

CITY OF HAMPTON, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

CITY OF HAMPTON, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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CITY OF HAMPTON, GEORGIA

CITY OFFICIALS

CITY COUNCIL

Ann Tarpley, Mayor

Marty Meeks, Mayor Pro Tem

Sheila Barlow

Henry Byrd

Devlin Cleveland

Mary Ann Mitcham

Willie Turner

CITY APPOINTED OFFICIALS

Alex Cohilas.....City Manager

Rashida Fairley.....City Clerk

DEPARTMENT DIRECTORS

James Turner.....Chief of Police

Wanda Moore.....Community Development

Lenox Michael Forsythe.....Finance

Andrea Atwater.....Human Resources

Terry Johnson.....Information Technology

David Corn.....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, 2021, 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, 2021 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 March 29, 2022 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

March 29, 2022

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, 2021. 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, 2021 by \$34,774,800. Of this amount unrestricted net position, of \$9,660,721 may be used to meet the government's ongoing obligations to citizens and creditors. The \$9,660,721 in unrestricted net position is further allocated \$8,727,793 to governmental-type activities and \$932,928 to business-type activities.
- The total net position increased by \$2,612,420. Of this amount a net increase of \$1,585,135 was associated with governmental activities, and an increase of \$1,027,285 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 \$11,486,549, a decrease of \$938,578 in comparison with the prior year. Of this amount \$61,789 is non-spendable, \$1,856,218 is restricted, and \$2,871,927 is committed, \$516,601 is assigned, and \$6,180,014 is unassigned. The unassigned of \$6,180,014 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 \$713,465 will be used for improvements and expansion of the City's water and sewer facilities, and the restricted balance of \$1,590,464 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 \$6,180,014 or 131 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 \$796,819 to a total of \$4,740,091.

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 Fund, and ARPA 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 2021 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, 2021, the City's assets exceeded liabilities by \$34,774,800. The City's net position reflects its investment in capital assets (60.3 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, \$4,160,147 (12.0 percent) is restricted for capital projects and other specified activities and \$9,660,721 (27.8 percent) is unrestricted, allocated between the governmental activities (\$8,727,793) and the business-type activities (\$932,928).

City of Hampton's Net Position

| | Governmental Activities | | |
|----------------------------------|----------------------------|----------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
| Current and other assets | \$ 13,495,204 | \$ 13,079,169 | \$ 416,035 |
| Capital assets | <u>10,900,939</u> | <u>8,449,476</u> | <u>2,451,463</u> |
| Total assets | <u>24,396,143</u> | <u>21,528,645</u> | <u>2,867,498</u> |
| Deferred outflows of resources | <u>68,100</u> | <u>106,439</u> | <u>(38,339)</u> |
| Current liabilities | 2,034,154 | 688,041 | 1,346,113 |
| Long-term liabilities | <u>827,995</u> | <u>947,747</u> | <u>(119,752)</u> |
| Total liabilities | <u>2,862,149</u> | <u>1,635,788</u> | <u>1,226,361</u> |
| Deferred inflows of resources | <u>142,643</u> | <u>124,980</u> | <u>17,663</u> |
| Net position: | | | |
| Net investment in capital assets | 10,875,440 | 8,389,978 | 2,485,462 |
| Restricted | 1,856,218 | 4,377,307 | (2,521,089) |
| Unrestricted | <u>8,727,793</u> | <u>7,107,031</u> | <u>1,620,762</u> |
| Total net position | <u>\$ 21,459,451</u> | <u>\$ 19,874,316</u> | <u>\$ 1,585,135</u> |

City of Hampton's Net Position – Continued

| | Business-type Activities | | |
|----------------------------------|-----------------------------|----------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
| Current and other assets | \$ 4,799,663 | \$ 3,889,032 | \$ 910,631 |
| Capital assets | <u>13,578,804</u> | <u>14,025,862</u> | <u>(447,058)</u> |
| Total assets | <u>18,378,467</u> | <u>17,914,894</u> | <u>463,573</u> |
| Deferred outflows of resources | <u>31,824</u> | <u>49,357</u> | <u>(17,533)</u> |
| Current liabilities | 1,831,485 | 1,683,381 | 148,104 |
| Long-term liabilities | <u>3,196,798</u> | <u>3,934,852</u> | <u>(738,054)</u> |
| Total liabilities | <u>5,028,283</u> | <u>5,618,233</u> | <u>(589,950)</u> |
| Deferred inflows of resources | <u>66,659</u> | <u>57,954</u> | <u>8,705</u> |
| Net position: | | | |
| Net investment in capital assets | 10,078,492 | 9,905,219 | 173,273 |
| Restricted | 2,303,929 | 2,189,679 | 114,250 |
| Unrestricted | <u>932,928</u> | <u>193,166</u> | <u>739,762</u> |
| Total net position | <u>\$ 13,315,349</u> | <u>\$ 12,288,064</u> | <u>\$ 1,027,285</u> |
| | Total | | |
| | <u>2021</u> | <u>2020</u> | <u>Change</u> |
| Current and other assets | \$ 18,294,867 | \$ 16,968,201 | \$ 1,326,666 |
| Capital assets | <u>24,479,743</u> | <u>22,475,338</u> | <u>2,004,405</u> |
| Total assets | <u>42,774,610</u> | <u>39,443,539</u> | <u>3,331,071</u> |
| Deferred outflows of resources | <u>99,924</u> | <u>155,796</u> | <u>(55,872)</u> |
| Current liabilities | 3,865,639 | 2,371,422 | 1,494,217 |
| Long-term liabilities | <u>4,024,793</u> | <u>4,882,599</u> | <u>(857,806)</u> |
| Total liabilities | <u>7,890,432</u> | <u>7,254,021</u> | <u>636,411</u> |
| Deferred inflows of resources | <u>209,302</u> | <u>182,934</u> | <u>26,368</u> |
| Net position: | | | |
| Net investment in capital assets | 20,953,932 | 18,295,197 | 2,658,735 |
| Restricted | 4,160,147 | 6,566,986 | (2,406,839) |
| Unrestricted | <u>9,660,721</u> | <u>7,300,197</u> | <u>2,360,524</u> |
| Total net position | <u>\$ 34,774,800</u> | <u>\$ 32,162,380</u> | <u>\$ 2,612,420</u> |

A portion of the net position (\$4,160,147) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$9,660,721) may be used to meet the government's ongoing obligations to citizens and creditors.

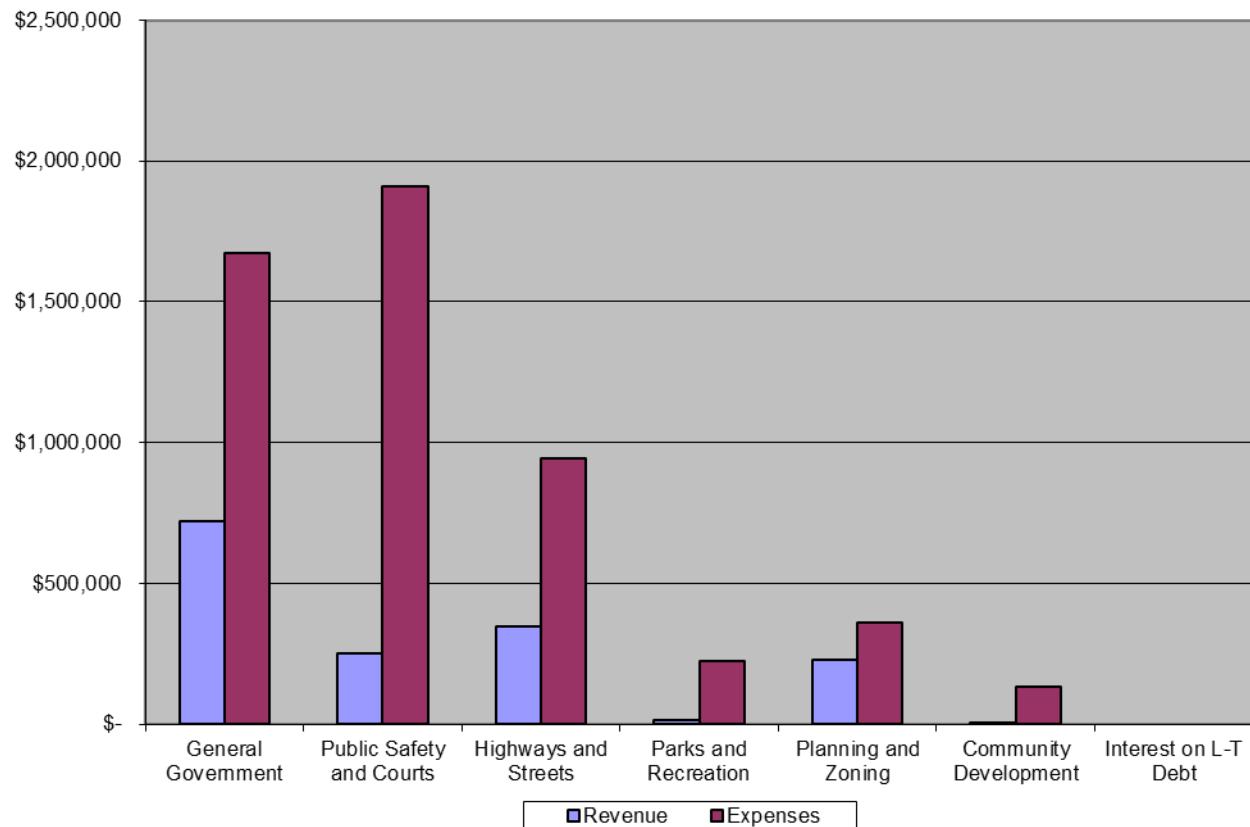
City of Hampton's Change in Net Position

(In millions of dollars)

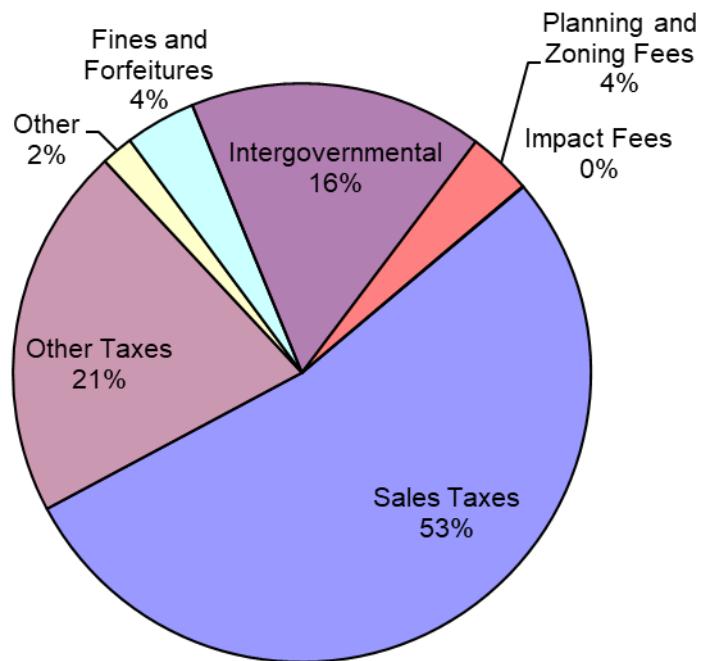
| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue: | | | | | | |
| Program Revenues – | | | | | | |
| Charges for services | \$ 0.5 | \$ 0.5 | \$ 6.7 | \$ 6.5 | \$ 7.2 | \$ 7.0 |
| Capital grants and contributions | 1.1 | 0.9 | 1.3 | 1.0 | 2.4 | 1.8 |
| General Revenues – | | | | | | |
| Sales taxes | 3.4 | 3.0 | 0.0 | 0.0 | 3.4 | 3.0 |
| Other taxes | 1.3 | 1.2 | 0.0 | 0.0 | 1.3 | 1.2 |
| Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Contributions | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Revenues | <u>6.4</u> | <u>5.6</u> | <u>8.0</u> | <u>7.5</u> | <u>14.4</u> | <u>13.0</u> |
| Expenses: | | | | | | |
| General government | 1.7 | 1.6 | 0.0 | 0.0 | 1.7 | 1.6 |
| Public safety and courts | 1.9 | 1.9 | 0.0 | 0.0 | 1.9 | 1.9 |
| Highways and streets | 0.9 | 0.9 | 0.0 | 0.0 | 0.9 | 0.9 |
| Parks and recreation | 0.2 | 0.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Planning and zoning | 0.4 | 0.2 | 0.0 | 0.0 | 0.4 | 0.2 |
| Community development | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Sewer | 0.0 | 0.0 | 1.0 | 0.9 | 1.0 | 0.9 |
| Water | 0.0 | 0.0 | 1.3 | 1.3 | 1.3 | 1.3 |
| Solid waste | 0.0 | 0.0 | 0.4 | 0.5 | 0.4 | 0.5 |
| Electric | <u>0.0</u> | <u>0.0</u> | <u>3.8</u> | <u>3.8</u> | <u>3.8</u> | <u>3.8</u> |
| Total Expenses | <u>5.2</u> | <u>4.9</u> | <u>6.5</u> | <u>6.5</u> | <u>11.7</u> | <u>11.4</u> |
| Increase in net position before transfers | 1.2 | 0.7 | 1.5 | 1.0 | 2.7 | 1.6 |
| Transfers | <u>0.5</u> | <u>(0.2)</u> | <u>(0.5)</u> | <u>0.2</u> | <u>0.0</u> | <u>0.0</u> |
| Increase in net position | 1.7 | 0.5 | 1.0 | 1.1 | 2.7 | 1.6 |
| Net position – beginning of the 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> |
| Net position – end of year | <u>\$ 21.5</u> | <u>\$ 19.8</u> | <u>\$ 13.3</u> | <u>\$ 12.3</u> | <u>\$ 34.8</u> | <u>\$ 32.1</u> |

Governmental activities. Governmental activities increased the City of Hampton's net position by \$1,585,135.

EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

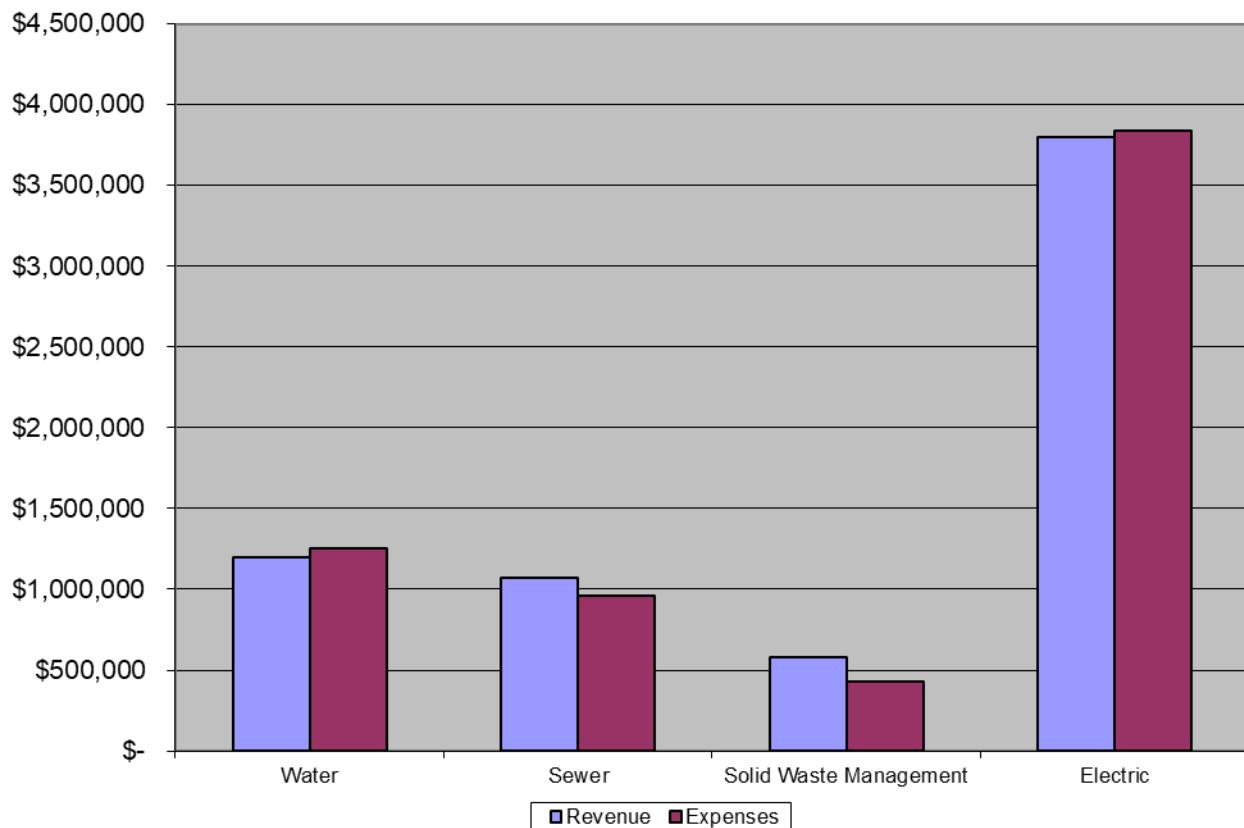


REVENUE BY SOURCE-GOVERNMENTAL ACTIVITIES



Business-type activities. Business-type activities increased the City's net position by \$1,027,285.

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, 2021 the City's governmental funds reported combined ending fund balances of \$11,486,549, a decrease of \$938,578 in comparison to the prior year. Of this amount, \$6,180,014 (53.8 percent) is unassigned fund balances, which is available for spending at the government's discretion, and \$61,789 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 (\$1,634,132); 2) for Police Activities (\$14,380); 3) for Hotel/Motel (\$46,791), 4) for Federal and State programs (\$160,915); and 5) for Capital Projects (\$2,871,927); and 6) for Downtown Development Authority (\$516,601).

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 \$6,180,014 while the total fund balance totaled \$9,289,567. 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 131 percent of the total general fund expenditures, while total fund balance represents 196 percent of that same amount.

During the current fiscal year, the fund balance of the City's general fund increased by \$924,662. The City collected a total of \$3,385,777 in Local Option Sales Taxes for 2021, an increase of 14.2% from 2020. Fines and forfeitures decreased by 18.7% to \$251,217 in 2021. Overall, the City's general fund revenue increased by \$649,352. At the same time, the expenditures increased by \$608,349 from 2020 amounts, netting to total improvement of \$41,003 in comparison to 2020 improvement of \$295,460, an 86.12% overall decline.

