,933</b>	<b>519,357</b>
<b>Balances at 6/30/20</b>	<b>\$ 21,772,812</b>	<b>\$ 20,376,248</b>	<b>\$ 1,396,564</b>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

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

	1% Decrease (6.375%)	Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability (asset)	\$ 4,228,753	\$ 1,396,564	\$ (962,868)

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension Plan (Continued)

#### Net Pension Liability of the City (Continued)

**Sensitivity of the net pension liability to changes in the discount rate. (continued)** Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2019 and the current sharing pattern of costs between employer and employee.

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

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$278,910. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 94,856	\$ 77,510
Changes in assumptions	-	430,815
Net difference between projected and actual earnings on pension plan investments	-	135,873
City contributions subsequent to the measurement date	414,561	-
Total	\$ 509,417	\$ 644,198

City contributions subsequent to the measurement date of \$414,561 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ (398,237)
2022	(350,673)
2023	16,689
2024	182,879
	\$ (549,342)

## NOTES TO FINANCIAL STATEMENTS

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### **Note 10. Joint Venture**

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2020, the City paid \$9,170 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a RC. RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from the Georgia Mountains Regional Commission, P.O. Box 1720, Gainesville, Georgia 30503.

### **Note 11. Risk Management**

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to 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 funds.

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

Settled claims in the past three (3) years have not exceeded insurance coverage.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 12. Contingent Liabilities**

#### **Litigation:**

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

#### **Grant Contingencies:**

The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

### **Note 13. Economic Dependency/Commitments**

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2014, and may be extended through 2026, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$3,992,168 in 2020.

At June 30, 2020, the outstanding debt of MGAG was approximately \$181 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$6.1 million at June 30, 2020.

### **Note 14. Hotel/Motel Occupancy Tax**

The City imposes a hotel/motel tax on lodging facilities within the City. The tax is assessed at 5% and, in accordance with O.C.G.A. 48-13-51, the City is required to spend at least 40% of this for promoting tourism, conventions, and trade shows. Revenues were \$81,336 for the year ended June 30, 2020. Of this amount 93.8% was used to promote tourism.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# City of Toccoa, Georgia

## Required Supplementary Information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Total pension liability</b>					
Service cost	\$ 285,119	\$ 289,544	\$ 323,707	\$ 300,493	\$ 282,248
Interest on total pension liability	1,572,803	1,512,486	1,505,983	1,409,761	1,306,683
Differences between expected and actual experience	50,350	(68,600)	(108,023)	285,462	420,636
Changes of assumptions	(346,106)	-	(428,087)	-	-
Benefit payments, including refunds of employee contributions	(949,876)	(899,701)	(797,647)	(710,652)	(648,400)
<b>Net change in total pension liability</b>	<b>612,290</b>	<b>833,729</b>	<b>495,933</b>	<b>1,285,064</b>	<b>1,361,167</b>
<b>Total pension liability - beginning</b>	<b>21,160,522</b>	<b>20,326,793</b>	<b>19,830,860</b>	<b>18,545,796</b>	<b>17,184,629</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 21,772,812</b>	<b>\$ 21,160,522</b>	<b>\$ 20,326,793</b>	<b>\$ 19,830,860</b>	<b>\$ 18,545,796</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 492,499	\$ 515,136	\$ 481,078	\$ 423,545	\$ 410,064
Net investment income	588,277	1,859,001	2,496,179	1,698,818	184,601
Benefit payments, including refunds of employee contributions	(949,876)	(899,701)	(797,647)	(710,652)	(648,400)
Administrative expenses	(37,967)	(40,049)	(41,931)	(24,451)	(27,792)
<b>Net change in plan fiduciary net position</b>	<b>92,933</b>	<b>1,434,387</b>	<b>2,137,679</b>	<b>1,387,260</b>	<b>(81,527)</b>
<b>Plan fiduciary net position - beginning</b>	<b>20,283,315</b>	<b>18,848,928</b>	<b>16,711,249</b>	<b>15,323,989</b>	<b>15,405,516</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 20,376,248</b>	<b>\$ 20,283,315</b>	<b>\$ 18,848,928</b>	<b>\$ 16,711,249</b>	<b>\$ 15,323,989</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,396,564</b>	<b>\$ 877,207</b>	<b>\$ 1,477,865</b>	<b>\$ 3,119,611</b>	<b>\$ 3,221,807</b>
<b>Plan fiduciary net position as a percentage of the Plan fiduciary net position</b>	93.6%	95.9%	92.7%	84.3%	82.6%
<b>Covered payroll</b>	\$ 6,415,007	\$ 6,123,385	\$ 6,147,875	\$ 6,044,241	\$ 5,623,432
<b>City's net pension liability as a percentage of covered payroll</b>	21.8%	14.3%	24.0%	51.6%	57.3%

