

CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

**CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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CITY OF HAMPTON, GEORGIA

CITY OFFICIALS

CITY COUNCIL

Steve Hutchinson, Mayor

Stephanie Bodie

Henry Byrd

Marty Meeks, Mayor Pro Tem

Errol Mitchell

Mary Ann Mitcham

Willie Turner

CITY APPOINTED OFFICIALS

Alex Cohilas.....City Manager

Melissa Brooks.....City Clerk

DEPARTMENT DIRECTORS

Derrick Austin.....Chief of Police

Wanda Moore.....Community Development

Lenox Michael Forsythe.....Finance

Andrea Atwater.....Human Resources

Reginald Brown.....Information Technology

Tommy Brown, Interim.....Public Works

CITY ATTORNEY

L F Barnes Law, LLC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Hampton, 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 City of Hampton, Georgia (the "City") as of and for the year ended September 30, 2020, and the 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia as of September 30, 2020 and the respective changes in financial position, and, where applicable, cash flow, and the budgetary comparison for the General Fund for the year then ended in conformity 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 on pages 3 through 12 and pension information on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hampton, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2021 on our consideration of the City of Hampton's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering City of Hampton, Georgia's internal control over financial reporting and compliance.



Morrow, Georgia
April 16, 2021

CITY OF HAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management on the City of Hampton, we offer readers of the City of Hampton's financial statements this narrative overview and analysis of the financial activities of the City of Hampton for fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets of the City of Hampton exceeded its liabilities at September 30, 2020 by \$32,162,380. Of this amount unrestricted net position, of \$7,300,197 may be used to meet the government's ongoing obligations to citizens and creditors. The \$7,300,197 in unrestricted net position is further allocated \$7,107,031 to governmental-type activities and \$193,166 to business-type activities.
- The total net position increased by \$1,633,685. Of this amount a net increase of \$524,596 was associated with governmental activities, and an increase of \$1,109,089 associated with business-type activities.
- As of the close of the current fiscal period, the City of Hampton's governmental funds reported combined ending fund balances of \$12,425,127, an increase of \$500,680 in comparison with the prior year. Of this amount \$16,429 is non-spendable, \$4,111,703 is restricted, and \$(30) is committed, \$511,632 is assigned, and \$7,785,393 is unassigned. The unassigned of \$7,785,393 consists of various assets netted against their respective liabilities. See page 16 for a detail and page 17 for a reconciliation to the governmental activities net position.
- It is anticipated that the business-type activities' restricted net position of \$1,489,125 will be used for improvements and expansion of the City's water and sewer facilities, and the restricted balance of \$700,554 will be used for debt service payment on combined utility system revenue refunding series 2016 bonds.
- At the end of the current year, unassigned fund balance for the general fund was \$7,785,393 or 189 percent of total General Fund expenditures, not including transfers to other funds.
- The City of Hampton's total debt obligations (including accrued compensated absences, pension liability, and combined utility 2016 refunding bonds) decreased by \$640,633 to a total of \$5,536,910.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hampton's basic financial statements. The City of Hampton's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF HAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Government-wide financial statements – continued. The statement of activities presents information showing how the government'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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hampton include general government, public safety and courts, highways and streets, parks and recreation, community development, economic development, and code enforcement. The business-type activities of the City are water and sewer, solid waste management and electrical supply.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Hampton can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for 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 near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains three major governmental funds. The City's major governmental funds are the General Fund, SPLOST IV Fund, and Capital Improvements Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds.

The City of Hampton adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the fiscal year 2020 budget. An annual budget for the non-major funds and a project length budget for the SPLOST Capital Projects Funds have been adopted by the City and are presented in the individual fund financial statements.

Proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses a utilities enterprise fund to account for its water and sewer, solid waste management and electrical supply activities. The City's Utilities Enterprise Fund is considered by the City to be a major fund.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail.

CITY OF HAMPTON
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At September 30, 2020, the City's assets exceeded liabilities by \$32,162,380. The City's net position reflects its investment in capital assets (56.9 percent), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are 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. Of the total net position, \$6,566,986 (20.4 percent) is restricted for capital projects and other specified activities and \$7,300,197 (22.7 percent) is unrestricted, allocated between the governmental activities (\$7,107,031) and the business-type activities (\$193,166).

City of Hampton's Net Position

	Governmental Activities		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 13,079,169	\$ 12,220,196	\$ 858,973
Capital assets	<u>8,449,476</u>	<u>8,296,941</u>	<u>152,535</u>
Total assets	<u>21,528,645</u>	<u>20,517,137</u>	<u>1,011,508</u>
Deferred outflows of resources	<u>106,439</u>	<u>135,564</u>	<u>(29,125)</u>
Current liabilities	688,041	295,749	392,292
Long-term liabilities	<u>947,747</u>	<u>911,211</u>	<u>36,536</u>
Total liabilities	<u>1,635,788</u>	<u>1,206,960</u>	<u>428,828</u>
Deferred inflows of resources	<u>124,980</u>	<u>96,021</u>	<u>28,959</u>
Net position:			
Net investment in capital assets	8,389,978	8,296,941	93,037
Restricted	<u>4,377,307</u>	<u>4,187,497</u>	<u>189,810</u>
Unrestricted	<u>7,107,031</u>	<u>6,865,282</u>	<u>241,749</u>
Total net position	<u>\$ 19,874,316</u>	<u>\$ 19,349,720</u>	<u>\$ 524,596</u>

City of Hampton's Net Position – Continued

	Business-type Activities		
	2020	2019	<u>Change</u>
Current and other assets	\$ 3,889,032	\$ 3,406,200	\$ 482,832
Capital assets	<u>14,025,862</u>	<u>13,685,159</u>	<u>340,703</u>
Total assets	<u>17,914,894</u>	<u>17,091,359</u>	<u>823,535</u>
Deferred outflows of resources	<u>49,357</u>	<u>68,467</u>	<u>(19,110)</u>
Current liabilities	1,683,381	1,274,071	409,310
Long-term liabilities	<u>3,934,852</u>	<u>4,658,285</u>	<u>(723,433)</u>
Total liabilities	<u>5,618,233</u>	<u>5,932,356</u>	<u>(314,123)</u>
Deferred inflows of resources	<u>57,954</u>	<u>48,495</u>	<u>9,459</u>
Net position:			
Net investment in capital assets	9,905,219	8,900,630	1,004,589
Restricted	2,189,679	2,146,197	43,482
Unrestricted	<u>193,166</u>	<u>132,148</u>	<u>61,018</u>
Total net position	<u>\$ 12,288,064</u>	<u>\$ 11,178,975</u>	<u>\$ 1,109,089</u>
	2020	2019	<u>Total</u>
Current and other assets	\$ 16,968,201	\$ 15,626,396	\$ 1,341,805
Capital assets	<u>22,475,338</u>	<u>21,982,100</u>	<u>493,238</u>
Total assets	<u>39,443,539</u>	<u>37,608,496</u>	<u>1,835,043</u>
Deferred outflows of resources	<u>155,796</u>	<u>204,031</u>	<u>(48,235)</u>
Current liabilities	2,371,422	1,569,820	(504,736)
Long-term liabilities	<u>4,882,599</u>	<u>5,569,496</u>	<u>619,441</u>
Total liabilities	<u>7,254,021</u>	<u>7,139,316</u>	<u>114,705</u>
Deferred inflows of resources	<u>182,934</u>	<u>144,516</u>	<u>38,418</u>
Net position:			
Net investment in capital assets	18,295,197	17,197,571	1,097,626
Restricted	6,566,986	6,333,694	233,292
Unrestricted	<u>7,300,197</u>	<u>6,997,430</u>	<u>302,767</u>
Total net position	<u>\$ 32,162,380</u>	<u>\$ 30,528,695</u>	<u>\$ 1,633,685</u>

A portion of the net position (\$6,566,986) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,300,197) may be used to meet the government's ongoing obligations to citizens and creditors.

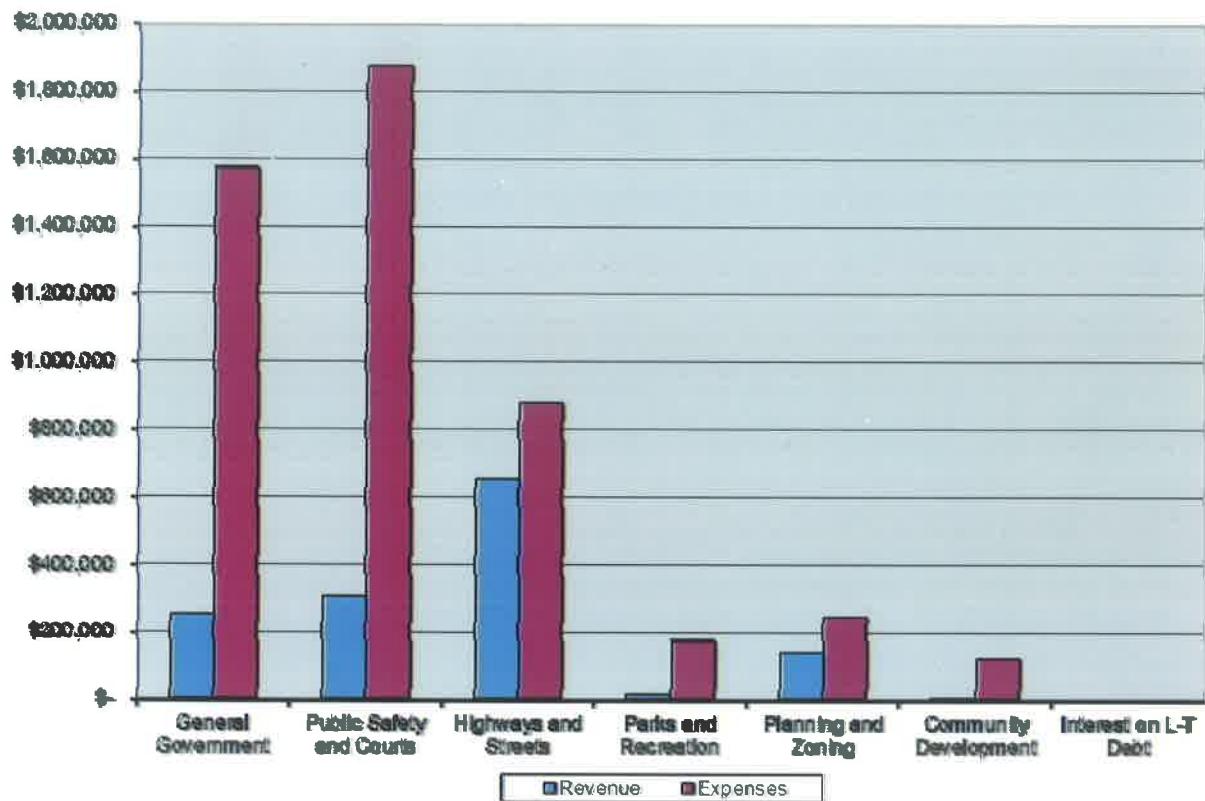
City of Hampton's Change in Net Position

(In millions of dollars)

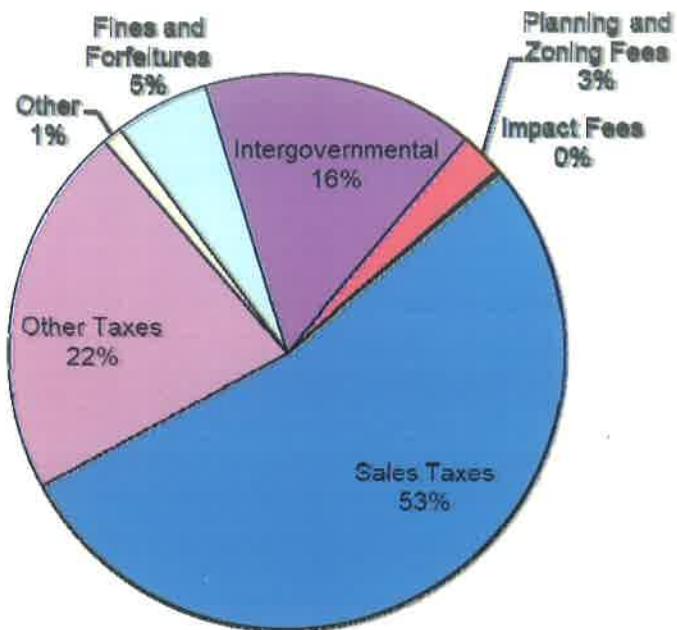
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program Revenues –						
Charges for services	\$ 0.5	\$ 0.4	\$ 6.5	\$ 7.0	\$ 7.0	\$ 7.4
Capital grants and contributions	0.9	1.6	1.0	0.3	1.8	1.9
General Revenues –						
Sales taxes	3.0	2.6	0.0	0.0	3.0	2.6
Other taxes	1.2	1.1	0.0	0.0	1.2	1.1
Interest	0.0	0.1	0.0	0.0	0.0	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0
Contributions	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	<u>5.6</u>	<u>5.8</u>	<u>7.5</u>	<u>7.3</u>	<u>13.0</u>	<u>13.1</u>
Expenses:						
General government	1.6	1.4	0.0	0.0	1.6	1.4
Public safety and courts	1.9	2.0	0.0	0.0	1.9	2.0
Highways and streets	0.9	1.0	0.0	0.0	0.9	1.0
Parks and recreation	0.2	0.2	0.0	0.0	0.2	0.2
Planning and zoning	0.2	0.2	0.0	0.0	0.2	0.2
Community development	0.1	0.2	0.0	0.0	0.1	0.2
Sewer	0.0	0.0	0.9	0.9	0.9	0.9
Water	0.0	0.0	1.3	1.5	1.3	1.5
Solid waste	0.0	0.0	0.5	0.5	0.5	0.5
Electric	0.0	0.0	3.8	3.9	3.8	3.9
Total Expenses	<u>4.9</u>	<u>5.0</u>	<u>6.5</u>	<u>6.8</u>	<u>11.4</u>	<u>11.8</u>
Increase in net position before transfers	0.7	0.8	1.0	0.5	1.6	1.3
Transfers	<u>(0.2)</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Increase in net position	0.5	0.8	1.1	0.5	1.6	1.3
Net position – beginning of the year	<u>19.3</u>	<u>18.5</u>	<u>11.2</u>	<u>10.7</u>	<u>30.5</u>	<u>29.2</u>
Net position – end of year	<u>\$ 19.8</u>	<u>\$ 19.3</u>	<u>\$ 12.3</u>	<u>\$ 11.2</u>	<u>\$ 32.1</u>	<u>\$ 30.5</u>

Governmental activities. Governmental activities increased the City of Hampton's net position by \$524,596.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

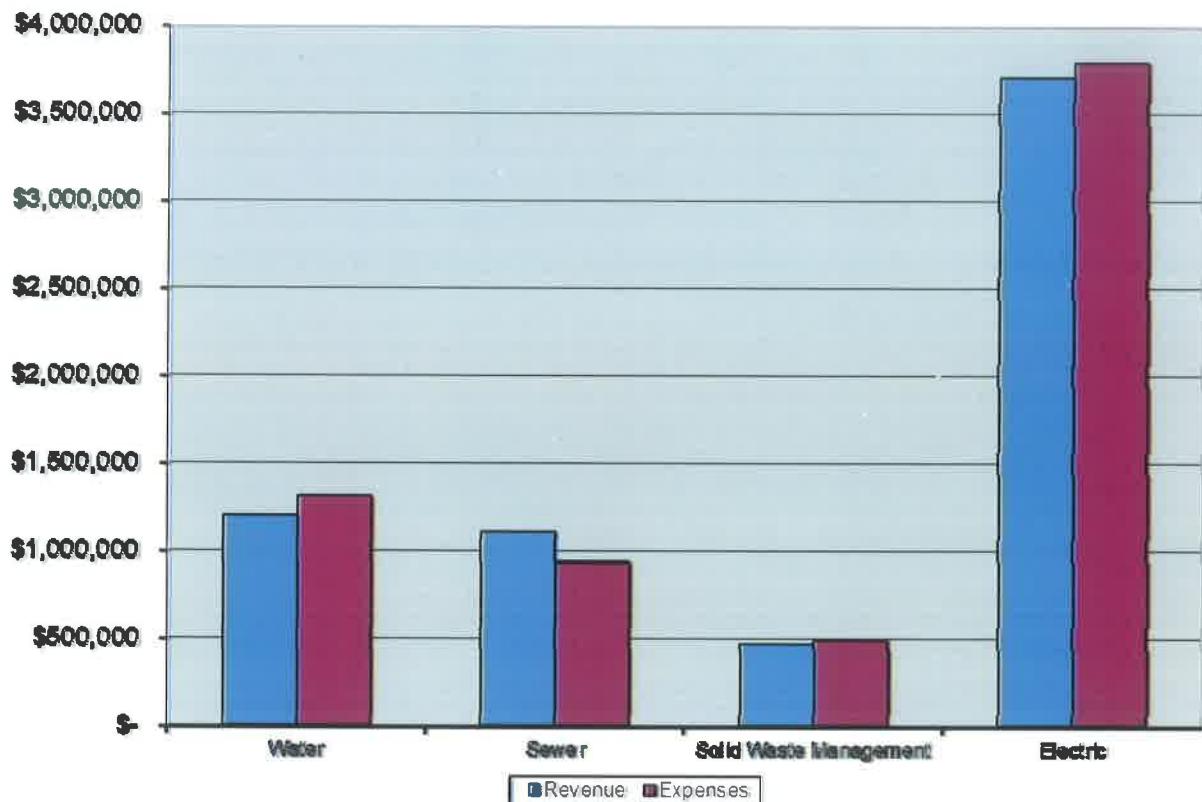


REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



Business-type activities. Business-type activities increased the City's net position by \$1,109,089.

EXPENSES AND PROGRAM REVENUES-BUSINESS-TYPE ACTIVITES



Financial Analysis of the Government's Funds

As noted earlier, the City of Hampton used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The purpose of the City's governmental fund financial statements 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal period.

At September 30, 2020 the City's governmental funds reported combined ending fund balances of \$12,425,127, an increase of \$500,680 in comparison to the prior year. Of this amount, \$7,785,393 (62.7 percent) is unassigned fund balances, which is available for spending at the government's discretion, and \$16,429 of fund balance is non-spendable from prepaid assets. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital items most of which is funded by the proceeds of the Special Purpose Local Option Sales Tax and Development Impact Fees (\$3,754,598); 2) for Police Activities (\$88,832); 3) for Hotel/Motel (\$33,321), 4) for Federal and State programs (\$234,952); and 5) for Main Street (\$30); and 7) for Downtown Development Authority (\$511,632).

The General Fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,785,393 while the total fund balance totaled \$8,364,905. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 189 percent of the total general fund expenditures, while total fund balance represents 203 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by \$955,190. The City collected a total of \$2,965,640 in Local Option Sales Taxes for 2020, an increase of 13.3% from 2019. Fines and forfeitures increased by 17.4% to \$308,981 in 2020. Overall, the City's general fund revenue increased by \$411,448. At the same time, the expenditures increased by \$115,988 from 2019 amounts, netting to total improvement of \$295,460 in comparison to 2019 improvement of \$318,584, a 7.26% overall decline.

The City of Hampton received \$652,254 in Special Purpose Local Option Sales Taxes in 2020. Major expenditures during 2020 of the SPLOST funds were: 1) Street improvements (\$162,440); 2) city hall improvements (\$141,622); 3) public safety vehicles (\$228,767); and 4) park projects (\$3,560).

