CITY OF WALNUT GROVE, GEORGIA

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022 AND
INDEPENDENT AUDITOR'S REPORT

CITY OF WALNUT GROVE, GEORGIA

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January 4, 2023

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Walnut Grove, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the remaining fund information of the **City of Walnut Grove, Georgia** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Walnut Grove, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City of Walnut Grove, Georgia as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Walnut Grove, Georgia's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walnut Grove, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of projects constructed with special sales tax proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects constructed with special sales tax proceeds is 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 our report dated January 4, 2023 on our consideration of City of Walnut Grove, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Walnut Grove, Georgia's internal control over financial reporting and compliance.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

FINANCIAL STATEMENTS

CITY OF WALNUT GROVE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Downtown Development Authority
Primary Government								
Governmental Activities								
General Government	$ 502,846	$ 73,528	$ -	$ -	$ (429,318)	$ -	$ (429,318)	$ -
Judicial	2,283	43,200	-	-	40,917	-	40,917	-
Public Safety	14,802	-	-	-	(14,802)	-	(14,802)	-
Public Works	769,819	-	18,826	305,411	(445,582)	-	(445,582)	-
Culture and Recreation	58,724	-	-	-	(58,724)	-	(58,724)	-
Principal on long-term debt	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	5,810	-	-	-	(5,810)	-	(5,810)	-
Total Governmental Activities	1,354,284	116,728	18,826	305,411	(913,319)	-	(913,319)	-
Business-Type Activities								
Water and Sewer	170,283	-	-	621,155	-	450,872	450,872	-
Total Business-Type Activities	170,283	-	-	621,155	-	450,872	450,872	-
Total Primary Government	$ 1,524,567	$ 116,728	$ 18,826	$ 926,566	(913,319)	450,872	(462,447)	-
Component Unit								
Downtown Development Authority	$ -	$ -	$ -	$ -	-	-	-	-
General Revenues								
Sales Tax					317,334	-	317,334	-
Property Tax					258,231	-	258,231	-
Other Taxes					301,427	-	301,427	-
Interest Earnings					536	137	673	10
Other					9,673	-	9,673	-
Total General Revenues					887,201	137	887,338	10
Transfers					(91,289)	91,289	-	-
Total General Revenues and Transfers					795,912	91,426	887,338	10
Change in Net Position					(117,407)	542,298	424,891	10
Net Position - Beginning of Year					3,180,232	1,786,048	4,966,280	91,441
Net Position - End of Year					$ 3,062,825	$ 2,328,346	$ 5,391,171	$ 91,451

See accompanying notes which are an integral part of these financial statements.

CITY OF WALNUT GROVE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2022

Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:

Total Governmental Fund Balances	$	1,173,123
Capital Assets		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of the Assets		3,971,480
Accumulated Depreciation		(1,922,041)
Revenues		
Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		602
Long-Term Liabilities		
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:		
Bonds Payable		(160,339)
Net Position of Governmental Activities	$	3,062,825

See accompanying notes which are an integral part of these financial statements.

CITY OF WALNUT GROVE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	$	(17,222)
Capital Assets		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.		
Total Depreciation		(130,311)
Long-Term Debt		
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The adjustments for these items are as follows:		
Bonds		30,126
Change in Net Position of Governmental Activities	$	(117,407)

See accompanying notes which are an integral part of these financial statements.

CITY OF WALNUT GROVE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022
(CONTINUED)

	Budget Amounts			Variance With Final
	Original	Final	Actual	Budget
Expenditures				
Current				
General Government				
Administrative	$ 300,650	$ 514,150	$ 493,963	$ 20,187
Judicial				
Municipal Court	39,600	39,600	2,283	37,317
Culture and Recreation				
Library	50,000	50,000	50,000	-
Community Events	22,900	28,900	4,453	24,447
Public Works				
Street	247,523	308,523	308,161	362
Waste Collection	60,000	64,000	63,627	373
Public Safety	34,050	34,050	14,178	19,872
Debt Service				
Principal	30,126	30,126	30,126	-
Interest	5,874	5,874	5,810	64
Total Expenditures	790,723	1,075,223	972,601	102,622
Net Change in Fund Balances	-	(230,473)	50,154	280,627
Fund Balance - Beginning of Year	829,583	829,583	829,583	-
Fund Balance - End of Year	$ 829,583	$ 599,110	$ 879,737	$ 280,627

See accompanying notes which are an integral part of these financial statements.

CITY OF WALNUT GROVE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	Water Treatment Plant Fund
Assets	
Current Assets	
Cash and Cash Equivalents	$ 931,939
Accounts Receivable	8,341
Due From Other Funds	19,282
Total Current Assets	959,562
Noncurrent Assets	
Capital Assets	
Nondepreciable	174,501
Depreciable, Net	2,196,389
Total Noncurrent Assets	2,370,890
Total Assets	3,330,452
Liabilities	
Current Liabilities	
Accounts Payable	5,308
Due to Other Funds	253,378
Unearned Revenue	126,000
Total Current Liabilities	384,686
Long-Term Liabilities	
Due Within One Year	38,186
Due in More than One Year	579,234
Total Noncurrent Liabilities	617,420
Total Liabilities	1,002,106
Net Position	
Net Investment in Capital Assets	1,753,470
Unrestricted	574,876
Total Net Position	$ 2,328,346

See accompanying notes which are an integral part of these financial statements.