*Continued*

# City of Toccoa, Georgia

## Required Supplementary Information

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

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 296,403
Interest on total pension liability	1,265,285
Differences between expected and actual experience	141,414
Changes of assumptions	(511,569)
Benefit payments, including refunds of employee contributions	(666,319)
<b>Net change in total pension liability</b>	525,214
<b>Total pension liability - beginning</b>	16,659,415
<b>Total pension liability - ending (a)</b>	\$ 17,184,629
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 355,014
Net investment income	1,604,126
Benefit payments, including refunds of employee contributions	(666,319)
Administrative expenses	(22,024)
<b>Net change in plan fiduciary net position</b>	1,270,797
<b>Plan fiduciary net position - beginning</b>	14,134,719
<b>Plan fiduciary net position - ending (b)</b>	\$ 15,405,516
<b>City's net pension liability - ending (a) - (b)</b>	\$ 1,779,113
<b>Plan fiduciary net position as a percentage of the Plan fiduciary net position</b>	89.6%
<b>Covered payroll</b>	\$ 5,479,965
<b>City's net pension liability as a percentage of covered payroll</b>	32.5%

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated.

# City of Toccoa, Georgia

## Required Supplementary Information

### SCHEDULE OF CITY CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 497,473	\$ 491,504	\$ 519,862	\$ 473,321	\$ 413,590
Contributions in relation to the actuarially determined contribution	<u>497,473</u>	<u>491,504</u>	<u>519,862</u>	<u>473,321</u>	<u>413,590</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	5,922,298	6,143,800	6,188,833	5,730,278	5,125,031
Contributions as a percentage of Covered payroll	8.4%	8.0%	8.4%	8.3%	8.1%
	<b><u>2015</u></b>				
Actuarially determined contribution	\$ 409,359				
Contributions in relation to the actuarially determined contribution	<u>409,359</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	5,194,911				
Contributions as a percentage of Covered payroll	7.9%				

#### Notes to the Schedule

Valuation Date	January 1, 2019
Cost Method	Projected Unit Credit
Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return	
On Investments	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost-of-living Adjustment	2.25%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

The schedule will present 10 years of information once it is accumulated.

# NONMAJOR GOVERNMENTAL FUNDS

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## Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

**Hotel/Motel Fund** – This fund is used to account for the occupancy tax collected by the City from area hotels and motels, and distributed based upon state statute including a requirement for a portion to be spent on tourism.

**Grant Fund** – This fund is used to account for the funds received from external sources as they relate to and restricted by grants awarded to the City, not reported in other funds. Matching funds, which are the City's responsibility, are also recorded within this fund.

## Capital Projects Funds

Capital projects funds are used to account for amounts set aside for capital outlay.

**SPLOST II Fund** – accounts for the acquisition and construction of capital expenditures which are financed by the Special Purpose Local Option Sales Tax Program II of the City, in an agreement with Stephens County.

**CITY OF TOCCOA, GEORGIA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

<b>ASSETS</b>	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/ Motel</u>	<u>Grant Fund</u>	<u>SPLOST II Fund</u>	
Cash and cash equivalents	\$ 73,706	\$ 262,805	\$ -	\$ 336,511
Taxes receivable	5,317	-	-	5,317
Total assets	<u>\$ 79,023</u>	<u>\$ 262,805</u>	<u>\$ -</u>	<u>\$ 341,828</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 17	\$ -	\$ 17
Total liabilities	-	17	-	17
<b>FUND BALANCES</b>				
Restricted:				
Capital construction	-	46,175	-	46,175
Tourism	79,023	-	-	79,023
Assigned for grant match	-	216,613	-	216,613
Total fund balances	<u>79,023</u>	<u>262,788</u>	<u>-</u>	<u>341,811</u>
Total liabilities and fund balances	<u>\$ 79,023</u>	<u>\$ 262,805</u>	<u>\$ -</u>	<u>\$ 341,828</u>

**CITY OF TOCCOA, GEORGIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/ Motel</u>	<u>Grant Fund</u>	<u>SPLOST II Fund</u>	
<b>Revenues:</b>				
Hotel/Motel taxes	\$ 81,336	\$ -	\$ -	\$ 81,336
Intergovernmental	-	356,694	-	356,694
Investment earnings	-	-	23	23
Total revenues	<u>81,336</u>	<u>356,694</u>	<u>23</u>	<u>438,053</u>
<b>Expenditures:</b>				
Current:				
General government	-	29,814	-	29,814
Police	-	834	-	834
Streets and sanitation	-	37,832	4,469	42,301
Parks and Recreation	-	323,580	-	323,580
Economic and community development	38,287	-	-	38,287
Total expenditures	<u>38,287</u>	<u>392,060</u>	<u>4,469</u>	<u>434,816</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,049</u>	<u>(35,366)</u>	<u>(4,446)</u>	<u>3,237</u>
<b>Other financing sources (uses):</b>				
Transfers out	(38,000)	-	(53,155)	(91,155)
Transfers in	-	216,613	-	216,613
Total other financing sources (uses)	<u>(38,000)</u>	<u>216,613</u>	<u>(53,155)</u>	<u>125,458</u>
Net change in fund balances	5,049	181,247	(57,601)	128,695
<b>Fund balances, beginning of year</b>	<u>73,974</u>	<u>81,541</u>	<u>57,601</u>	<u>213,116</u>
<b>Fund balances, end of year</b>	<u>\$ 79,023</u>	<u>\$ 262,788</u>	<u>\$ -</u>	<u>\$ 341,811</u>

**CITY OF TOCCOA, GEORGIA  
HOTEL/MOTEL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Hotel/Motel taxes	\$ 66,750	\$ 76,300	\$ 81,336	\$ 5,036
Total revenues	<u>66,750</u>	<u>76,300</u>	<u>81,336</u>	<u>5,036</u>
<b>Expenditures:</b>				
Current:				
Economic and community development	28,750	38,300	38,287	13
Total expenditures	<u>28,750</u>	<u>38,300</u>	<u>38,287</u>	<u>13</u>
Excess of revenues over expenditures	<u>38,000</u>	<u>38,000</u>	<u>43,049</u>	<u>5,049</u>
<b>Other financing uses:</b>				
Transfers out	(38,000)	(38,000)	(38,000)	-
Total other financing uses	<u>(38,000)</u>	<u>(38,000)</u>	<u>(38,000)</u>	<u>-</u>
Net changes in fund balances	-	-	5,049	5,049
<b>Fund balances, beginning of year</b>	<u>73,974</u>	<u>73,974</u>	<u>73,974</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 73,974</u>	<u>\$ 73,974</u>	<u>\$ 79,023</u>	<u>\$ 5,049</u>

**CITY OF TOCCOA, GEORGIA  
GRANT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 214,168	\$ 381,569	\$ 356,694	\$ (24,875)
Total revenues	<u>214,168</u>	<u>381,569</u>	<u>356,694</u>	<u>(24,875)</u>
<b>Expenditures:</b>				
Current:				
General government	189,680	189,680	29,814	159,866
Police	1,960	1,960	834	1,126
Streets and sanitation	26,481	38,082	37,832	250
Parks and recreation	168,200	324,000	323,580	420
Total expenditures	<u>386,321</u>	<u>553,722</u>	<u>392,060</u>	<u>161,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(172,153)</u>	<u>(172,153)</u>	<u>(35,366)</u>	<u>136,787</u>
<b>Other financing sources:</b>				
Transfers in	145,672	145,672	216,613	70,941
Total other financing sources	<u>145,672</u>	<u>145,672</u>	<u>216,613</u>	<u>70,941</u>
Net changes in fund balances	(26,481)	(26,481)	181,247	207,728
<b>Fund balances, beginning of year</b>	<u>81,541</u>	<u>81,541</u>	<u>81,541</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 55,060</u>	<u>\$ 55,060</u>	<u>\$ 262,788</u>	<u>\$ 207,728</u>

**CITY OF TOCCOA, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF**  
**SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Original Estimated Cost	Current Estimated Cost	Prior Years Cumulative Expenditures	Current Year Expenditures	Total Cumulative Expenditures
<b>SPLOST VI</b>					
Water and Sewer Projects	\$ 2,000,000	\$ 2,000,000	\$ 22,887	\$ -	\$ 22,887
Road Resurfacing	2,000,000	2,000,000	1,539,453	70,945	1,610,398
Schaeffer Center Renovation	382,327	382,327	-	-	-
City Vehicle Replacement	500,000	500,000	365,727	134,273	500,000
Improvements to City Hall	300,000	300,000	169,138	-	169,138
Financial Software	200,000	200,000	199,889	-	199,889
City Pool	903,100	903,100	903,113	-	903,113
	<u>\$ 6,285,427</u>	<u>\$ 6,285,427</u>	<u>\$ 3,200,207</u>	<u>\$ 205,218</u>	<u>\$ 3,405,425</u>
<b>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance</b>					
			Total Expenditures	\$ 70,945	
			Transfers Out	<u>134,273 (1)</u>	
				<u>\$ 205,218</u>	
<b>SPLOST V</b>					
Highway 17 Sewer	\$ 1,000,000	\$ 1,000,000	\$ 999,999	\$ -	\$ 999,999
Meadow Lift Station	250,000	161,650	-	-	-
Eastanollee WWTP	500,000	388,123	388,123	-	388,123
Fire Equipment	750,000	750,000	749,808	-	749,808
Roads	2,260,000	1,300,000	1,299,999	-	1,299,999
Historical Society Building	270,000	270,000	270,000	-	270,000
Recreation	400,000	243,515	243,515	-	243,515
Water System Improvements	2,330,000	1,843,250	1,453,303	126,876	1,580,179
Inflow & Infiltration	1,300,000	720,326	158,514	-	158,514
	<u>\$ 9,060,000</u>	<u>\$ 6,676,864</u>	<u>\$ 5,563,261</u>	<u>\$ 126,876</u>	<u>\$ 5,690,137</u>
<b>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance</b>					
			Total Expenditures	\$ 10,425	
			Transfers Out	<u>116,451 (1)</u>	
				<u>\$ 126,876</u>	
<b>SPLOST IV</b>					
Water Improvements	\$ 2,000,000	\$ 2,393,750	\$ 2,310,076	\$ 31,049	\$ 2,341,125
Sewer Improvements	945,000	754,100	649,333	8,154	657,487
Roads & Bridges	240,000	508,710	508,704	-	508,704
	<u>\$ 3,185,000</u>	<u>\$ 3,656,560</u>	<u>\$ 3,468,113</u>	<u>\$ 39,203</u>	<u>\$ 3,507,316</u>
<b>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance</b>					
			Total Expenditures	\$ 7,799	
			Transfers Out	<u>31,404 (1)</u>	
				<u>\$ 39,203</u>	
<b>SPLOST II</b>					
Sewer Improvements	\$ 396,474	\$ 401,416	\$ 343,792	\$ 57,624	\$ 401,416
	<u>\$ 396,474</u>	<u>\$ 401,416</u>	<u>\$ 343,792</u>	<u>\$ 57,624</u>	<u>\$ 401,416</u>
<b>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance</b>					
			Total Expenditures	\$ 4,469	
			Transfers Out	<u>53,155 (1)</u>	
				<u>\$ 57,624</u>	
<b>Total SPLOST</b>	<u>\$ 18,926,901</u>	<u>\$ 17,020,267</u>	<u>\$ 12,575,373</u>	<u>\$ 428,921</u>	<u>\$ 13,004,294</u>

(1) Transfers out were recorded in order to properly transfer assets to the Water and Sewer and Solid Waste Funds for purchases made on applicable SPLOST projects. Amounts are allowable under the SPLOST referendum.

## **COMPLIANCE SECTION**

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

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**Honorable Mayor and Members of the  
City Commission of the City of Toccoa, Georgia  
Toccoa, Georgia**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toccoa, Georgia (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 13, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be a material weakness.

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## **Compliance and Other Matters**

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

## **The City's Response to the Finding**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
October 13, 2020

# CITY OF TOCCOA, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

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### Section I – Summary of Auditor’s Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?  yes  no

Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

There was not an audit of major federal award programs as of June 30, 2020 due to the total amount of federal awards expended being less than \$750,000.

# CITY OF TOCCOA, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2020

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### Section II – Financial Statement Findings

#### Finding 2020-001 – Segregation of Duties

**Criteria:** Segregation of employee's duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting or cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

**Condition/Context:** During the course of our testwork, we noted several areas in which the segregation of duties could be improved. The following are controls or practices which should be in place to ensure adequate segregation of duties, but aren't at the City:

- Mail is opened and a list of daily receipts is prepared by two or more people independent of the cashier and accounts receivable bookkeeping.
- Individuals opening the mail prepare prenumbered cash receipts and attach remittance data to the cash receipts prior to forwarding the documentation to accounting.
- The list of daily cash receipts or lockbox listing from the bank is compared to postings to customer accounts, contribution records, and deposits and to a validated deposit slip by a person independent of the cash receipts and accounts receivable functions.
- Check signing (including control of mechanical check signers and signature plates) is independent of the initiator of purchases, approver of purchases, receiving, shipping, preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- Checks are not returned to the preparer after signing.
- Persons preparing payroll are independent of other payroll and personnel duties (for example, timekeeping, distribution of checks, and hiring employees) and restricted from access to other payroll data or cash.
- Bank statements are received directly by the appropriate level of management or another appropriate person (such as a governing body member) and reviewed prior to routing to accounting for reconciliation.
- The cash receipting and deposit function is performed by only one employee at the North Carolina location.

**Effect:** Without some segregation of duties within these functions; there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

**Cause:** The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

**Recommendation:** We recommend that the City review its processes and determine where it can cost-effectively segregate some of the duties in higher risk areas to alleviate the segregation of duties issues.

**Response:** The City agrees with this recommendation. Due to reduced work force, segregation of duties will continue to be an issue: however, the City will continue to look at possibilities to reduce the City's risks according to the controls and practices suggested by Mauldin & Jenkins.