The City of Hampton received \$345,423 in Special Purpose Local Option Sales Taxes in 2021. Major expenditures during 2021 of the SPLOST funds were: 1) Street improvements (\$1,727,733); 2) city hall improvements (\$84,910); and 3) park projects (\$415,845).

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 \$932,928. 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 \$939,421 and total actual expenditures came in at \$253,437 under budget. In 2021, one department (Public Safety) overspent a total of \$104,085 in comparison to two departments in 2020 that exceeded their budgets totaling \$196,396. Transfers in were \$23,000 less than the budgeted amount of \$599,245. This resulted in an overall favorable budgetary variance of \$3,924,662.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2021 amounts to \$24,479,743 (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:

- \$ 2,104,061 for street infrastructure
- \$ 727,674 for general, parks, and street improvements
- \$ 262,086 for general, parks, street, electric and water systems equipment
- \$ 125,570 for sewer distribution system
- \$ 115,942 for general and street construction in progress
- \$ 83,918 for police vehicles
- \$ 42,649 for street land
- \$ 13,243 for water distribution system
- \$ 10,025 for electric distribution system
- \$ 7,088 for general furniture and fixtures
- \$ 1,872 for general building and building improvements.

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 \$4,740,091 in outstanding debt consisting of the following:

City of Hampton's Outstanding Debt

| | <u>Balance</u> |
|------------------------------|---------------------|
| Governmental Activities – | |
| Accrued compensated absences | \$ 127,968 |
| Capital leases | 25,499 |
| Net pension liability | 700,027 |
| Business-Type Activities – | |
| Bonds | 3,500,312 |
| Accrued compensated absences | 59,155 |
| Net pension liability | <u>327,130</u> |
| Total | <u>\$ 4,740,091</u> |

The City's total-term debt decreased by \$796,819. 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, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 8,873,828 | \$ 1,079,728 | \$ 9,953,556 |
| Receivables (net of allowance for uncollectible) | | | |
| Taxes | 469,639 | - | 469,639 |
| Accounts | 17,480 | 467,393 | 484,873 |
| Fines | 6,460 | - | 6,460 |
| Loan | 238,045 | - | 238,045 |
| Intergovernmental | 236,409 | - | 236,409 |
| Materials and supplies inventory (net of allowance) | - | 934,065 | 934,065 |
| Property held for sale | 16,000 | - | 16,000 |
| Prepaid items | 61,789 | 14,032 | 75,821 |
| Internal funds | (516) | 516 | - |
| Restricted assets: Cash | 3,576,070 | 2,303,929 | 5,879,999 |
| Non-depreciable capital assets | 1,092,874 | - | 1,092,874 |
| Depreciable capital assets, net | <u>9,808,065</u> | <u>13,578,804</u> | <u>23,386,869</u> |
| Total assets | <u>\$ 24,396,143</u> | <u>\$ 18,378,467</u> | <u>\$ 42,774,610</u> |
| Deferred Outflows of Resources | | | |
| Pension | <u>\$ 68,100</u> | <u>\$ 31,824</u> | <u>\$ 99,924</u> |
| Total deferred outflows of resources | <u>\$ 68,100</u> | <u>\$ 31,824</u> | <u>\$ 99,924</u> |
| Liabilities | | | |
| Accounts payable | | | |
| Operating | \$ 111,719 | \$ 562,570 | \$ 674,289 |
| Capital | 73,808 | - | 73,808 |
| Accrued liabilities – | | | |
| Wages | 34,586 | 18,205 | 52,791 |
| Customer deposits | - | 524,007 | 524,007 |
| Other | 161,411 | 36,904 | 198,315 |
| Unearned revenue | 1,627,131 | - | 1,627,131 |
| Long-term liabilities – | | | |
| Due within one year | 25,499 | 689,799 | 715,298 |
| Due in more than one year | - | 2,810,513 | 2,810,513 |
| Compensated absences | 127,968 | 59,155 | 187,123 |
| Net pension liabilities | <u>700,027</u> | <u>327,130</u> | <u>1,027,157</u> |
| Total liabilities | <u>2,862,149</u> | <u>5,028,283</u> | <u>7,890,432</u> |
| Deferred Inflows of Resources | | | |
| Pension | <u>142,643</u> | <u>66,659</u> | <u>209,302</u> |
| Total deferred inflows of resources | <u>142,643</u> | <u>66,659</u> | <u>209,302</u> |

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2021

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|----------------------------------|------------------------------------|-------------------------------------|-----------------------------|
| Net position | | | |
| Net investment in capital assets | 10,875,440 | 10,078,492 | 20,953,932 |
| Restricted for – | | | |
| Capital projects | 1,634,132 | 713,465 | 2,347,597 |
| Debt service | - | 1,590,464 | 1,590,464 |
| Federal and state programs | 160,915 | - | 160,915 |
| Tourism | 46,791 | - | 46,791 |
| Law enforcement | 14,380 | - | 14,380 |
| Unrestricted | <u>8,727,793</u> | <u>932,928</u> | <u>9,660,721</u> |
| Total net position | <u>\$ 21,459,451</u> | <u>\$ 13,315,349</u> | <u>\$ 34,774,800</u> |

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Expenses | | | | | | |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 1,670,950 | \$ 18,100 | \$ - | \$ 701,127 | \$ (951,723) | \$ (951,723) |
| Public safety and courts | 1,908,369 | 251,217 | - | 229 | (1,656,923) | (1,656,923) |
| Public works | 941,458 | - | - | 346,809 | (594,649) | (594,649) |
| Parks and recreation | 225,393 | 10,220 | - | 1,958 | (213,215) | (213,215) |
| Planning and zoning | 360,966 | 227,025 | - | - | (133,941) | (133,941) |
| Community development | <u>133,875</u> | <u>-</u> | <u>247</u> | <u>-</u> | <u>(133,628)</u> | <u>(133,628)</u> |
| Total government activities | <u>5,241,011</u> | <u>506,562</u> | <u>247</u> | <u>1,050,123</u> | <u>(3,684,079)</u> | <u>(3,684,079)</u> |
| Business-type activities: | | | | | | |
| Sewer | 962,583 | 1,071,168 | - | 758,709 | - | 867,294 |
| Water | 1,254,124 | 1,201,744 | - | 493,462 | - | 441,082 |
| Sanitation | 429,961 | 582,571 | - | - | - | 152,610 |
| Electric | <u>3,842,115</u> | <u>3,802,586</u> | <u>-</u> | <u>80,272</u> | <u>-</u> | <u>40,743</u> |
| Total business-type activities | <u>6,488,783</u> | <u>6,658,069</u> | <u>-</u> | <u>1,332,443</u> | <u>-</u> | <u>1,501,729</u> |
| Total primary government | <u>\$ 11,729,794</u> | <u>\$ 7,164,631</u> | <u>\$ 247</u> | <u>\$ 2,382,566</u> | <u>(3,684,079)</u> | <u>1,501,729</u> |
| General revenues: | | | | | | |
| Sales taxes | | | | 3,385,777 | - | 3,385,777 |
| Insurance premium taxes | | | | 559,771 | - | 559,771 |
| Franchise taxes | | | | 257,942 | - | 257,942 |
| Motor vehicle ad valorem | | | | 268,346 | - | 268,346 |
| Beer, wine, and distilled spirits | | | | 118,178 | - | 118,178 |
| Business and occupational | | | | 33,684 | - | 33,684 |
| Other taxes | | | | 85,746 | - | 85,746 |
| Interest earnings | | | | 26,577 | 1,367 | 27,944 |
| Other | | | | <u>57,382</u> | <u>-</u> | <u>57,382</u> |
| Total general revenues | | | | 4,793,403 | 1,367 | 4,794,770 |
| Transfers | | | | <u>475,811</u> | <u>(475,811)</u> | <u>-</u> |
| Total general revenues and transfers | | | | <u>5,269,214</u> | <u>(474,444)</u> | <u>4,794,770</u> |
| Change in net position | | | | 1,585,135 | 1,027,285 | 2,612,420 |
| Net position – beginning of period | | | | <u>19,874,316</u> | <u>12,288,064</u> | <u>32,162,380</u> |
| Net position – end of period | | | | <u>\$ 21,459,451</u> | <u>\$ 13,315,349</u> | <u>\$ 34,774,800</u> |

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

| | SPLOST General | Capital Projects | ARPA Fund | Other Governmental Funds | Total |
|--|---------------------|---------------------|---------------------|--------------------------------|----------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 8,611,272 | \$ - | \$ - | \$ 262,556 | \$ 8,873,828 |
| Restricted cash | 181,458 | 1,852,499 | 1,496,781 | 45,332 | 3,576,070 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Taxes | 467,504 | - | - | 2,135 | 469,639 |
| Accounts | 17,480 | - | - | - | 17,480 |
| Fines | 6,460 | - | - | - | 6,460 |
| Loan | - | - | - | 238,045 | 238,045 |
| Intergovernmental | 155,863 | - | - | 80,546 | 236,409 |
| Land held for sale | - | - | - | 16,000 | 16,000 |
| Prepaid items | 61,789 | - | - | - | 61,789 |
| Due from other funds | <u>156,081</u> | <u>-</u> | <u>-</u> | <u>76,073</u> | <u>232,154</u> |
| Total assets | <u>\$ 9,657,907</u> | <u>\$ 1,852,499</u> | <u>\$ 1,496,781</u> | <u>\$ 720,687</u> | <u>\$ 13,727,874</u> |
| Liabilities | | | | | |
| Accounts payable | | | | | |
| Operating | \$ 111,043 | \$ - | \$ - | \$ 676 | \$ 111,719 |
| Capital | - | 60,069 | - | 13,739 | 73,808 |
| Accrued liabilities | | | | | |
| Wages | 34,586 | - | - | - | 34,586 |
| Other | 15,772 | - | - | 145,639 | 161,411 |
| Due to other funds | 76,589 | 156,081 | - | - | 232,670 |
| Unearned revenue | <u>130,350</u> | <u>-</u> | <u>1,496,781</u> | <u>-</u> | <u>1,627,131</u> |
| Total liabilities | <u>368,340</u> | <u>216,150</u> | <u>1,496,781</u> | <u>160,054</u> | <u>2,241,325</u> |
| Fund balances | | | | | |
| Non-spendable: prepaid expenses | 61,789 | - | - | - | 61,789 |
| Restricted: Capital projects | 542 | 1,636,349 | - | (2,759) | 1,634,132 |
| Restricted: Federal and state programs | 160,915 | - | - | - | 160,915 |
| Restricted: Tourism | - | - | - | 46,791 | 46,791 |
| Restricted: Law enforcement | 14,380 | - | - | - | 14,380 |
| Committed: Capital projects | 2,871,927 | - | - | - | 2,871,927 |
| Assigned: Downtown Development Authority | - | - | - | 516,601 | 516,601 |
| Unassigned | <u>6,180,014</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,180,014</u> |
| Total fund balances | <u>9,289,567</u> | <u>1,636,349</u> | <u>-</u> | <u>560,633</u> | <u>11,486,549</u> |
| Total liabilities and fund balances | <u>\$ 9,657,907</u> | <u>\$ 1,852,499</u> | <u>\$ 1,496,781</u> | <u>\$ 720,687</u> | <u>\$ 13,727,874</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, 2021

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

| | |
|--|----------------------|
| Total fund balances – total governmental funds | \$ 11,486,549 |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. | 10,900,939 |
| Net pension liability | (700,027) |
| 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. | 68,100 |
| 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. | (142,643) |
| 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 | (25,499) |
| Accrued compensated absences | <u>(127,968)</u> |
| Net position of governmental activities | <u>\$ 21,459,451</u> |

CITY OF HAMPTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | SPLOST General | Capital Projects | ARPA Fund | Other Governmental Funds | Total |
|---|-------------------------|-------------------------|------------------------|--------------------------------|-------------------------|
| REVENUES | | | | | |
| Taxes | \$ 4,687,451 | \$ - | \$ - | \$ 21,993 | \$ 4,709,444 |
| Intergovernmental | 276,825 | 345,423 | 10,595 | 413,707 | 1,046,550 |
| Fines and forfeitures | 251,217 | - | - | - | 251,217 |
| Licenses and permits | 245,125 | - | - | - | 245,125 |
| Impact fees | 2,187 | - | - | - | 2,187 |
| Investments income | 12,338 | 1,386 | - | 14,239 | 27,963 |
| Miscellaneous | 67,602 | - | - | - | 67,602 |
| Contributions not restricted for specific programs | - | - | - | 247 | 247 |
| Total revenues | <u>5,542,745</u> | <u>346,809</u> | <u>10,595</u> | <u>450,186</u> | <u>6,350,335</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,572,940 | 19 | - | - | 1,572,959 |
| Municipal court | 163,367 | - | - | - | 163,367 |
| Public safety | 1,612,960 | - | - | - | 1,612,960 |
| Highways and streets | 484,881 | - | - | - | 484,881 |
| Parks and recreation | 163,006 | - | - | - | 163,006 |
| Planning and zoning | 355,574 | - | - | - | 355,574 |
| Community development | 109,564 | - | - | 18,040 | 127,604 |
| Capital: | | | | | |
| General government | 36,035 | 84,891 | - | - | 120,926 |
| Public safety | 107,835 | - | - | 19,253 | 127,088 |
| Public utilities | - | - | - | 38,740 | 38,740 |
| Highways and streets | 91,791 | 1,727,733 | - | 403,888 | 2,223,412 |
| Parks and recreation | - | 415,845 | - | 317,623 | 733,468 |
| Planning and zoning | 2,059 | - | - | 3,580 | 5,639 |
| Community development | 1,101 | - | - | - | 1,101 |
| Debt service: | | | | | |
| Principal | <u>33,999</u> | - | - | - | <u>33,999</u> |
| Total expenditures | <u>4,753,112</u> | <u>2,228,488</u> | <u>-</u> | <u>801,124</u> | <u>7,764,724</u> |
| Excess of revenues over expenditures | <u>807,633</u> | <u>(1,881,679)</u> | <u>10,595</u> | <u>(350,938)</u> | <u>(1,414,389)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | 576,245 | - | - | 459,216 | 1,035,461 |
| Transfers out | <u>(459,216)</u> | <u>-</u> | <u>(10,595)</u> | <u>(89,839)</u> | <u>(559,650)</u> |
| Total | <u>117,029</u> | <u>-</u> | <u>(10,595)</u> | <u>369,377</u> | <u>475,811</u> |
| Net change in fund balances | 924,662 | (1,881,679) | - | 18,439 | (938,578) |
| Fund balance – beginning of period | <u>8,364,905</u> | <u>3,518,028</u> | <u>-</u> | <u>542,194</u> | <u>12,425,127</u> |
| Fund balance – end of period | <u>\$ 9,289,567</u> | <u>\$ 1,636,349</u> | <u>\$ -</u> | <u>\$ 560,633</u> | <u>\$ 11,486,549</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, 2021

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

| | |
|---|----------------------------|
| Net changes in fund balances – total governmental funds | \$ (938,578) |
| 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 | 3,234,352 |
| Depreciation expense for the current period | <u>(782,889)</u> 2,451,463 |
| Payments on capital lease | 33,999 |
| The net pension liability did not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. | 46,228 |
| 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>(7,977)</u> |
| Change in net position of governmental activities | \$ <u>1,585,135</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, 2021

| | <u>BUDGET AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET</u> |
|---|-----------------------|-----------------------|------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| | | | | |
| REVENUES | | | | |
| Taxes | \$ 3,832,900 | \$ 3,832,900 | \$ 4,687,451 | \$ 854,551 |
| Fines and forfeitures | 250,000 | 250,000 | 251,217 | 1,217 |
| Intergovernmental | - | - | 276,825 | 276,825 |
| Licenses and permits | 246,280 | 246,280 | 245,125 | (1,155) |
| Miscellaneous | 45,124 | 45,124 | 67,602 | 22,478 |
| Impact fees | 214,020 | 214,020 | 2,187 | (211,833) |
| Investments income | <u>15,000</u> | <u>15,000</u> | <u>12,338</u> | <u>(2,662)</u> |
| Total revenues | <u>4,603,324</u> | <u>4,603,324</u> | <u>5,542,745</u> | <u>939,421</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,576,878 | 1,576,878 | 1,572,940 | 3,938 |
| Municipal court | 176,030 | 176,030 | 163,367 | 12,663 |
| Public safety | 1,734,528 | 1,734,528 | 1,612,960 | 121,568 |
| Highways and streets | 532,338 | 532,338 | 484,881 | 47,457 |
| Parks and recreation | 164,710 | 164,710 | 163,006 | 1,704 |
| Planning and zoning | 407,444 | 407,444 | 355,574 | 51,870 |
| Community development | 154,855 | 154,855 | 109,564 | 45,291 |
| Capital: | | | | |
| General government | 38,017 | 38,017 | 36,035 | 1,982 |
| Public safety | 3,750 | 3,750 | 107,835 | (104,085) |
| Highways and streets | 113,000 | 113,000 | 91,791 | 21,209 |
| Planning and zoning | 3,000 | 3,000 | 2,059 | 941 |
| Community development | 50,000 | 50,000 | 1,101 | 48,899 |
| Debt service: | | | | |
| Principal | <u>33,999</u> | <u>33,999</u> | <u>33,999</u> | <u>-</u> |
| Total expenditures | <u>4,988,549</u> | <u>4,988,549</u> | <u>4,735,112</u> | <u>253,437</u> |
| Excess of revenues over expenditures | <u>(385,225)</u> | <u>(385,225)</u> | <u>807,633</u> | <u>1,192,858</u> |
| Other financing sources: | | | | |
| Transfers in | 599,245 | 599,245 | 576,245 | (23,000) |
| Transfers out | <u>(3,214,020)</u> | <u>(3,214,020)</u> | <u>(459,216)</u> | <u>2,754,804</u> |
| Total | <u>(2,614,775)</u> | <u>(2,614,775)</u> | <u>117,029</u> | <u>2,731,804</u> |
| Net change in fund balances - reserve drawdown | \$ <u>(3,000,000)</u> | \$ <u>(3,000,000)</u> | 924,662 | \$ <u>3,924,662</u> |
| Fund balance – beginning of year | | | | <u>8,364,905</u> |
| Fund balance – end of year | | | | \$ <u>9,289,567</u> |

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021

BUSINESS-TYPE ACTIVITIES
UTILITIES FUND

Assets

Current assets:

| | |
|---|------------------|
| Cash | \$ 1,079,728 |
| Receivables (net of allowance for uncollectibles) – | |
| Accounts | 467,393 |
| Materials and supplies inventory (net of allowance) | 934,065 |
| Prepaid items | 14,032 |
| Due from other funds | 516 |
| Total current assets | <u>2,495,734</u> |

Non-current assets:

| | |
|--|----------------------|
| Restricted assets: Cash | 2,303,929 |
| Property, plant and equipment – | |
| Plant and distributions systems | 22,179,615 |
| Machinery and equipment | 1,932,706 |
| Vehicles | 578,693 |
| Accumulated depreciation | (11,112,210) |
| Total capital assets (net of accumulated depreciation) | <u>13,578,804</u> |
| Total non-current assets | <u>15,882,733</u> |
| Total assets | <u>\$ 18,378,467</u> |

Deferred Outflows of Resources

| | |
|----------|-----------|
| Pensions | \$ 31,824 |
|----------|-----------|

Liabilities

Current liabilities:

| | |
|---------------------------------|---------------------|
| Accounts payable – | |
| Operating | \$ 562,570 |
| Accrued liabilities – | |
| Wages | 18,205 |
| Customer deposits | 524,007 |
| Other | 36,904 |
| Notes payable – current portion | 689,799 |
| Total current liabilities | <u>1,831,485</u> |
| Long-term liabilities: | |
| Compensated absences | 59,155 |
| Notes payable | 2,810,513 |
| Net pension liability | 327,130 |
| Total liabilities | <u>\$ 5,028,283</u> |

Deferred Inflows of Resources

| | |
|----------|-----------|
| Pensions | \$ 66,659 |
|----------|-----------|

Net Position

| | |
|--------------------------------|----------------------|
| Net invested in capital assets | \$ 10,078,492 |
| Restricted: Capital projects | 713,465 |
| Restricted: Debt service | 1,590,464 |
| Unrestricted | 932,928 |
| Total net position | <u>\$ 13,315,349</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, 2021

BUSINESS-TYPE ACTIVITIES
UTILITIES FUND

Operating Revenues:

| | |
|----------------------|------------------|
| Charges for services | \$ 6,614,600 |
| Other | <u>43,469</u> |
| | <u>6,658,069</u> |

Operating Expenses:

| | |
|--------------------------------|------------------|
| Purchases for resale | 3,167,380 |
| Personal services and benefits | 1,392,436 |
| Contractual services | 980,012 |
| Depreciation | 706,834 |
| Supplies | 148,610 |
| Other | <u>17,308</u> |
| | <u>6,412,580</u> |

| | |
|------------------------|---------|
| Income from operations | 245,489 |
|------------------------|---------|

Non-operating revenues:

| | |
|-------------------|-----------------|
| Investment income | 1,367 |
| Interest expense | <u>(76,203)</u> |

| | |
|---|---------|
| Income before contributions and transfers | 170,653 |
|---|---------|

Capital Contribution

| | |
|---------------|------------------|
| Sewer | 758,709 |
| Water | 493,462 |
| Electric | 80,272 |
| Transfers in | 100,434 |
| Transfers out | <u>(576,245)</u> |

| | |
|------------------------|-----------|
| Change in net position | 1,027,285 |
|------------------------|-----------|

| | |
|--------------------------------|-------------------|
| Net position beginning of year | <u>12,288,064</u> |
|--------------------------------|-------------------|

| | |
|--------------------------|----------------------|
| Net position end of year | <u>\$ 13,315,349</u> |
|--------------------------|----------------------|

**CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**BUSINESS-TYPE ACTIVITIES
UTILITIES FUND**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Cash received from customers and users | \$ 6,718,460 |
| Cash paid to suppliers for goods and services | (4,834,612) |
| Cash paid to employees | <u>(1,132,008)</u> |
| Net cash provided by operating activities | <u>751,840</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-----------------|--------------|
| Interest earned | <u>1,367</u> |
|-----------------|--------------|

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|-----------|------------------|
| Transfers | <u>(475,811)</u> |
|-----------|------------------|

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|--|----------------|
| Acquisition and construction of capital assets | (259,776) |
| Repayment of notes payable | (620,331) |
| Interest paid | (76,203) |
| Capital contributions | 1,332,443 |
| Due from General Fund | <u>30,060</u> |
| Net cash used in capital financing activities | <u>406,193</u> |

NET CHANGE IN CASH 683,589

CASH AT BEGINNING OF YEAR 2,700,068

CASH AT END OF YEAR \$ 3,383,657

Classified As

| | |
|-------------------|---------------------|
| Current assets | \$ 1,079,728 |
| Restricted assets | <u>2,303,929</u> |
| | <u>\$ 3,383,657</u> |

CITY OF HAMPTON, GEORGIA
STATEMENT OF CASH FLOWS – CONTINUED
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Reconciliation of Net Income to Net Cash
 Provided by Operating Activities

| | BUSINESS-TYPE ACTIVITIES UTILITIES FUND |
|---|--|
| NET OPERATING INCOME | \$ 245,489 |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Depreciation expense | 706,834 |
| Decrease in receivables | 39,597 |
| Increase in inventory | (291,719) |
| Increase in prepaid expenses | (4,980) |
| Decrease in deferred outflows of resources | 17,533 |
| Increase in accounts payable | 106,969 |
| Decrease in accrued salaries | (37,173) |
| Increase in other customer deposits | 20,794 |
| Decrease in other accrued expense | (15,329) |
| Decrease in net pension liability | (44,880) |
| Increase in deferred inflows of resources | <u>8,705</u> |
| Total adjustments | <u>506,351</u> |
| NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | <u>\$ 751,840</u> |

See accompanying notes to financial statements

CITY OF HAMPTON, GEORGIA
NOTE TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, judicial, highways and streets, planning and zoning, culture and recreation, public works 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

On August 11, 2020, the City formed the Hampton Development Authority (HDA), a non-profit corporation that when active will be presented as a City enterprise fund that was created under the State of Georgia Development Authority law. The HDA is governed by a seven-member Board of Directors consisting of members of the City and/or Henry County, all appointed and approved by a majority vote of the City Council. On June 8, 2021, the City approved an intergovernmental agreement (IGA) with the HDA in consideration for funding (commenced in fiscal year 2022 budget) with the expectation that the HDA will develop trade, commerce, industry, and employment opportunities within the City through the recruitment of projects that promote the economic development, revitalization, and growth of the City. The HDA had no activities with reportable financial impact during the current year.

See Independent Auditor's Report

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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:

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

ARPA Fund – The ARPA Fund is used to account for the financial resources provided and subsequently expended from the American Rescue Plan grant received from the federal government.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Measurement Focus – (Continued)

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.

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

See Independent Auditor's Report

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. New Accounting Pronouncements – (Continued)

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 has implemented GASB No. 84 in this annual report with no impact of this pronouncement to the City's financial statements.

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 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, 2021, 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, 2021:

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. Inventory as of year-end, including the applicable allowance for obsolete items, is as follows:

| | Gross | Allowance | Net |
|-----------|--------------|------------|------------|
| Inventory | \$ 1,096,305 | \$ 162,240 | \$ 934,065 |

L. Prepaid Expenses

Payments made to vendors for service that will benefit years beyond September 30, 2021 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 2021. 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, 2021.
6. Unexpended budget appropriations at period-end lapse.

Excess of Expenditures and Other Financing Uses Over Appropriations

The following department/function overspent the final 2021 fiscal year budget:

| | |
|---------------------------------------|------------|
| General Fund – Capital: Public Safety | \$ 104,085 |
|---------------------------------------|------------|

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, 2021, 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, 2021.

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, 2021, 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 | \$ 467,504 | \$ - | \$ 467,504 |
| Accounts | 17,480 | - | 17,480 |
| Fines | 6,460 | - | 6,460 |
| Intergovernmental | 155,863 | - | 155,863 |
| Other Governmental Funds | | | |
| Taxes | 2,135 | - | 2,135 |
| Loan | 238,045 | - | 238,045 |
| Intergovernmental | 80,546 | - | 80,546 |
| Proprietary Fund | | | |
| Accounts | 656,036 | 188,643 | 467,393 |
| Total | <u>\$ 1,624,069</u> | <u>\$ 188,643</u> | <u>\$ 1,435,426</u> |

See Independent Auditor's Report

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 | \$ 76,589 |
| Due to: Capital Grant Fund | 40,690 |
| | 35,383 |
| Proprietary Fund | 516 |
| | <u>\$ 76,589</u> |
| Due from: SPLOST Fund | \$ 156,081 |
| Due to: General Fund | <u>\$ 156,081</u> |

Interfund transfers:

| | |
|--------------------------------|-------------------|
| From: General Fund | \$ 459,216 |
| To: Capital Improvement Fund | <u>\$ 459,216</u> |
| From: Capital Improvement Fund | \$ 89,839 |
| ARPA Fund | 10,595 |
| To: Proprietary Fund | <u>\$ 100,434</u> |
| From: Proprietary Fund | \$ 576,245 |
| To: General Fund | <u>\$ 576,245</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, 2021 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 | \$ 934,283 | \$ 42,649 | \$ - | \$ 976,932 |
| Construction in progress | <u>-</u> | <u>115,942</u> | <u>-</u> | <u>115,942</u> |
| Total capital assets not being depreciated | <u>934,283</u> | <u>158,591</u> | <u>-</u> | <u>1,092,874</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 4,141,139 | 1,872 | - | 4,143,011 |
| Improvements other than buildings | 3,017,610 | 727,674 | - | 3,745,284 |
| Infrastructure | 4,344,360 | 2,104,061 | - | 6,448,421 |
| Furniture and fixtures | 33,032 | 7,088 | - | 40,120 |
| Office equipment | 225,692 | - | - | 225,692 |
| Machinery and equipment | 1,038,603 | 151,148 | - | 1,189,751 |
| Vehicles | <u>1,530,281</u> | <u>83,918</u> | <u>-</u> | <u>1,614,199</u> |
| Total capital assets being depreciated | <u>14,330,717</u> | <u>3,075,761</u> | <u>-</u> | <u>17,406,478</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,122,516 | 138,335 | - | 1,260,851 |
| Improvements other than buildings | 1,835,517 | 147,068 | - | 1,982,585 |
| Infrastructure | 2,010,975 | 214,328 | - | 2,225,303 |
| Furniture and fixtures | 33,032 | 295 | - | 33,327 |
| Office equipment | 196,188 | 4,629 | - | 200,817 |
| Machinery and equipment | 635,081 | 103,150 | - | 738,231 |
| Vehicles | <u>982,215</u> | <u>175,084</u> | <u>-</u> | <u>1,157,299</u> |
| Total accumulated depreciation | <u>6,815,524</u> | <u>782,889</u> | <u>-</u> | <u>7,598,413</u> |
| Total capital assets, being depreciated, net | <u>7,515,193</u> | <u>2,292,872</u> | <u>-</u> | <u>9,808,065</u> |
| Governmental activities capital assets, net | <u>\$ 8,449,476</u> | <u>\$ 2,451,463</u> | <u>\$ -</u> | <u>\$ 10,900,939</u> |

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

| | |
|--------------------------------|-----------------------|
| General government | \$ 95,890 |
| Public safety and courts | 167,191 |
| Public works | 452,081 |
| Parks and recreation | 61,288 |
| Community development | <u>6,439</u> |
| Total depreciation expense | <u>\$ 782,889</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, 2021 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 | \$ 22,030,777 | \$ 148,838 | \$ - | \$ 22,179,615 |
| Machinery and equipment | 1,821,768 | 110,938 | - | 1,932,706 |
| Vehicles | <u>578,693</u> | <u>-</u> | <u>-</u> | <u>578,693</u> |
| Total capital assets being depreciated | <u>24,431,238</u> | <u>259,776</u> | <u>-</u> | <u>24,691,014</u> |
| Less accumulated depreciation for: | | | | |
| Distribution and collection system | 8,744,306 | 603,318 | - | 9,347,624 |
| Machinery and equipment | 1,090,441 | 103,020 | - | 1,193,461 |
| Vehicles | <u>570,629</u> | <u>496</u> | <u>-</u> | <u>571,125</u> |
| Total accumulated depreciation | <u>10,405,376</u> | <u>706,834</u> | <u>-</u> | <u>11,112,210</u> |
| Total capital assets, being depreciated, net | <u>14,025,862</u> | <u>(447,058)</u> | <u>-</u> | <u>13,578,804</u> |
| Business-type activities capital assets, net | \$ <u>14,025,862</u> | \$ <u>(447,058)</u> | \$ <u>-</u> | \$ <u>13,578,804</u> |

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

| | |
|----------------------------|-------------------|
| Sewer | \$ 467,038 |
| Water | 141,332 |
| Electric | 98,102 |
| Sanitation | <u>362</u> |
| Total depreciation expense | \$ <u>706,834</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, 2021:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--------------------------------------|----------------------------|------------------------|--------------------------|----------------------------|--------------------------|
| Governmental-Type Activities: | | | | | |
| *Capital leases | \$ 59,498 | - | 33,999 | 25,499 | 25,499 |
| *Compensated absences | 119,991 | 7,977 | - | 127,968 | - |
| *Net pension liability | <u>802,257</u> | <u>-</u> | <u>102,230</u> | <u>700,027</u> | <u>-</u> |
| Governmental-Type Activities | <u>981,746</u> | <u>7,977</u> | <u>136,229</u> | <u>853,494</u> | <u>25,499</u> |
| Business-Type Activities: | | | | | |
| Compensated absences | 62,511 | - | 3,356 | 59,155 | - |
| Net pension liability | 372,010 | - | 44,880 | 327,130 | - |
| Bonds payable | <u>4,120,643</u> | <u>-</u> | <u>620,331</u> | <u>3,500,312</u> | <u>689,799</u> |
| Business-Type Activities | <u>4,555,164</u> | <u>-</u> | <u>668,567</u> | <u>3,886,597</u> | <u>689,799</u> |
| Total | <u>\$ 5,536,910</u> | <u>\$ 7,977</u> | <u>\$ 804,796</u> | <u>\$ 4,740,091</u> | <u>\$ 715,298</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. 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>(16,999)</u> |
| Total | <u>\$ 50,999</u> |

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

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

9. LONG-TERM DEBT – (Continued)

Governmental-type activities:

| <u>Year</u> | |
|---|------------------|
| 2022 | \$ 25,499 |
| Less: imputed interest | <u>–</u> |
| Present value of minimum lease payments | <u>\$ 25,499</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> |
|-------------|-------------------|---------------------|
| 2022 | \$ 63,706 | \$ 689,799 |
| 2023 | 49,783 | 703,722 |
| 2024 | 35,579 | 717,926 |
| 2025 | 21,088 | 732,417 |
| 2026 | <u>6,351</u> | <u>656,467</u> |
| | <u>\$ 176,507</u> | <u>\$ 3,500,331</u> |

Interest incurred during the current year was \$70,393.

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 \$3,500,331 at September 30, 2021. 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 | 24 |
| Active participants | 59 |
| Total number of participants | 108 |

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 2021, the actuarially determined contribution rate was 9.80% of covered payroll. For 2021, the City's contribution to the plan totaled \$296,181.

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, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 with update procedures performed by the actuary to roll forward to the total pension liability measured as of January 1, 2021.

Actuarial assumptions: The total pension liability in the September 30, 2020 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 Pri-2012 head-count weighted Healthy Retiree 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 Pri-2012 head-count weighted Healthy Retiree Mortality Table with sex-distinct rates.

The actuarial assumptions used in the January 1, 2021 valuation were based on results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted in November and December 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 March 31, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Allocation</u> | <u>Long-term Expected real rate of return*</u> |
|-----------------------|-------------------|--|
| Domestic equity | 45% | 6.40% |
| International equity | 20% | 7.05% |
| Domestic fixed income | 20% | 1.15% |
| Real estate | 10% | 4.50% |
| Global fixed income | 5% | 1.25% |
| 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, 2021, were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balances at September 30, 2020 | \$ 5,325,454 | \$ 4,151,187 | \$ 1,174,267 |
| Changes for the year: | | | |
| Service cost | 150,748 | - | 150,748 |
| Interest | 395,203 | - | 395,203 |
| Differences between expected and actual experience | (65,978) | - | (65,978) |
| Contributions – employer | - | 237,450 | (237,450) |
| Net investment income | - | 403,826 | (403,826) |
| Benefit payments, including refunds of employee contributions | (235,044) | (235,044) | - |
| Administrative expense | - | (14,193) | 14,193 |
| Net changes | <u>244,929</u> | <u>392,039</u> | <u>(147,110)</u> |
| Balances at September 30, 2021 | <u>\$ 5,570,383</u> | <u>\$ 4,543,226</u> | <u>\$ 1,027,157</u> |

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 | \$ 1,819,880 | \$ 1,027,157 | \$ 371,239 |

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, 2021, 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, 2021, the City recognized pension expense of \$172,580. At September 30, 2021, 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 | \$ 75,294 | \$ (134,348) |
| Changes in assumptions | 24,630 | (239) |
| Net difference between projected and actual earnings on pension plan investments | - | (74,715) |
| Total | \$ 99,924 | \$ (209,302) |

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: | |
|----------------------|---------------------|
| 2022 | \$ (40,506) |
| 2023 | 1,653 |
| 2024 | (37,707) |
| 2025 | <u>(32,818)</u> |
| | <u>\$ (109,378)</u> |

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, 2021 is as follows:

| | Governmental Activities | Business-type Activities |
|----------------------------------|----------------------------|-----------------------------|
| Cost of capital assets | \$ 18,499,352 | \$ 24,691,014 |
| Less: Accumulated depreciation | <u>7,598,413</u> | <u>11,112,210</u> |
| net book value | 10,900,939 | 13,578,804 |
| Less: Capital related debt | <u>25,499</u> | <u>3,500,312</u> |
| net investment in capital assets | <u>\$ 10,875,440</u> | <u>\$ 10,078,492</u> |

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, 2021:

| | Amount | Percent |
|---|-----------|---------|
| Total collected | \$ 21,993 | 100% |
| Amount remitted to Henry County Chamber of Commerce | \$ 8,523 | 39% |
| Amount remitted for Public Relations | \$ 0 | 0% |

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 38% of the expenses for the utilities fund.

16. SUBSEQUENT EVENTS

Management has evaluated events, activities and transactions subsequent to the balance sheet through March 29, 2022 (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 March 29, 2022.

CITY OF HAMPTON, GEORGIA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service cost | \$ 150,748 | \$ 83,699 | \$ 115,832 | \$ 115,366 | \$ 126,889 |
| Interest | 395,203 | 197,175 | 344,793 | 310,823 | 308,179 |
| Differences between expected and actual experience | (65,978) | (77,779) | (48,774) | 192,161 | (221,668) |
| Changes of assumptions | - | 506 | - | 64,872 | - |
| Changes of benefit terms | - | - | 444,260 | - | - |
| Benefit payments, including refunds of employee contributions | <u>(235,044)</u> | <u>(104,885)</u> | <u>(221,553)</u> | <u>(203,326)</u> | <u>(155,247)</u> |
| Net change in total pension liability | <u>244,929</u> | <u>98,716</u> | <u>634,558</u> | <u>479,896</u> | <u>58,153</u> |
| Total pension liability – beginning | <u>5,325,454</u> | <u>5,226,738</u> | <u>4,592,180</u> | <u>4,112,284</u> | <u>4,054,131</u> |
| Total pension liability – ending (a) | <u>\$ 5,570,383</u> | <u>\$ 5,325,454</u> | <u>\$ 5,226,738</u> | <u>\$ 4,592,180</u> | <u>\$ 4,112,284</u> |
| Plan fiduciary net position | | | | | |
| Contributions – employer | \$ 237,450 | \$ 100,169 | \$ 179,386 | \$ 225,628 | \$ 184,289 |
| Net investment income | 403,826 | 175,763 | 138,667 | 432,982 | 387,385 |
| Benefit payments, including refunds of employee contributions | <u>(235,044)</u> | <u>(104,885)</u> | <u>(221,553)</u> | <u>(203,326)</u> | <u>(155,247)</u> |
| Administrative expenses | <u>(14,193)</u> | <u>(5,628)</u> | <u>(11,017)</u> | <u>(12,462)</u> | <u>(10,462)</u> |
| Net change in plan fiduciary net pension | <u>392,039</u> | <u>165,419</u> | <u>85,483</u> | <u>442,822</u> | <u>405,965</u> |
| Plan fiduciary net position – beginning | <u>4,151,187</u> | <u>3,985,768</u> | <u>3,900,285</u> | <u>3,457,463</u> | <u>3,051,498</u> |
| Plan fiduciary net position – ending (b) | <u>\$ 4,543,226</u> | <u>\$ 4,151,187</u> | <u>\$ 3,985,768</u> | <u>\$ 3,900,285</u> | <u>\$ 3,457,463</u> |
| City's net pension liability – ending (a) - (b) | <u>\$ 1,027,157</u> | <u>\$ 1,174,267</u> | <u>\$ 1,240,970</u> | <u>\$ 691,895</u> | <u>\$ 654,821</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 81.56% | 77.95% | 76.26% | 84.93% | 84.08% |
| Covered-employee payroll | \$ 2,973,041 | \$ 2,652,000 | \$ 2,624,238 | \$ 2,377,085 | \$ 2,188,426 |
| City's net pension liability as a percentage of covered employee payroll | 34.55% | 44.28% | 47.29% | 29.11% | 29.92% |

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

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Total pension liability | | |
| Service cost | \$ 131,746 | \$ 128,596 |
| Interest | 275,819 | 257,215 |
| Differences between expected and actual experience | 77,589 | (52,209) |
| Changes of assumptions | - | (6,690) |
| Changes of benefit terms | 60,136 | - |
| Benefit payments, including refunds of employee contributions | <u>(100,236)</u> | <u>(73,476)</u> |
| Net change in total pension liability | <u>445,054</u> | <u>253,436</u> |
| Total pension liability – beginning | <u>3,609,077</u> | <u>3,355,641</u> |
| Total pension liability – ending (a) | <u>\$ 4,054,131</u> | <u>\$ 3,609,077</u> |
| Plan fiduciary net position | | |
| Contributions – employer | \$ 205,520 | \$ 193,380 |
| Net investment income | 10,932 | 254,484 |
| Benefit payments, including refunds of employee contributions | (100,236) | (73,476) |
| Administrative expenses | <u>(6,923)</u> | <u>(6,214)</u> |
| Net change in plan fiduciary net pension | <u>109,293</u> | <u>368,174</u> |
| Plan fiduciary net position – beginning | <u>2,942,205</u> | <u>2,574,031</u> |
| Plan fiduciary net position – ending (b) | <u>\$ 3,051,498</u> | <u>\$ 2,942,205</u> |
| City's net pension liability – ending (a) - (b) | <u>\$ 1,002,633</u> | <u>\$ 666,872</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 75.27% | 81.52% |
| Covered-employee payroll | \$ 2,412,993 | \$ 2,464,960 |
| City's net pension liability as a percentage of covered employee payroll | 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
SCHEMES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------------------|------------------------|----------------------|----------------------|----------------------|
| Actuarially determined contribution | \$ - ¹ | \$ 260,870 | \$ 150,253 | \$ 172,402 | \$ 216,633 |
| Contributions in relation to the actuarially determined Contribution | _____ - ¹ | 237,450 ² | 164,620 ² | 160,035 ² | 216,633 ² |
| Contribution deficiency (excess) | \$ _____ - ¹ | \$ 23,420 | \$ (14,367) | \$ 12,367 | \$ _____ - |
| Covered-employee payroll | - ¹ | 2,652,000 ³ | 1,968,179 | 2,377,085 | 2,188,426 |
| Contributions as a percentage of Covered-employee payroll | - ¹ | 8.95% | 8.36% | 6.73% | 9.90% |

¹ 2021 information will be determined after fiscal year end and will be included in the 2022 valuation report.

² 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.

³ 2020 covered payroll is based on data collected as of September 30, 2019 for the 2020 actuarial valuation.

Notes to the Schedule

| | |
|-------------------------------|--|
| Valuation date | The actuarially determined contribution was determined as of January 1, 2021 with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending September 30, 2022. |
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of 12 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 |
| Cost of living adjustments | 0.00% |

See Independent Auditor's Report

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

| | <u>2016</u> | <u>2015</u> |
|--|----------------------------|----------------------------|
| Actuarially determined contribution | \$ 197,578 | \$ 208,168 |
| Contributions in relation to the actuarially determined Contribution | <u>197,578²</u> | <u>208,168²</u> |
| Contribution deficiency (excess) | \$ _____ | \$ _____ |
| Covered-employee payroll | 2,412,993 | 2,464,960 |
| Contributions as a percentage of Covered-employee payroll | 8.19% | 8.45% |

¹ 2021 information will be determined after fiscal year end and will be included in the 2022 valuation report.

² 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.

³ 2020 covered payroll is based on data collected as of September 30, 2019 for the 2020 actuarial valuation.

Notes to the Schedule

| | |
|-------------------------------|--|
| Valuation date | The actuarially determined contribution was determined as of January 1, 2021 with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending September 30, 2022. |
| Actuarial cost method | Projected Unit Credit |
| Amortization method | Closed level dollar for remaining unfunded liability |
| Remaining amortization period | Remaining amortization period varies for the bases, with a net effective amortization period of 12 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 |
| Cost of living adjustments | 0.00% |

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 Improvement Capital Projects Fund – To account for the expenditures of resources for various capital projects.

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, 2021

| | TOTAL SPECIAL REVENUE FUNDS | CAPITAL IMPROVEMENT CAPITAL PROJECTS | CAPITAL GRANTS FUND | TOTAL NON-MAJOR GOVERNMENTAL FUNDS |
|--|--|---|------------------------------------|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 262,556 | \$ - | \$ - | \$ 262,556 |
| Restricted: Cash | 45,332 | - | - | 45,332 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Taxes | 2,135 | - | - | 2,135 |
| Loan | 238,045 | - | - | 238,045 |
| Intergovernmental | - | - | 80,546 | 80,546 |
| Land held for sale | 16,000 | - | - | 16,000 |
| Due from other funds | - | 35,383 | 40,690 | 76,073 |
| Total assets | <u>\$ 564,068</u> | <u>\$ 35,383</u> | <u>\$ 121,236</u> | <u>\$ 720,687</u> |
| Liabilities | | | | |
| Accounts payable | | | | |
| Operating | \$ 676 | \$ - | \$ - | \$ 676 |
| Capital | - | 13,739 | - | 13,739 |
| Accrued liabilities | | | | |
| Other | - | 21,644 | 123,995 | 145,639 |
| Due to other funds | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Total liabilities | <u>676</u> | <u>35,383</u> | <u>123,995</u> | <u>160,054</u> |
| Fund balances (deficit) | | | | |
| Restricted: Capital projects | - | - | (2,759) | (2,759) |
| Restricted: Tourism | 46,791 | - | - | 46,791 |
| Assigned: Downtown Development Authority | <u>516,601</u> | <u>-</u> | <u>-</u> | <u>516,601</u> |
| Total fund balances | <u>563,392</u> | <u>-</u> | <u>(2,759)</u> | <u>560,633</u> |
| Total liabilities and fund balances | <u>\$ 564,068</u> | <u>\$ 35,383</u> | <u>\$ 121,236</u> | <u>\$ 720,687</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, 2021

| | TOTAL SPECIAL REVENUE FUND\$ | CAPITAL IMPROVEMENT CAPITAL PROJECTS | CAPITAL GRANTS FUND | TOTAL NON-MAJOR GOVERNMENTAL FUND\$ |
|--|---|---|------------------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 21,993 | \$ - | \$ - | \$ 21,993 |
| Intergovernmental | - | - | 413,707 | 413,707 |
| Investment income | 14,239 | - | - | 14,239 |
| Contributions not restricted for purpose | 247 | - | - | 247 |
| Total revenues | <u>36,479</u> | <u>-</u> | <u>413,707</u> | <u>450,186</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | 18,040 | - | - | 18,040 |
| Capital: | | | | |
| Public safety | - | 19,253 | - | 19,253 |
| Public utilities | - | 38,740 | - | 38,740 |
| Highways and streets | - | 30,900 | 372,988 | 403,888 |
| Parks and recreation | - | 280,484 | 37,139 | 317,623 |
| Planning and zoning | - | - | 3,580 | 3,580 |
| Total expenditures | <u>18,040</u> | <u>369,377</u> | <u>413,707</u> | <u>801,124</u> |
| Excess (deficiency) of revenues over expenditures | 18,439 | (369,377) | - | (350,938) |
| Other financing sources: | | | | |
| Transfers in | - | 459,216 | - | 459,216 |
| Transfers out | - | (89,839) | - | (89,839) |
| Total | <u>-</u> | <u>369,377</u> | <u>-</u> | <u>369,377</u> |
| Net change in fund balances | 18,439 | - | - | 18,439 |
| Fund balance (deficit) – beginning of period | 544,953 | - | (2,759) | 542,194 |
| Fund balances (deficit) – end of period | <u>\$ 563,392</u> | <u>\$ -</u> | <u>\$ (2,759)</u> | <u>\$ 560,633</u> |

See Independent Auditor's Report

CITY OF HAMPTON, GEORGIA
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021

| | HOTEL/ MOTEL TAX FUND | DOWNTOWN DEVELOPMENT AUTHORITY | TOTAL NON-MAJOR SPECIAL REVENUE FUNDS |
|--|--------------------------------|--------------------------------------|---|
| Assets | | | |
| Cash and cash equivalents | \$ - | \$ 262,556 | \$ 262,556 |
| Restricted: Cash | 45,332 | - | 45,332 |
| Receivables (net of allowance for uncollectibles) | | | |
| Taxes | 2,135 | - | 2,135 |
| Loan | - | 238,045 | 238,045 |
| Land held for sale | - | 16,000 | 16,000 |
| Total assets | <u>\$ 47,467</u> | <u>\$ 516,601</u> | <u>\$ 564,068</u> |
| Liabilities | | | |
| Accounts payable | | | |
| Operating | <u>\$ 676</u> | <u>\$ -</u> | <u>\$ 676</u> |
| Total liabilities | <u>676</u> | <u>-</u> | <u>676</u> |
| Fund balances | | | |
| Restricted: Tourism | 46,791 | - | 46,791 |
| Assigned: Downtown Development Authority | - | 516,601 | 516,601 |
| Total fund balances | <u>46,791</u> | <u>516,601</u> | <u>563,392</u> |
| Total liabilities and fund balances | <u>\$ 47,467</u> | <u>\$ 516,601</u> | <u>\$ 564,068</u> |

See Independent Auditor's Report

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, 2021

| | HOTEL/ MOTEL TAX FUND | DOWNTOWN DEVELOPMENT AUTHORITY | TOTAL NON-MAJOR SPECIAL REVENUE FUNDS |
|--|--------------------------------|--------------------------------------|---|
| REVENUES | | | |
| Taxes | \$ 21,993 | \$ - | \$ 21,993 |
| Investment income | - | 14,239 | 14,239 |
| Contributions not restricted for purpose | - | 247 | 247 |
| Total revenues | <u>21,993</u> | <u>14,486</u> | <u>36,479</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community development | 8,523 | 9,517 | 18,040 |
| Total expenditures | <u>8,523</u> | <u>9,517</u> | <u>18,040</u> |
| Net change in fund balances | 13,470 | 4,969 | 18,439 |
| Fund balance – beginning of period | <u>33,321</u> | <u>511,632</u> | <u>544,953</u> |
| Fund balances – end of period | <u>\$ 46,791</u> | <u>\$ 516,601</u> | <u>\$ 563,392</u> |

See Independent Auditor's Report

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, 2021

| | <u>BUDGET AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET</u> |
|----------------------------------|-----------------------|-----------------|---------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| | | | | |
| REVENUES | | | | |
| Taxes | \$ 15,908 | \$ 15,908 | \$ 21,993 | \$ 6,085 |
| Investment income | <u>40</u> | <u>40</u> | <u>—</u> | <u>(40)</u> |
| Total revenues | <u>15,948</u> | <u>15,948</u> | <u>21,993</u> | <u>6,045</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | <u>12,810</u> | <u>12,810</u> | <u>8,523</u> | <u>4,287</u> |
| Total expenditures | <u>12,810</u> | <u>12,810</u> | <u>8,523</u> | <u>4,287</u> |
| Net change in fund balances | \$ <u>3,138</u> | \$ <u>3,138</u> | 13,470 | \$ <u>10,332</u> |
| Fund balance – beginning of year | | | | <u>33,321</u> |
| Fund balance – end of year | | | | \$ <u>46,791</u> |

See Independent Auditor's Report

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, 2021

| | <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 | \$ 14,239 | \$ 12,339 |
| Contributions not restricted for purposes | <u>33,854</u> | <u>33,854</u> | <u>247</u> | <u>(33,607)</u> |
| Total revenues | <u>35,754</u> | <u>35,754</u> | <u>14,486</u> | <u>(21,268)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | <u>35,754</u> | <u>35,754</u> | <u>9,517</u> | <u>26,237</u> |
| Total expenditures | <u>35,754</u> | <u>35,754</u> | <u>9,517</u> | <u>26,237</u> |
| Net change in fund balances | \$ <u> -</u> | \$ <u> -</u> | 4,969 | \$ <u>4,969</u> |
| Fund balance – beginning of year | | | <u>511,632</u> | |
| Fund balance – end of year | | | \$ <u>516,601</u> | |

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, 2021

| | <u>BUDGET AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET</u> |
|----------------------------------|-----------------------|--------------|---------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| | | | | |
| REVENUES | | | | |
| Intergovernmental | \$ 450,000 | \$ 450,000 | \$ 413,707 | \$ (36,293) |
| Total revenues | 450,000 | 450,000 | 413,707 | (36,293) |
| EXPENDITURES | | | | |
| Capital: | | | | |
| Highways and streets | 421,566 | 421,566 | 372,988 | 48,578 |
| Parks and recreation | 150,000 | 150,000 | 37,139 | 112,861 |
| Planning and zoning | 5,000 | 5,000 | 3,580 | 1,420 |
| Total expenditures | 576,566 | 576,566 | 413,707 | 162,859 |
| Net change in fund balances | \$ (126,566) | \$ (126,566) | - | \$ 126,566 |
| Fund deficit – beginning of year | | | | (2,759) |
| Fund deficit – end of year | | | | \$ (2,759) |

See Independent Auditor's Report

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, 2021

| | <u>BUDGET AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET</u> |
|--|-----------------------|-----------------------|------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| EXPENDITURES | | | | |
| Capital: | | | | |
| Public safety | 37,200 | 37,200 | 19,253 | 17,947 |
| Highways and streets | 1,000,000 | 1,000,000 | 30,900 | 969,100 |
| Parks and recreation | 421,094 | 421,094 | 280,484 | 140,610 |
| Sewer system improvements | 2,000,000 | 2,000,000 | 36,604 | 1,963,396 |
| Water system improvements | 500,000 | 500,000 | 2,136 | 497,864 |
| Debt service: | | | | |
| Principal | <u>53,283</u> | <u>53,283</u> | <u>-</u> | <u>53,283</u> |
| Total expenditures | <u>4,011,577</u> | <u>4,011,577</u> | <u>369,377</u> | <u>3,642,200</u> |
| Excess (deficiency) of revenues over expenditures | <u>(4,011,577)</u> | <u>(4,011,577)</u> | <u>(369,377)</u> | <u>3,642,200</u> |
| Other financing sources (uses): | | | | |
| Transfers | <u>2,741,924</u> | <u>2,741,924</u> | <u>369,377</u> | <u>(2,372,547)</u> |
| Net change in fund balances – Budget basis | <u>\$ (1,269,653)</u> | <u>\$ (1,269,653)</u> | <u>-</u> | <u>\$ 1,269,653</u> |
| Fund balance – beginning of year | | | <u>-</u> | |
| Fund balance – end of year | | | <u>\$ -</u> | |

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, 2021

| <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 | \$ 797,564 | \$ 1,727,733 | \$ 2,525,297 |
| Public safety facilities and equipment | 740,000 | 490,243 | - | 490,243 |
| Public works facilities and equipment | 1,710,000 | 1,224,304 | - | 1,224,304 |
| Construction and renovation of municipal buildings | 1,100,000 | 265,333 | 84,910 | 350,243 |
| Parks and recreation facilities | 600,000 | 121,421 | 415,845 | 537,266 |
| Community development facilities | <u>450,000</u> | <u>1,580</u> | <u>-</u> | <u>1,580</u> |
| | <u>\$ 7,275,000</u> | <u>\$ 2,900,445</u> | <u>\$ 2,228,488</u> | <u>\$ 5,128,933</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, 2021, 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 March 29, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.


Morrow, Georgia
March 29, 2022

CITY OF HAMPTON, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

Status: Resolved

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.

Status: Resolved