CITY OF WALNUT GROVE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Water Treatment Plant Fund
Cash Flows from Operating Activities	
Cash Received from Customers	$ 566,564
Cash Paid to Suppliers for Goods and Services	(79,272)
Net Cash Flows Provided by (Used for) Operating Activities	487,292
Cash Flows from Noncapital Financing Activities	
Interest Income	137
Net Cash Provided by Noncapital Financing Activities	137
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(49,501)
Transfers From Other Funds	91,289
Interest Payments	(3,897)
Principal Payments on Long-term Debt	(37,891)
Net Cash Provided by Capital and Related Financing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	487,429
Cash and Cash Equivalents - Beginning of Year	444,510
Cash and Cash Equivalents - End of Year	$ 931,939

See accompanying notes which are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

The City of Walnut Grove was incorporated on January 1, 1905 under the provision of an Act of the General Assembly of Georgia. The City of Walnut Grove operates under a mayor-council form of government and provides the following services as authorized by its charter: public safety, streets, sanitation, and general administrative services.

The accounting policies of the City of Walnut Grove conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the City's more significant policies applied in the preparation of the accompanying financial statements.

Reporting Entity

As required by GAAP, the financial statements of the reporting entity include those of the City of Walnut Grove, Georgia (primary government) and any component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The component unit discussed below is included in the City's reporting entity because of the significance of their operational and financial relationships with the City. In conformity with GAAP, as set forth in Statement of Governmental Accounting Standards Board (GASB) No. 61 *The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and 34*, the City's relationships with other governments and agencies have been examined. The financial statement of the component unit has been included as a discretely presented component unit. The component unit columns in the combined financial statements include the financial data for the Downtown Development Authority, as of June 30, 2022. The financial information for the component unit is reported in columns separate from the City's financial information to emphasize that it is legally separate from the City.

Discretely Presented Component Units

The Downtown Development Authority (the Authority) provides various oversight services for the citizens of the City related to the development of the downtown area. The Authority's governing authority is appointed by the City Council. The Authority's policy is to maintain its financial records on the cash basis of accounting. The Authority is audited along with the primary government financial statements and separate financial statements are not prepared.

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39-.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
305 Research Drive
Athens, GA 30605

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

General Fund - This 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.

ARPA Fund – This special revenue fund is used to account for fund received through the American Rescue Plan Act.

2019 Special Purpose Local Option Sales Tax (SPLOST) - This capital project fund is used to account for various projects associated with the approved SPLOST.

The government reports the following major proprietary fund:

Water Treatment Plant Fund - This fund accounts for the activities of the water treatment facility.

Additionally, the government reports the following fund types:

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type / proprietary funds).

Deposits and Investments

The government's cash and cash equivalents are considered cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value which is determined using selected bases. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Inventory

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures or expenses, as appropriate, when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items using the consumption methods of reporting an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is nonspendable, as this amount is not available for general appropriation.

(1) Summary of Significant Accounting Policies (Continued)

Fund Equity

In the financial statements, governmental funds report the following classifications of fund balance in accordance with GASB Statement No. 54:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council. The Council approves committed resources through a motion and vote during the voting session of Council meetings.

Assigned - amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. By motion, the City Council has authorized the Mayor or City Clerk or designee to assign fund balances.

Unassigned - amounts that have not been assigned to other funds and that are not restricted, committed, or assigned to specific purposes within the General Fund.

Flow Assumptions - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use fund balance in the following order: restricted, committed, assigned, and unassigned amounts as they are needed. The City does not have a formal minimum fund balance policy.

The following is a summary of the fund balance classifications as of June 30, 2022:

	General Fund	2019 SPLOST	Nonmajor Governmental	Total
Fund Balances				
Nonspendable				
Prepayments	$ 16,882	$ -	$ -	$ 16,882
Restricted				
Capital Outlay	-	286,458	6,928	293,386
Unassigned	861,940	-	-	861,940
Total Fund Balances	$ 878,822	$ 286,458	$ 6,928	$ 1,172,208

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted-net position.

(3) Deposits and Investments

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of the failure of the bank, the government will not be able to recover deposits. The City's bank balances of deposits as of June 30, 2022 are entirely insured or collateralized with securities held by the City's agent in the City's name. State statues require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name

Category 3 - Uncollateralized

Investments

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counter-party to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The City had no such investments with such risk as of June 30, 2022.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Georgia law allows investments in obligations of the U.S. Treasury, other U.S. Governmental Agencies, State of Georgia, other states, prime banker's acceptances, repurchase agreements, other political subdivisions of Georgia, and the Office of State Treasurer. The Office of State Treasurer is not registered with the SEC. Shares sold and redeemed are based on $1.00 per share. The reported value of the pool is the same as the fair value of the pool shares. The Office of State Treasurer is a stable net asset value investment pool that follows Standard & Poor's criteria for AAAf rated money market funds.