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year was \$193,166. Other factors concerning the finances of proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There were no amendments to the original General Fund revenues and expenditures budget. The total actual revenues exceeded budget by \$737,339 and total actual expenditures came in at \$80,530 less than budget. In 2020, three departments (General Government, Public Safety, and Planning and Zoning) overspent a total of \$204,895 in comparison to one department in 2019 that exceeded their budgets totaling \$11,667. Transfers in were \$96,716 less than the budgeted amount of \$217,279. This resulted in an overall favorable budgetary variance of \$791,150.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2020 amounts to \$22,475,338 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles and equipment, sidewalks, bridges and roads.

Major capital asset events during the current fiscal year included the following:

- \$ 631,078 for water system equipment
- \$ 395,183 for new general, police, and streets vehicles
- \$ 333,896 for water and electric distribution systems
- \$ 241,782 for general land
- \$ 211,257 for general, police, streets, and parks equipment
- \$ 59,538 for general, streets, and parks improvements and infrastructure

Additional information on the City's capital assets can be found in note 8.

Long-term debt. At the end of the current fiscal year, the City had \$5,536,910 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

	Balance
Governmental Activities –	
Accrued compensated absences	\$ 119,991
Capital leases	59,498
Net pension liability	802,257
Business-Type Activities –	
Bonds	4,120,643
Accrued compensated absences	62,511
Net pension liability	<u>372,010</u>
Total	<u>\$ 5,536,910</u>

The City's total-term debt decreased by \$640,633. Additional information on the City's long-term debt can be found in note 9.

Requests for Information

This financial report is designed to provide a general overview of the City of Hampton's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (770) 946-4306 or at the following address:

City of Hampton
Finance Department
17 East Main Street
Hampton, GA 30228

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,070,477	\$ 510,389	\$ 8,580,866
Receivables (net of allowance for uncollectible)			
Taxes	468,911	-	468,911
Accounts	-	506,990	506,990
Fines	10,723	-	10,723
Loan	260,966	-	260,966
Intergovernmental	9,945	-	9,945
Materials and supplies inventory	-	642,346	642,346
Property held for sale	209,753	-	209,753
Prepaid items	16,429	9,052	25,481
Internal funds	(30,576)	30,576	-
Restricted assets: Cash	4,062,541	2,189,679	6,252,220
Non-depreciable capital assets	934,283	-	934,283
Depreciable capital assets, net	<u>7,515,193</u>	<u>14,025,862</u>	<u>21,541,055</u>
Total assets	<u>\$ 21,528,645</u>	<u>\$ 17,914,894</u>	<u>\$ 39,443,539</u>
Deferred Outflows of Resources			
Pension	<u>\$ 106,439</u>	<u>\$ 49,357</u>	<u>\$ 155,796</u>
Total deferred outflows of resources	<u>\$ 106,439</u>	<u>\$ 49,357</u>	<u>\$ 155,796</u>
Liabilities			
Accounts payable			
Operating	\$ 200,756	\$ 455,601	\$ 656,357
Capital	33,695	-	33,695
Accrued liabilities –			
Wages	105,119	52,022	157,141
Customer deposits	-	503,213	503,213
Other	22,425	52,233	74,658
Unearned revenue	292,047	-	292,047
Long-term liabilities –			
Due within one year	33,999	620,312	654,311
Due in more than one year	25,499	3,500,331	3,525,830
Compensated absences	119,991	62,511	182,502
Net pension liabilities	<u>802,257</u>	<u>372,010</u>	<u>1,174,267</u>
Total liabilities	<u>1,635,788</u>	<u>5,618,233</u>	<u>7,254,021</u>
Deferred Inflows of Resources			
Pension	<u>124,980</u>	<u>57,954</u>	<u>182,934</u>
Total deferred inflows of resources	<u>124,980</u>	<u>57,954</u>	<u>182,934</u>

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position			
Net investment in capital assets	8,389,978	9,905,219	18,295,197
Restricted for –			
Capital projects	4,020,202	1,489,125	5,509,327
Debt service	-	700,554	700,554
Federal and state programs	234,952	-	234,952
Tourism	33,321	-	33,321
Law enforcement	88,832	-	88,832
Unrestricted	<u>7,107,031</u>	<u>193,166</u>	<u>7,300,197</u>
Total net position	<u>\$ 19,874,316</u>	<u>\$ 12,288,064</u>	<u>\$ 32,162,380</u>

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Primary government:								
Governmental activities:								
General government	\$ 1,573,802	\$ 19,556	\$ -	\$ 235,273	\$ (1,318,973)	\$ -	\$ (1,318,973)	
Public safety and courts	1,876,809	308,981	-	966	(1,566,862)	-	(1,566,862)	
Public works	883,374	-	-	655,704	(227,670)	-	(227,670)	
Parks and recreation	174,451	3,179	-	9,790	(161,482)	-	(161,482)	
Planning and zoning	249,339	143,239	-	-	(106,100)	-	(106,100)	
Community development	125,617	-	395	-	(125,222)	-	(125,222)	
Total government activities	<u>4,883,392</u>	<u>474,955</u>	<u>395</u>	<u>901,733</u>	<u>(3,506,309)</u>	<u>-</u>	<u>(3,506,309)</u>	
Business-type activities:								
Sewer	940,423	1,117,683	-	899,612	-	1,076,872	1,076,872	
Water	1,316,061	1,205,051	-	14,580	-	(96,430)	(96,430)	
Sanitation	485,376	466,242	-	-	-	(19,134)	(19,134)	
Electric	<u>3,796,668</u>	<u>3,718,347</u>	<u>-</u>	<u>44,688</u>	<u>-</u>	<u>(33,633)</u>	<u>(33,633)</u>	
Total business-type activities	<u>6,538,528</u>	<u>6,507,323</u>	<u>-</u>	<u>958,880</u>	<u>-</u>	<u>927,675</u>	<u>927,675</u>	
Total primary government	<u>\$ 11,421,920</u>	<u>\$ 6,982,278</u>	<u>\$ 395</u>	<u>\$ 1,860,613</u>	<u>(3,506,309)</u>	<u>927,675</u>	<u>(2,578,634)</u>	
General revenues:								
Sales taxes				2,965,640	-	2,965,640		
Insurance premium taxes				530,659	-	530,659		
Franchise taxes				320,614	-	320,614		
Motor vehicle ad valorem				182,439	-	182,439		
Beer, wine, and distilled spirits				106,704	-	106,704		
Business and occupational				34,074	-	34,074		
Other taxes				33,271	-	33,271		
Interest earnings				17,453	2,453	19,906		
Other				19,012	-	19,012		
Total general revenues				4,209,866	2,453	4,212,319		
Transfers				(178,961)	178,961	-	-	
Total general revenues and transfers				<u>4,030,905</u>	<u>181,414</u>	<u>4,212,319</u>		
Change in net position				524,596	1,109,089	1,633,685		
Net position – beginning of period				<u>19,349,720</u>	<u>11,178,975</u>	<u>30,528,695</u>		
Net position – end of period				<u>\$ 19,874,316</u>	<u>\$ 12,288,064</u>	<u>\$ 32,162,380</u>		

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Capital					
	SPLOST IV	Capital	Improvement	Other	Governmental	
	General	Capital	Capital	Funds	Total	
Assets						
Cash and cash equivalents	\$ 7,831,606	\$ -	\$ -	\$ 238,871	\$ 8,070,477	
Restricted cash	565,660	3,463,744	-	33,137	4,062,541	
Receivables (net of allowance for uncollectibles)						
Taxes	396,063	71,334	-	1,514	468,911	
Fines	10,723	-	-	-	10,723	
Loan	-	-	-	260,966	260,966	
Intergovernmental	-	-	-	9,945	9,945	
Land held for sale	193,753	-	-	16,000	209,753	
Prepaid items	16,429	-	-	-	16,429	
Due from other funds	664	-	16,645	89,754	107,063	
Total assets	<u>\$ 9,014,898</u>	<u>\$ 3,535,078</u>	<u>\$ 16,645</u>	<u>\$ 650,187</u>	<u>\$ 13,216,808</u>	
Liabilities						
Accounts payable						
Operating	\$ 195,885	\$ -	\$ -	\$ 4,871	\$ 200,756	
Capital	-	17,050	16,645	-	33,695	
Accrued liabilities						
Wages	105,119	-	-	-	105,119	
Other	14,739	-	-	7,686	22,425	
Due to other funds	136,975	-	-	664	137,639	
Unearned revenue	197,275	-	-	94,772	292,047	
Total liabilities	<u>649,993</u>	<u>17,050</u>	<u>16,645</u>	<u>107,993</u>	<u>791,681</u>	
Fund balances						
Non-spendable: prepaid expenses	16,429	-	-	-	16,429	
Restricted: Capital projects	239,329	3,518,028	-	(2,759)	3,754,598	
Restricted: Federal and state programs	234,952	-	-	-	234,952	
Restricted: Tourism	-	-	-	33,321	33,321	
Restricted: Law enforcement	88,832	-	-	-	88,832	
Committed: Main Street	(30)	-	-	-	(30)	
Assigned: Downtown Development Authority	-	-	-	511,632	511,632	
Unassigned	<u>7,785,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,785,393</u>	
Total fund balances	<u>8,364,905</u>	<u>3,518,028</u>	<u>-</u>	<u>542,194</u>	<u>12,425,127</u>	
Total liabilities and fund balances	<u>\$ 9,014,898</u>	<u>\$ 3,535,078</u>	<u>\$ 16,645</u>	<u>\$ 650,187</u>	<u>\$ 13,216,808</u>	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

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

Total fund balances – total governmental funds	\$ 12,425,127
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	8,449,476
Net pension liability	(802,257)
Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.	106,439
Deferred inflows of resources related to the recording of the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	(124,980)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Capital leases payable	(59,498)
Accrued compensated absences	<u>(119,991)</u>
Net position of governmental activities	<u>\$ 19,874,316</u>

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General	SPLOST IV Capital Projects	Capital Improvement Capital Projects	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 4,158,638	\$ -	\$ -	\$ 14,763	\$ 4,173,401
Intergovernmental	225,328	652,254	-	9,945	887,527
Fines and forfeitures	308,981	-	-	-	308,981
Licenses and permits	162,795	-	-	-	162,795
Impact fees	10,756	-	-	-	10,756
Investments income	3,992	3,450	-	13,461	20,903
Miscellaneous	22,191	-	-	-	22,191
Contributions not restricted for specific programs	-	-	-	395	395
Total revenues	<u>4,892,681</u>	<u>655,704</u>	<u>-</u>	<u>38,564</u>	<u>5,586,949</u>
EXPENDITURES					
Current:					
General government	1,475,559	-	-	-	1,475,559
Municipal court	162,294	-	-	-	162,294
Public safety	1,558,979	-	19,739	9,946	1,588,664
Highways and streets	352,360	-	-	-	352,360
Parks and recreation	122,000	-	-	-	122,000
Planning and zoning	243,105	-	-	-	243,105
Community development	87,770	-	-	30,514	118,284
Capital:					
General government	110,726	141,622	-	-	252,348
Public safety	4,759	228,767	-	-	233,526
Public utilities	-	-	1,689	-	1,689
Highways and streets	-	162,440	-	-	162,440
Parks and recreation	-	3,560	250,977	-	254,537
Debt service:					
Principal	<u>8,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,499</u>
Total expenditures	<u>4,126,051</u>	<u>536,389</u>	<u>272,405</u>	<u>40,460</u>	<u>4,975,305</u>
Excess of revenues over expenditures	<u>766,630</u>	<u>119,315</u>	<u>(272,405)</u>	<u>(1,896)</u>	<u>611,644</u>
Other financing sources (uses):					
Transfers in	154,934	-	272,405	-	427,339
Transfers out	(34,371)	(333,895)	-	(238,034)	(606,300)
Proceeds from capital lease	67,997	-	-	-	67,997
Total	<u>188,560</u>	<u>(333,895)</u>	<u>272,405</u>	<u>(238,034)</u>	<u>(110,964)</u>
Net change in fund balances	955,190	(214,580)	-	(239,930)	500,680
Fund balance – beginning of period	<u>7,409,715</u>	<u>3,732,608</u>	<u>-</u>	<u>782,124</u>	<u>11,924,447</u>
Fund balance – end of period	<u>\$ 8,364,905</u>	<u>\$ 3,518,028</u>	<u>\$ -</u>	<u>\$ 542,194</u>	<u>\$ 12,425,127</u>

See accompanying notes to financial statements

CITY OF HAMPTON, 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 SEPTEMBER 30, 2020

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

Net changes in fund balances – total governmental funds	\$ 500,680
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.	
Capital outlay for the current period	845,416
Depreciation expense for the current period	<u>(692,881)</u> 152,535
Proceeds from capital lease	(67,997)
Payments on capital lease	8,499
The net pension liability did not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(35,806)
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.	
Compensated absences	<u>(33,315)</u>
Change in net position of governmental activities	\$ <u>524,596</u>

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes	\$ 3,441,901	\$ 3,441,901	\$ 4,158,638	\$ 716,737
Fines and forfeitures	310,000	310,000	308,981	(1,019)
Intergovernmental	-	-	225,328	225,328
Licenses and permits	175,255	175,255	162,795	(12,460)
Miscellaneous	49,144	49,144	22,191	(26,953)
Impact fees	164,042	164,042	10,756	(153,286)
Investments income	15,000	15,000	3,992	(11,008)
Total revenues	<u>4,155,342</u>	<u>4,155,342</u>	<u>4,892,681</u>	<u>737,339</u>
EXPENDITURES				
Current:				
General government	1,392,048	1,392,048	1,475,559	(83,511)
Municipal court	183,002	183,002	162,294	20,708
Public safety	1,609,780	1,609,780	1,558,979	50,801
Highways and streets	444,589	444,589	352,360	92,229
Parks and recreation	135,293	135,293	122,000	13,293
Planning and zoning	248,492	248,492	243,105	5,387
Community development	142,777	142,777	87,770	55,007
Capital:				
General government	-	-	110,726	(110,726)
Public safety	2,600	2,600	4,759	(2,159)
Community development	50,000	50,000	-	50,000
Debt service:				
Principal	-	-	8,499	(8,499)
Total expenditures	<u>4,208,581</u>	<u>4,208,581</u>	<u>4,126,051</u>	<u>82,530</u>
Excess of revenues over expenditures	<u>(53,239)</u>	<u>(53,239)</u>	<u>766,630</u>	<u>819,869</u>
Other financing sources:				
Transfers	217,279	217,279	120,563	(96,716)
Proceeds from capital lease	-	-	67,997	67,997
Total	<u>217,279</u>	<u>217,279</u>	<u>188,560</u>	<u>(28,719)</u>
Net change in fund balances	<u>\$ 164,040</u>	<u>\$ 164,040</u>	<u>955,190</u>	<u>\$ 791,150</u>
Fund balance – beginning of year			<u>7,409,715</u>	
Fund balance – end of year			<u>\$ 8,364,905</u>	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020

BUSINESS-TYPE ACTIVITIES
UTILITIES FUND

Assets	BUSINESS-TYPE ACTIVITIES	UTILITIES FUND
Current assets:		
Cash	\$ 510,389	
Receivables (net of allowance for uncollectibles) –		
Accounts	506,990	
Materials and supplies inventory	642,346	
Prepaid items	9,052	
Due from other funds	30,576	
Total current assets	<u>1,699,353</u>	
Non-current assets:		
Restricted assets: Cash	2,189,679	
Property, plant and equipment –		
Plant and distributions systems	22,030,777	
Machinery and equipment	1,821,768	
Vehicles	578,693	
Accumulated depreciation	<u>(10,405,376)</u>	
Total capital assets (net of accumulated depreciation)	<u>14,025,862</u>	
Total non-current assets	<u>16,215,541</u>	
Total assets	<u>\$ 17,914,894</u>	
Deferred Outflows of Resources		
Pensions	<u>\$ 49,357</u>	
Liabilities		
Current liabilities		
Accounts payable –		
Operating	\$ 455,601	
Accrued liabilities –		
Wages	52,022	
Customer deposits	503,213	
Other	52,233	
Notes payable – current portion	<u>620,312</u>	
Total current liabilities	<u>1,683,381</u>	
Long-term liabilities		
Compensated absences	62,511	
Notes payable	3,500,331	
Net pension liability	<u>372,010</u>	
Total liabilities	<u>\$ 5,618,233</u>	
Deferred Inflows of Resources		
Pensions	<u>\$ 57,954</u>	
Net Position		
Net invested in capital assets	\$ 9,905,219	
Restricted: Capital projects	1,489,125	
Restricted: Debt service	700,554	
Unrestricted	193,166	
Total net position	<u>\$ 12,288,064</u>	

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	BUSINESS-TYPE ACTIVITIES UTILITIES FUND
Operating Revenues:	
Charges for services	\$ 6,481,586
Other	<u>25,737</u>
Total operating revenues	<u>6,507,323</u>
Operating Expenses:	
Purchases for resale	3,150,672
Personal services and benefits	1,513,519
Contractual services	1,044,761
Depreciation	624,270
Supplies	86,492
Other	<u>29,194</u>
Total operating expenses	<u>6,448,908</u>
Income from operations	58,415
Non-operating revenues:	
Investment income	2,453
Interest expense	<u>(89,620)</u>
Income before contributions and transfers	(28,752)
Capital Contribution	
Sewer	899,612
Water	14,580
Electric	44,688
Transfers in	333,895
Transfers out	<u>(154,934)</u>
Change in net position	1,109,089
Net position beginning of year	<u>11,178,975</u>
Net position end of year	\$ <u>12,288,064</u>

See accompanying notes to financial statements

**CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>BUSINESS-TYPE ACTIVITIES</u> <u>UTILITIES FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 6,701,326
Cash paid to suppliers for goods and services	(4,297,187)
Cash paid to employees	<u>(1,191,715)</u>
Net cash provided by operating activities	<u>1,212,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>2,453</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	<u>178,961</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(964,973)
Repayment of notes payable	(663,886)
Interest paid	(89,620)
Capital contributions	958,880
Due to General Fund	<u>(80,368)</u>
Net cash used in capital financing activities	<u>(839,967)</u>
NET CHANGE IN CASH	553,871
CASH AT BEGINNING OF YEAR	<u>2,146,197</u>
CASH AT END OF YEAR	<u>\$ 2,700,068</u>
Classified As	
Current assets	\$ 510,389
Restricted assets	<u>2,189,679</u>
	<u>\$ 2,700,068</u>

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS – (CONTINUED)
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Reconciliation of Net Income to Net Cash
 Provided by Operating Activities

BUSINESS-TYPE ACTIVITIES
UTILITIES FUND

NET OPERATING INCOME	\$ 58,415
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ADJUSTMENTS TO RECONCILE NET INCOME TO NET
 CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation expense	624,270
Decrease in receivables	182,798
Increase in inventory	(27,776)
Increase in prepaid expenses	(3,615)
Decrease in deferred outflows of resources	19,110
Increase in accounts payable	353,124
Increase in accrued salaries	12,276
Increase in other customer deposits	11,205
Increase in other accrued expense	17,583
Decrease in net pension liability	(44,425)
Increase in deferred inflows of resources	<u>9,459</u>
 Total adjustments	 <u>1,154,009</u>

NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 1,212,424
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See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
NOTE TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

The City operates under a council/mayor form of government and provides the following services: public safety, highways and streets, planning and zoning, culture and recreation, public improvements, community development, and general and administrative services. In addition, the City operates public utilities (water, sewer, stormwater, electricity and sanitation) for the incorporated and immediate surrounding areas.

Governmental Accounting Standards Board Statements No. 14 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City.

Management has concluded that there is a component unit for the City. The Downtown Development Authority (DDA) directs economic development activities in the central business district of Hampton. The DDA meets both criteria for a component unit mentioned in the paragraph above. The DDA has been presented as a blended component unit.

Complete financial statements for the component unit may be obtained at the entity's administrative offices.

Downtown Development Authority
17 E. Main Street S
Hampton, GA 30228

C. Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Basic Financial Statements – Government-Wide Statements – (Continued)

The government-wide Statement of Net Position, presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (franchise taxes, sales or use taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The various funds are grouped, in the financial statements in this report, into the following fund types:

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

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. Basic Financial Statements – Fund Financial Statements (Continued)

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

SPLOST IV Capital Project Fund – The SPLOST IV Capital Project Fund accounts for capital projects financed by a one percent sales and use tax.

Capital Improvement Capital Projects Fund – The Capital Improvement Capital Projects Fund accounts for capital projects.

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major proprietary fund:

Utilities Fund – The Utilities Fund is used to account for the revenues generated from the charges for electricity, water, sewer, wastewater and sanitation services provided to the residential and commercial users of the City.

E. Measurement Focus

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

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

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

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Measurement Focus (Continued)

On the proprietary fund's financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after period end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

Those revenues susceptible to accrual are taxes, state and federal grants, fines, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after period end are recorded as unearned revenues.

G. New Accounting Pronouncements

In January 2017, the **GASB issued Statement No. 84 'Fiduciary Activities'**. This statement will enhance consistency and comparability for establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019 (fiscal year 2021). The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. New Accounting Pronouncements – (Continued)

In June 2017, the GASB issued **Statement No. 87, "Leases"**. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting **periods beginning after June 15, 2021 (fiscal year 2022)**. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued **Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period"**. This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting **periods beginning after December 15, 2020 (fiscal year 2022)**. The City is evaluating the impact, if any, upon its financial position, results financial position or cash flows upon adoption.

In August 2018, the GASB issued **Statement No. 90, "Majority Equity Interests"**. This statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting **periods beginning after December 15, 2019 (fiscal year 2021)**. The City has implemented GASB No. 90 in this annual report with no impact of this pronouncement to the City's financial statements.

In May 2018, the GASB issued **Statement No. 91, "Conduit Debt Obligations"**. This statement will provide a single method of reporting conduit debt obligations by issuers by establishing that conduit is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligation; and improving required note disclosures. The requirements of this statement are effective for reporting **periods beginning after December 15, 2021 (fiscal year 2023)**. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. As of September 30, 2020, the City had cash equivalents in money market accounts.

I. Restricted Assets: Cash

Restricted assets represent amounts which are required to be maintained pursuant to external restrictions imposed by State and Federal Governments, applicable bond covenants, etc., relating to impact fees for police, parks and recreation, sewer, water and electric tap charges; and if applicable, debt service payments; funds received for specific purposes pursuant to State and Federal grants and special purposes local option sales taxes.

J. Investments

The City's investments consist of Certificates of Deposit with a maturity date of greater than three months from the date acquired by the City. For reporting purposes, all investments are recorded at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of September 30, 2020:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items in external pools that are not SEC-registered; c) items subject to involuntary participation in an external pool; and, items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investments until maturity.

K. Inventory

Inventory is valued at net realized value. Inventory consists of various repair and replacement items maintained by the City's Utilities Fund.

L. Prepaid Expenses

Payments made to vendors for service that will benefit years beyond September 30, 2020 are recorded as prepaid items and are expensed during the period benefited.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

M. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets which include property, plant equipment, machinery, vehicles, furniture and fixtures, and infrastructure assets (e.g. streets, roads, sidewalks and pavements and similar items) purchased or acquired with an estimated useful life in excess of one (1) year or more and an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during 2020. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Infrastructure	40-50 years
Utility distribution systems	30-50 years
Buildings and improvements	30-40 years
Furniture and fixtures	7-10 years
Machinery and equipment	5-10 years
Vehicles	5-10 years

The City only reports infrastructure assets purchased subsequent to December 31, 2001.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as liability in the fund financial statements only to the extent that they are due for payment during the current period. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

O. Revenues

Various taxes are billed and collected within the same period in which the taxes are levied. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expense and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unavailable revenue by the recipient.

P. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are expensed in the period used.

Q. Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

R. Inter-fund Activity

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

S. Fund Balances/Net Position

Fund Balance Classifications

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

S. Fund Balances/Net Position – (Continued)

Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five categories (1) Non-spendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned. *Non-spendable fund balances* refer to amounts that are not in spendable form or are legally required to remain intact. *Restricted fund balances* refer to amounts that are subject to externally enforceable legal restrictions by either debt covenants, or laws or regulations of other governments. *Committed fund balances* refer to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council prior to the end of the fiscal year. The same formal action is required to remove the limitation. *Assigned fund balances* refer to amounts that are intended to be used for specific purposes. *Unassigned fund balances* refer to the residual net resources and are the excess of non-spendable, restricted, committed, and assigned. Fund expenditures and encumbrances are from restricted fund balance to the extent of the restricted fund revenue and followed by committed then assigned and unassigned fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned net position could be used, the City considers committed funds to have been spent first, then assigned and then unassigned.

Net Position

Equity for government-wide and proprietary fund statements is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of assets with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

T. Contributions of Capital

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

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

U. Estimates

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

V. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. Formal budgetary integration is employed as a management control device during the period.

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

1. Prior to September, the City Manager presents a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution
4. Any revisions that increase expenditures of any department must be approved by City Council.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Final budget amounts are as amended in September, 2020.
6. Unexpended budget appropriations at period-end lapse.

Excess of Expenditures and Other Financing Uses Over Appropriations

The following department/function overspent the final 2020 fiscal year budget:

General Fund – General Government	\$ 194,237
General Fund – Public Safety	\$ 2,159
General Fund – Debt Service: Principal	\$ 8,499

W. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

X. Pension Plans

The City provides a defined benefit pension plan to all eligible employees. It is the City's policy to fund this plan's normal cost annually, as determined by actuarial valuation.

Y. Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Revenues, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities* established accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in the statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

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

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 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 are recorded as 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 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.

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 Hampton 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.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City reduces its exposure to this risk by requiring deposits of public funds to be collateralized in accordance with State law. As of September 30, 2020, none of the deposits of the City were subject to custodial credit risk.

Investments

The City's financial policies authorize investments in any securities approved by the State of Georgia for local governments. Authorized investments include certificates of deposit, repurchase agreements, direct and agency obligations of the State of Georgia, and no-load mutual funds of direct obligations of the United States. The City had no investments at September 30, 2020.

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties or municipalities. As of September 30, 2020, none of the investments of the City were subject to custodial credit risk. The City does not have a formal policy addressing credit risk.

3. MAJOR TAXES

The major categories of taxes collected comprise of sales or use taxes as local option sales tax (LOST) and special purpose local option sales tax (SPLOST), liquor and wine vendor and on-site sales tax, insurance premium tax, franchise tax, motor vehicle ad valorem tax, real estate transfer tax and intangible asset tax.

4. RECEIVABLES

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
General Fund			
Taxes	\$ 396,063	\$ -	\$ 396,063
Fines	10,723	-	10,723
Other Governmental Funds			
Taxes	72,848	-	72,848
Loan	260,966	-	260,966
Intergovernmental	9,945	-	9,945
Proprietary Fund			
Accounts	678,325	171,335	506,990
Total	<u>\$ 1,428,870</u>	<u>\$ 171,335</u>	<u>\$ 1,257,535</u>

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

5. FINES AND FORFEITURES (NET OF ALLOWANCE)

The City entered into a contract with ZSI Probation Services, Inc. to coordinate and provide direct probation and rehabilitation programs and services to offenders sentenced by and under the jurisdiction of the court. Court-ordered fines, restitution, and costs will be collected and paid to the court on a monthly basis.

6. INTER-FUND TRANSACTIONS

Interfund balance and transfers represent amounts transferred among funds to help finance various construction projects, and meet cash flow requirements. There were no interfund balances at year end. Transfers for the year were as follows:

Interfund balances:

Due from: General Fund	\$ 136,975
Due to: Capital Grant Fund	89,754
Proprietary Fund	30,576
Capital Improvement Fund	16,645
	<u>\$ 136,975</u>
Due from: Hotel/Motel Fund	\$ 664
Due to: General Fund	<u>\$ 664</u>

Interfund transfers:

From: Downtown Development Authority	\$ 233,466
General Fund	34,371
Capital Grant Fund	4,568
To: Capital Improvement Fund	<u>\$ 272,405</u>
From: SPLOST Fund	\$ 333,895
To: Proprietary Fund	<u>\$ 333,895</u>
From: Proprietary Fund	\$ 154,934
To: General Fund	<u>\$ 154,934</u>

7. LITIGATION

During the ordinary course of business, the City has been named as a defendant in various lawsuits. Management of the City is vigorously defending itself against the lawsuits and believes that the City will be able to end the suits favorably.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

8. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 692,501	\$ 241,782	\$ -	\$ 934,283
Construction in progress	<u>62,345</u>	<u>-</u>	<u>62,345</u>	<u>-</u>
Total capital assets not being depreciated	<u>754,846</u>	<u>241,782</u>	<u>62,345</u>	<u>934,283</u>
Capital assets, being depreciated:				
Buildings	4,119,479	21,660	-	4,141,139
Improvements other than buildings	2,991,365	26,245	-	3,017,610
Infrastructure	4,332,727	11,633	-	4,344,360
Furniture and fixtures	33,032	-	-	33,032
Office equipment	225,692	-	-	225,692
Machinery and equipment	827,345	211,258	-	1,038,603
Vehicles	<u>1,135,098</u>	<u>395,183</u>	<u>-</u>	<u>1,530,281</u>
Total capital assets being depreciated	<u>13,664,738</u>	<u>665,979</u>	<u>-</u>	<u>14,330,717</u>
Less accumulated depreciation for:				
Buildings	986,228	136,288	-	1,122,516
Improvements other than buildings	1,697,454	138,063	-	1,835,517
Infrastructure	1,813,502	197,473	-	2,010,975
Furniture and fixtures	33,032	-	-	33,032
Office equipment	191,559	4,629	-	196,188
Machinery and equipment	555,717	79,364	-	635,081
Vehicles	<u>845,151</u>	<u>137,064</u>	<u>-</u>	<u>982,215</u>
Total accumulated depreciation	<u>6,122,643</u>	<u>692,881</u>	<u>-</u>	<u>6,815,524</u>
Total capital assets, being depreciated, net	<u>7,542,095</u>	<u>(26,902)</u>	<u>-</u>	<u>7,515,193</u>
Governmental activities capital assets, net	<u>\$ 8,296,941</u>	<u>\$ 214,880</u>	<u>\$ 62,345</u>	<u>\$ 8,449,476</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 63,299
Public safety and courts	127,272
Public works	443,519
Parks and recreation	52,352
Community development	<u>6,439</u>
Total depreciation expense	<u>\$ 692,881</u>

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

8. PROPERTY, PLANT AND EQUIPMENT – (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Distribution and collection system	\$ 21,696,881	\$ 333,896	\$ -	\$ 22,030,777
Machinery and equipment	1,190,691	631,077	-	1,821,768
Vehicles	<u>578,693</u>	<u>-</u>	<u>-</u>	<u>578,693</u>
Total capital assets being depreciated	<u>23,466,265</u>	<u>964,973</u>	<u>-</u>	<u>24,431,238</u>
Less accumulated depreciation for:				
Distribution and collection system	8,177,232	567,074	-	8,744,306
Machinery and equipment	1,037,348	53,093	-	1,090,441
Vehicles	<u>566,526</u>	<u>4,103</u>	<u>-</u>	<u>570,629</u>
Total accumulated depreciation	<u>9,781,106</u>	<u>624,270</u>	<u>-</u>	<u>10,405,376</u>
Total capital assets, being depreciated, net	<u>13,685,159</u>	<u>340,703</u>	<u>-</u>	<u>14,025,862</u>
Business-type activities capital assets, net	<u>\$ 13,685,159</u>	<u>\$ 340,703</u>	<u>\$ -</u>	<u>\$ 14,025,862</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Sewer	\$ 463,471
Water	88,470
Electric	69,080
Sanitation	<u>3,249</u>
Total depreciation expense	<u>\$ 624,270</u>

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

9. LONG-TERM DEBT

Changes in General Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental-Type Activities:					
*Capital leases	\$ -	67,997	8,499	59,498	33,999
*Compensated absences	86,676	33,315	-	119,991	-
*Net pension liability	<u>824,535</u>	-	<u>22,278</u>	<u>802,257</u>	-
Governmental-Type Activities	<u>911,211</u>	<u>101,312</u>	<u>30,777</u>	<u>981,746</u>	<u>33,999</u>
Business-Type Activities:					
Compensated absences	65,368	-	2,857	62,511	-
Net pension liability	416,435	-	44,425	372,010	-
Bonds payable	<u>4,784,529</u>	-	<u>663,886</u>	<u>4,120,643</u>	<u>620,312</u>
Business-Type Activities	<u>5,266,332</u>	-	<u>711,168</u>	<u>4,555,164</u>	<u>620,312</u>
Total	<u>\$ 6,177,543</u>	<u>\$ 101,312</u>	<u>\$ 741,945</u>	<u>\$ 5,536,910</u>	<u>\$ 654,311</u>

* Typically liquidated with General Fund resources.

The City has entered into a capitalized lease for CISCO system hardware. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. The hardware acquired by the lease has been capitalized, in the amount of \$67,998 in governmental-type funds, which represents the present value of the future minimum lease payments at the time of acquisition. The hardware has been pledged as collateral against the obligation. Interest rate is 0% on the lease. The following is a summary of the future minimum lease payments on the capital leases in governmental funds:

The asset acquired through capital lease is as follows:

	<u>Governmental Activities</u>
Assets:	
CISCO system hardware	\$ 67,998
Less: accumulated depreciation	<u>(3,400)</u>
Total	<u>\$ 64,598</u>

Amortization of assets recorded under capital leases is included with depreciation expense.

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

9. LONG-TERM DEBT – (Continued)

Governmental-type activities:

<u>Year</u>	
2021	\$ 33,999
2022	25,499
Less: imputed interest	
Present value of minimum lease payments	\$ <u>59,498</u>

There was no interest incurred during the current year.

In 2017, the City issued Combined Utility System Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”). The annual interest rate on the bonds is 2.00%, and the maturity date is June 1, 2026. The following is a summary of the future minimum bond payments:

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2021	\$ 70,393	620,312
2022	63,706	689,799
2023	49,783	703,722
2024	35,579	717,926
2025	21,088	732,417
2026	6,351	656,467
	\$ 246,900	\$ 4,120,643

Interest incurred during the current year was \$89,620.

Pledged Revenues

The City has pledged the utilities system revenues, net of operations and maintenance expenses, to pay principal and interest on the outstanding Series 2016 Combined Utility System Refunding Bonds, with outstanding principal amount of \$4,120,643 at September 30, 2020. Pledged utilities system revenue includes sewer debt relief surcharges and impact fees collected for sewer.

10. RISK MANAGEMENT

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

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools’ agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

10. RISK MANAGEMENT – (Continued)

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 pools' agent 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 governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Coverages are as follows:

COVERAGE DESCRIPTION – PROPERTY:

Buildings and Contents (Blanket)	\$ 8,515,020
Automobile Physical Damage	Per Application on file with GIRMA

COVERAGE DESCRIPTION – CASUALTY:

Comprehensive General Liability	\$ 2,000,000
Automobile Liability	\$ 1,000,000
Errors and Omissions (Public Officials) Liability	\$ 2,000,000
Employees Benefits Liability	\$ 2,000,000
Utility Products and Supply	\$ 1,000,000

COVERAGE DESCRIPTION – CRIME:

Blanket Bond	\$ 1,000,000
Depositors Forgery	\$ 1,000,000
Money and Securities – Loss Inside and Outside the Premises	\$ 1,000,000

DEDUCTIBLE:

All coverages, except automobile liability, are subject to a per occurrence deductible of	\$ 2,500
Automobile coverage	\$ -

COVERAGE EXCEPTIONS: None

COVERAGE SUBJECT TO A RETROACTIVE DATE:

Coverages for public officials and employee benefit liabilities are subject to retroactive date of 5/1/97.

11. EMPLOYEE BENEFITS PLANS

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Georgia Municipal Association. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is voluntary. The City has no management, contribution or participation requirements.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

11. EMPLOYEE BENEFITS PLANS – (Continued)

Plan Description –

The City, as authorized by the City Council, has established a non-contributory defined pension plan, City of Hampton Retirement Plan (HRP), covering all full-time employees. HRP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. 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 by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia, 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire on reaching the age of 65, depending on their classification. Early retirement is possible on reaching the age of 55, depending on the member's classification. In addition, police officers can retire at age 55 and 10 years of service with full benefits. Benefits are calculated at 2.00% of the average monthly earnings for the period of the five highest years' earnings prior to retirement.

Current membership in the plan is as follows:

Retirees and beneficiaries currently receiving benefits	25
Terminated vested participants entitled to but not yet receiving benefits	25
Active participants	53
Total number of participants	<u>103</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 is to contribute an amount equal to the recommended contribution described below. For 2020, the actuarially determined contribution rate was 8.36% of covered payroll. For 2020, the City's contribution to the plan totaled \$269,526.

Net Pension Liability of the City

Effective October 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

11. EMPLOYEE BENEFIT PLANS – (Continued)

The City's net pension liability was measured as of January 1, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 with update procedures performed by the actuary to roll forward to the total pension liability measured as of January 1, 2020.

Actuarial assumptions: The total pension liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.25% plus service based merit increases
Investment rate of return	7.375%

Mortality rates for healthy individuals 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. Mortality rates for disabled individuals were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The actuarial assumptions used in the July 1, 2020 valuation were based on results of an actuarial experience study for the period November 1, 2019 – December 31, 2019. There is no cost of living adjustment by the Plan.

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 following table:

Asset Class	Allocation	Long-term Expected real rate of return*
Domestic equity	45%	6.41%
International equity	20%	6.96%
Domestic fixed income	20%	1.96%
Real estate	10%	4.76%
Global fixed income	5%	3.06%
Cash	0%	0.00%

* Rates shown are net of the 2.25% assumed rate of inflation.

Discount rate: The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and 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

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

11. EMPLOYEE BENEFIT PLANS – (Continued)

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.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2019	\$ 5,226,738	\$ 3,985,768	\$ 1,240,970
Changes for the year:			
Service cost	83,699	-	83,699
Interest	197,175	-	197,175
Differences between expected and actual experience	(77,779)	-	(77,779)
Contributions – employer	-	100,169	(100,169)
Net investment income	-	175,763	(175,763)
Benefit payments, including refunds of employee contributions	(104,885)	(104,885)	-
Administrative expense	-	(5,628)	5,628
Other	506	-	506
Net changes	98,716	165,419	(66,703)
Balances at September 30, 2020	\$ 5,325,454	\$ 4,151,187	\$ 1,174,267

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 is 1-percentage-point lower (6.375 percent) or 1-percentage-point higher (8.375 percent) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability	\$ 1,950,095	\$ 1,174,267	\$ 535,481

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 January 1, 2020, and the current sharing pattern of costs between employer and employee.

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

11. EMPLOYEE BENEFIT PLANS – (Continued)

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

For the year ended September 30, 2020, the City recognized pension expense of \$120,119. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual expense	\$ 120,253	\$ (158,667)
Changes in assumptions	35,543	(1,195)
Net difference between projected and actual earnings on pension plan investments	-	(23,072)
Total	\$ 155,796	\$ (182,934)

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	(49,032)
2022	(7,688)
2023	34,471
2024	(4,889)
	\$ (27,138)

12. NET INVESTMENT IN CAPITAL ASSETS

The “Net investment in capital assets” amounts as reported on the Government-wide Statement of Net Position as of September 30, 2020 is as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	\$ 15,265,000	\$ 24,431,238
Less: Accumulated depreciation	6,815,524	10,405,376
net book value	8,449,476	14,025,862
Less: Capital related debt	59,498	4,120,643
net investment in capital assets	\$ 8,389,978	\$ 9,905,219

CITY OF HAMPTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

13. JOINT VENTURE

Under Georgia law, the city, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA). Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The ARC Board membership includes the chief elected official of each county, one representative for all the cities in a member county and 15 citizen representatives. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, Georgia 30303

14. HOTEL/MOTEL TAX

The City levies a 5% hotel/motel tax in accordance with the provisions of OCGA 48-13-51. In order to comply with the expenditure requirements of this code section, the City remits monies collected under this provision to the Henry County Chamber of Commerce. The following is a summary of the collections and expenditures for the year ended September 30, 2020:

	Amount	Percent
Total collected	\$ 14,763	100%
Amount remitted to Henry County Chamber of Commerce	\$ 6,086	41%
Amount remitted for Public Relations	\$ 6,757	46%

15. MAJOR VENDORS

Purchases of water for resale from the Henry County Water Authority accounts for 11% of the expenses for the utilities fund. Purchases of electricity for resale from Central Georgia EMC accounts for 37% of the expenses for the utilities fund.

16. SUBSEQUENT EVENTS

Management has evaluated events, activities and transactions subsequent to the balance sheet through April 16, 2021 (the date the financial statements were made available to be issued) for potential recognition or disclosure in the financial statements. Management has identified no events that required adjustment and disclosure in the financial statements that were issued on April 16, 2021.

As of the issuance date of these financial statements, the Coronavirus pandemic was having an adverse effect on financial markets. The effects of the Coronavirus are widespread and unprecedented. The pandemic is causing a severe slowdown in economic activity. The effects of the pandemic upon the City are unknown at this time.

CITY OF HAMPTON, GEORGIA
SCHEDULES OF 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>	<u>2015</u>
Total pension liability						
Service cost	\$ 83,699	\$ 115,832	\$ 115,366	\$ 126,889	\$ 131,746	\$ 128,596
Interest	197,175	344,793	310,823	308,179	275,819	257,215
Differences between expected and actual experience	(77,779)	(48,774)	192,161	(221,668)	77,589	(52,209)
Changes of assumptions	506	-	64,872	-	-	(6,690)
Changes of benefit terms	-	444,260	-	-	60,136	-
Benefit payments, including refunds of employee contributions	<u>(104,885)</u>	<u>(221,553)</u>	<u>(203,326)</u>	<u>(155,247)</u>	<u>(100,236)</u>	<u>(73,476)</u>
Net change in total pension liability	<u>98,716</u>	<u>634,558</u>	<u>479,896</u>	<u>58,153</u>	<u>445,054</u>	<u>253,436</u>
Total pension liability – beginning	<u>5,226,738</u>	<u>4,592,180</u>	<u>4,112,284</u>	<u>4,054,131</u>	<u>3,609,077</u>	<u>3,355,641</u>
Total pension liability – ending (a)	<u><u>\$ 5,325,454</u></u>	<u><u>\$ 5,226,738</u></u>	<u><u>\$ 4,592,180</u></u>	<u><u>\$ 4,112,284</u></u>	<u><u>\$ 4,054,131</u></u>	<u><u>\$ 3,609,077</u></u>
Plan fiduciary net position						
Contributions – employer	\$ 100,169	\$ 179,386	\$ 225,628	\$ 184,289	\$ 205,520	\$ 193,380
Net investment income	175,763	138,667	432,982	387,385	10,932	254,484
Benefit payments, including refunds of employee contributions	<u>(104,885)</u>	<u>(221,553)</u>	<u>(203,326)</u>	<u>(155,247)</u>	<u>(100,236)</u>	<u>(73,476)</u>
Administrative expenses	<u>(5,628)</u>	<u>(11,017)</u>	<u>(12,462)</u>	<u>(10,462)</u>	<u>(6,923)</u>	<u>(6,214)</u>
Net change in plan fiduciary net pension	<u>165,419</u>	<u>85,483</u>	<u>442,822</u>	<u>405,965</u>	<u>109,293</u>	<u>368,174</u>
Plan fiduciary net position – beginning	<u>3,985,768</u>	<u>3,900,285</u>	<u>3,457,463</u>	<u>3,051,498</u>	<u>2,942,205</u>	<u>2,574,031</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 4,151,187</u></u>	<u><u>\$ 3,985,768</u></u>	<u><u>\$ 3,900,285</u></u>	<u><u>\$ 3,457,463</u></u>	<u><u>\$ 3,051,498</u></u>	<u><u>\$ 2,942,205</u></u>
City's net pension liability – ending (a) - (b)	<u><u>\$ 1,174,267</u></u>	<u><u>\$ 1,240,970</u></u>	<u><u>\$ 691,895</u></u>	<u><u>\$ 654,821</u></u>	<u><u>\$ 1,002,633</u></u>	<u><u>\$ 666,872</u></u>
Plan fiduciary net position as a percentage of the total pension liability	77.95%	76.26%	84.93%	84.08%	75.27%	81.52%
Covered-employee payroll	\$ 2,652,000	\$ 2,624,238	\$ 2,377,085	\$ 2,188,426	\$ 2,412,993	\$ 2,464,960
City's net pension liability as a percentage of covered employee payroll	44.28%	47.29%	29.11%	29.92%	41.55%	27.05%

Notes to the Schedule

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

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ -*	\$ 150,253	\$ 172,402	\$ 216,633	\$ 197,578	\$ 208,168
Contributions in relation to the actuarially determined Contribution	_____ -*	164,620**	160,035**	216,633**	197,578**	208,168**
Contribution deficiency (excess)	\$ _____ -*	\$ (14,367)	\$ 12,367	\$ _____ -	\$ _____ -	\$ _____ -
Covered-employee payroll	_____ -*	1,968,179***	2,377,085	2,188,426	2,412,993	2,464,960
Contributions as a percentage of Covered-employee payroll	-*	8.36%	6.73%	9.90%	8.19%	8.45%

* 2020 information will be determined after fiscal year end and will be included in the 2021 valuation report.

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

*** 2019 covered payroll is based on data collected as of March 31, 2019 for the 2019 actuarial valuation.

Notes to the Schedule

Valuation date	September 30, 2021
Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 14 years.
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial assumptions:	
Investment rate of return	7.375%
Projected salary increase	2.25% plus service based merit increases

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

These funds are generally used to account for tax supported activities which include the nonmajor special revenue and capital projects funds of the City.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Hotel/Motel Tax Fund – To account for taxes collected on overnight lodging rentals. In accordance with Georgia law, a portion of these revenues are used to promote tourism.

Downtown Development Authority – To account for activities related to the redevelopment of downtown Hampton.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Capital Grant Fund – To account for financial resources to be used for the acquisition or construction of capital facilities.

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020

	TOTAL SPECIAL REVENUE FUNDS	CAPITAL GRANTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
Assets			
Cash and cash equivalents	\$ 238,871	\$ -	\$ 238,871
Restricted: Cash	33,137	-	33,137
Receivables (net of allowance for uncollectibles)			
Taxes	1,514	-	1,514
Loan	260,966	-	260,966
Intergovernmental	-	9,945	9,945
Land held for sale	16,000	-	16,000
Due from other funds	-	89,754	89,754
Total assets	<u>550,488</u>	<u>99,699</u>	<u>650,187</u>
Liabilities			
Accounts payable			
Operating	\$ 4,871	\$ -	\$ 4,871
Accrued liabilities			
Other	-	7,686	7,686
Due to other funds	664	-	664
Unearned revenue	-	94,772	94,772
Total liabilities	<u>5,535</u>	<u>102,458</u>	<u>107,993</u>
Fund balances			
Restricted: Capital projects	-	(2,759)	(2,759)
Restricted: Tourism	33,321	-	33,321
Assigned: Downtown Development Authority	<u>511,632</u>	-	<u>511,632</u>
Total fund balances	<u>544,953</u>	<u>(2,759)</u>	<u>542,194</u>
Total liabilities and fund balances	<u>550,488</u>	<u>99,699</u>	<u>650,187</u>

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>TOTAL SPECIAL REVENUE FUNDS</u>	<u>CAPITAL GRANTS FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 14,763	\$ -	\$ 14,763
Intergovernmental	-	9,945	9,945
Investment income	13,461	-	13,461
Contributions not restricted for purpose	395	-	395
Total revenues	<u>28,619</u>	<u>9,945</u>	<u>38,564</u>
EXPENDITURES			
Current:			
Public safety	-	9,946	9,946
Community development	<u>30.514</u>	<u>-</u>	<u>30.514</u>
Total expenditures	<u>30.514</u>	<u>9,946</u>	<u>40,460</u>
Excess (deficiency) of revenues over expenditures	(1,895)	(1)	(1,896)
Other financing sources:			
Transfers	<u>(233.466)</u>	<u>(4.568)</u>	<u>(238,034)</u>
Net change in fund balances	(235,361)	(4,569)	(239,930)
Fund balance – beginning of period	<u>780,314</u>	<u>1,810</u>	<u>782,124</u>
Fund balances – end of period	<u>\$ 544,953</u>	<u>\$ (2,759)</u>	<u>\$ 542,194</u>

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
BALANCE SHEET
SEPTEMBER 30, 2020

	<u>HOTEL/ MOTEL TAX FUND</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>TOTAL NON-MAJOR SPECIAL REVENUE FUNDS</u>
Assets			
Cash and cash equivalents	\$ -	\$ 238,871	\$ 238,871
Restricted: Cash	33,137	-	33,137
Receivables (net of allowance for uncollectibles)			
Taxes	1,514	-	1,514
Loan	-	260,966	260,966
Land held for sale	-	16,000	16,000
Total assets	<u>\$ 34,651</u>	<u>\$ 515,837</u>	<u>\$ 550,488</u>
Liabilities			
Accounts payable			
Operating	\$ 666	\$ 4,205	\$ 4,871
Due to other funds	<u>664</u>	-	664
Total liabilities	<u>1,330</u>	<u>4,205</u>	<u>5,535</u>
Fund balances			
Restricted: Tourism	33,321	-	33,321
Assigned: Downtown Development Authority	-	511,632	511,632
Total fund balances	<u>33,321</u>	<u>511,632</u>	<u>544,953</u>
Total liabilities and fund balances	<u>\$ 34,651</u>	<u>\$ 515,837</u>	<u>\$ 550,488</u>

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CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	HOTEL/ MOTEL TAX FUND	DOWNTOWN DEVELOPMENT AUTHORITY	TOTAL NON-MAJOR SPECIAL REVENUE FUNDS
REVENUES			
Taxes	\$ 14,763	\$ -	\$ 14,763
Investment income	32	13,429	13,461
Contributions not restricted for purpose	-	395	395
Total revenues	<u>14,795</u>	<u>13.824</u>	<u>28.619</u>
EXPENDITURES			
Current:			
Community development	<u>12,843</u>	17,671	30,514
Total expenditures	<u>12,843</u>	<u>17,671</u>	<u>30,514</u>
Excess (deficiency) of revenues over expenditures	1,952	(3,847)	(1,895)
Other financing sources:			
Transfers	-	(233,466)	(233,466)
Net change in fund balances	1,952	(237,313)	(235,361)
Fund balance – beginning of period	<u>31,369</u>	748,945	780,314
Fund balances – end of period	<u>\$ 33,321</u>	<u>\$ 511,632</u>	<u>\$ 544,953</u>

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CITY OF HAMPTON, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>BUDGET AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Taxes	\$ 12,500	\$ 12,500	\$ 14,763	\$ 2,263
Investment income	<u>35</u>	<u>35</u>	<u>32</u>	<u>(3)</u>
Total revenues	<u>12,535</u>	<u>12,535</u>	<u>14,795</u>	<u>2,260</u>
EXPENDITURES				
Current:				
Community development	<u>12,000</u>	<u>12,000</u>	<u>12,843</u>	<u>(843)</u>
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>12,843</u>	<u>(843)</u>
Net change in fund balances	\$ <u>535</u>	\$ <u>535</u>	1,952	\$ <u>1,417</u>
Fund balance – beginning of year				<u>31,369</u>
Fund balance – end of year				\$ <u>33,321</u>

CITY OF HAMPTON, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>BUDGET AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Investment income	\$ 1,900	\$ 1,900	\$ 13,429	\$ 11,529
Contributions not restricted for purposes	33,854	33,854	395	(33,459)
Total revenues	35,754	35,754	13,824	(21,930)
EXPENDITURES				
Current:				
Community development	35,754	65,754	17,671	48,083
Total expenditures	35,754	65,754	17,671	48,083
Excess of revenues over expenditures	-	(30,000)	(3,847)	26,153
Other financing (uses):				
Transfers	-	-	(233,466)	(233,466)
Net change in fund balances	\$ -	\$ (30,000)	(237,313)	\$ (207,313)
Fund balance – beginning of year			748,945	
Fund balance – end of year			\$ 511,632	

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
CAPITAL GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>BUDGET AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Intergovernmental	\$ 494,771	\$ 494,771	\$ 9,945	\$ (484,826)
Total revenues	494,771	494,771	9,945	(484,826)
EXPENDITURES				
Current:				
Public safety	-	-	9,946	(9,946)
Highways and streets	834,162	834,162	-	834,162
Capital:				
Parks and recreation	200,000	200,000	-	200,000
Total expenditures	1,034,162	1,034,162	9,946	1,024,216
Excess of revenues over expenditures	(539,391)	(539,391)	(1)	539,390
Other financing (uses):				
Transfers	400,000	400,000	(4,568)	(404,568)
Net change in fund balances	\$ (139,391)	\$ (139,391)	(4,569)	\$ 134,822
Fund balance – beginning of year			1,810	
Fund balance – end of year			\$ (2,759)	

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CITY OF HAMPTON, GEORGIA
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ 19,739	\$ (19,739)
Capital:				
Public safety	69,679	69,679	-	69,679
Parks and recreation	365,909	365,909	250,977	114,932
Sewer system improvements	1,449,429	1,449,429	-	1,449,429
Water system improvements	432,805	432,805	1,689	431,116
Electric system improvements	<u>189,509</u>	<u>189,509</u>	-	<u>189,509</u>
Total expenditures	<u>2,507,331</u>	<u>2,507,331</u>	<u>272,405</u>	<u>2,234,926</u>
Excess (deficiency) of revenues over expenditures	<u>(2,507,331)</u>	<u>(2,507,331)</u>	<u>(272,405)</u>	<u>2,234,926</u>
Other financing sources (uses):				
Transfers	<u>1,044,271</u>	<u>1,044,271</u>	<u>272,405</u>	<u>(771,866)</u>
Net change in fund balances – Budget basis	<u>\$ (1,463,060)</u>	<u>\$ (1,463,060)</u>	-	<u>\$ 1,463,060</u>
Fund balance – beginning of year				-
Fund balance – end of year			\$ -	

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Project</u>	<u>SPLOST Total Estimated Project Costs</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Prior Years</u>	<u>Current Year</u>	
SPLOST IV:				
Roads, bridges, sidewalks and transportation facilities	\$ 2,675,000	\$ 635,124	\$ 162,440	\$ 797,564
Public safety facilities and equipment	740,000	261,476	228,767	490,243
Public works facilities and equipment	1,710,000	890,409	333,895	1,224,304
Construction and renovation of municipal buildings	1,100,000	123,711	141,622	265,333
Parks and recreation facilities	600,000	117,861	3,560	121,421
Community development facilities	<u>450,000</u>	<u>1,580</u>	<u>-</u>	<u>1,580</u>
	<u>\$ 7,275,000</u>	<u>\$ 2,030,161</u>	<u>\$ 870,284</u>	<u>\$ 2,900,445</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hampton, Georgia as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Hampton, Georgia's basic financial statements and have issued our report thereon dated April 16, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 that we consider to be a material weakness and 2020-002 that we consider to be a significant deficiency. See page 60 for the findings.

Compliance and Other Matters

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

City of Hampton, Georgia's Response to Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Fulton + Kozek, LLC". The signature is fluid and cursive, with "Fulton" and "Kozek" being the primary names and "LLC" being a smaller suffix.

Morrow, Georgia
April 16, 2021

CITY OF HAMPTON, GEORGIA
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2020-001

Criteria:	The City should have the proper controls in place for tracking inventory.
Condition:	The City was unable to provide adequate documentation to support a number of items entered into or taken out of inventory during the year.
Effect:	The possibility exists that orders for inventory might not be based on accurate numbers resulting in overage of items, or items not being ordered when needed. There is also an increased risk of inventory being taken for personal use, instead of for projects of the City.
Recommendation:	We recommend implementing better procedures for checking out inventory and putting purchases into inventory. Require all workers to complete a check out form when taking inventory from the shop. In addition, there should be quarterly inventory counts to verify that the logs are as up-to-date as possible. Alternatively, the City may want to explore an inventory management software package for the items in the water and sewer inventory.
Management Response:	Management concurs. The City Manager has assigned the new Finance Director to interview inventory tracking software companies to evaluate the City's process and make recommendations. The City plans to implement the inventory management tracking software by the end of the calendar year 2021. In addition, periodic inventory counts and reconciliations between the perpetual and general ledger inventory control account will be performed by the Finance Department.

2020-002

Criteria:	The Downtown Development Authority should be receiving payments on loan receivables on a monthly basis, and providing a regular update to the City on the outstanding loans.
Condition:	The Downtown Development Authority had several outstanding loan receivables where payments are not being made on a regular basis in line with each loan's amortization schedule
Effect:	By not having the loans follow the amortization schedules, the possibility exists that the Downtown Development Authority could run into cash flow problems. Further, this could hinder the Downtown Development Authority from being able to help other businesses with loans in the future.
Recommendation:	We recommend implementing processes for the handling missed payments, and submitting timely updates to the City regarding the status of outstanding loans.

CITY OF HAMPTON, GEORGIA
SCHEDULE OF AUDIT FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2020-002 – Continued

**Management
Response:**

Management concurs. A consistent financial dialogue with the Authority will be put in place and scheduled out procedures will be implemented immediately by the Finance Department to monitor the activities of the Authority. This will include the requirement for the Downtown Development Authority to provide timely and accurate monthly information on all of its activities to the Finance Department. This information flow will be supported by monthly detailed general ledger, a balanced trial balance, bank reconciliation and loan subsidiary ledger by loan/note reconciled to the general ledger loan/note control account.