The City had no investments at June 30, 2022.

(4) Property Taxes

State law requires that property taxes be based on assessed value, which is 40 percent of market value. All real and personal property (including motor vehicles) is valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by the Walton County Board of Tax Assessors.

Upon completion of all assessments and tax returns, the information is compiled to form the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated 40 percent of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40 percent level is not reached.

(7) Capital Assets

Capital asset governmental activity for the year ended June 30, 2022, was as follows:

Governmental Activities	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets Not Being Depreciated				
Land	$ 931,252		$ -	$ 931,252
Total Capital Assets Not Being Depreciated	931,252	-	-	931,252
Capital Assets Being Depreciated				
Buildings	534,469	-	-	534,469
Improvements	2,067,780	-	-	2,067,780
Machinery and Equipment	437,979		-	437,979
Total Capital Assets Being Depreciated	3,040,228	-	-	3,040,228
Accumulated Depreciation				
Buildings	(364,966)	(13,464)	-	(378,430)
Improvements	(1,081,461)	(101,511)	-	(1,182,972)
Machinery and Equipment	(345,303)	(15,336)	-	(360,639)
Total Accumulated Depreciation	(1,791,730)	(130,311)	-	(1,922,041)
Total Capital Assets Being Depreciated, Net	1,248,498	(130,311)	-	1,118,187
Governmental Activities Capital Assets, Net	$ 2,179,750	$ (130,311)	$ -	2,049,439
Less Related Long-Term Debt Outstanding				(160,339)
Net Investment in Capital Assets				$ 1,889,100

(8) Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2022 consisted of the following amount:

Receivable Fund	Payable Fund	Amount
General Fund	2019 SPLOST	$ 88,439
ARPA Fund	Water Treatment Plant Fund	253,377
Water Treatment Plant Fund	General Fund	19,535
Total		$ 361,351

The outstanding balances between funds result mainly from the timing differences between the date that reimbursable expenditures occur and the date the payments between funds are made. The City expects to repay all interfund balances within one year.

Transfers Out	Transfers In	Amount
2019 SPLOST	Water Treatment Plan Fund	$ 49,501
2013 SPLOST	Water Treatment Plan Fund	41,788
Total		$ 91,289

The 2019 SPLOST and 2013 SPLOST transferred $49,501 and $41,788, respectively, to the Water Treatment Plant Fund to reimburse costs associated with the water treatment plant expansion.

(9) Long-Term Debt

Revenue Bonds

The City issued tax free bonds in the amount of $425,000 through BB&T Governmental Finance. This bond called for 180 monthly payments of $2,995 beginning May 17, 2012. The bonds have an interest rate of 3.29 percent and are secured by real estate. The bond proceeds were used to pay off City debt and fund the library project. Interest expense for 2022 was $5,810.

Revenue bond debt service to maturity as of years ended June 30 is as follows:

Year	Principal	Interest	Total
2023	$ 31,132	$ 4,808	$ 35,940
2024	32,172	3,768	35,940
2025	33,246	2,694	35,940
2026	34,357	1,583	35,940
2027	29,432	444	29,876
Total	$ 160,339	$ 13,297	$ 173,636

(10) Contingent Liabilities

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

(11) Subsequent Events

The City has evaluated subsequent events through January 4, 2023, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF WALNUT GROVE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2022

2013 SPLOST	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Special Local Option Sales Tax					
Wastewater Treatment Facility and Infrastructure	$ 850,000	$ 850,000	$ 527,186	$ 42,048	$ 569,234
Streets, Sidewalks, Drainage, and Public Parking	100,000	115,000	402,564	-	402,564
	$ 950,000	$ 965,000	$ 929,750	$ 42,048	$ 971,798

2019 SPLOST	Original Estimated Cost	Expenditures		
		Prior Years	Current Year	Total
Special Local Option Sales Tax				
Sewer System Improvements	$ 400,000	$ 75	$ 49,501	$ 49,576
Transportation and Traffic Safety	502,605	236,854	281,238	518,092
	$ 902,605	$ 236,929	$ 330,739	$ 567,668

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January 4, 2023

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*

Mayor and City Council
City of Walnut Grove, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the remaining fund information of the **City of Walnut Grove, Georgia** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Walnut Grove, Georgia's basic financial statements, and have issued our report thereon dated January 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Walnut Grove, Georgia's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Walnut Grove, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Walnut Grove, 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 the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Walnut Grove, Georgia'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. 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 and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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 City of Walnut Grove, Georgia's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Walnut Grove, Georgia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC