CITY OF EAST ELLIJAY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF EAST ELLIJAY, GEORGIA
TABLE OF CONTENTS
JUNE 30, 2018

	PAGE
FINANCIAL SECTION	
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
Notes to Financial Statements	18
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	34
Schedule of Contributions and Related Notes	35
OTHER SUPPLEMENTARY INFORMATION	
Combining Schedules of Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	39
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax	40
INTERNAL CONTROL AND COMPLIANCE	
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*	42

CITY OF EAST ELLIJAY, GEORGIA

FINANCIAL SECTION

WELCH WALKER
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

540 N. MAIN STREET
JASPER, GA 30143
PH (706) 253-3700 FAX (706) 253-5973

489 HIGHLAND CROSSING
SUITE 208
EAST ELLIJAY, GA 30540
PH (706) 515-2000 FAX (706)515-2011

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of East Ellijay, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the City of East Ellijay, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of East Ellijay, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, each major fund, and the aggregate remaining fund information of the City of East Ellijay, Georgia, as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules on pages 5-9 and 34-36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Ellijay, Georgia's basic financial statements. The combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds is presented for purposes of additional analysis as required by Official Code of Georgia Section 48-4-121, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2018, on our consideration of the City of East Ellijay, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of East Ellijay, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of East Ellijay, Georgia's internal control over financial reporting and compliance.

Welch, Walker + Associates, P.C., CPAs

East Ellijay, Georgia
November 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THE AUDIT FOR 2018

As management of City of East Ellijay, Georgia, we offer readers of the City of East Ellijay's financial statements this narrative overview and analysis of the financial activities of the City of East Ellijay for the fiscal year ended June 30, 2018. The audit is required by Georgia law. The Statement of Net Position and the Statement of Activities will provide a picture about the activities of the City, and the fund financial statements will provide a more detailed view of the City's services and the revenue dedicated to provide them.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. The expenses are listed in the first column with the revenues from that particular program reported to the right. The result is a Net (Expenses) Revenue report. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues and if it is self-financing through fees, insurance, or grants.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position begins on page 11. The Statement of Activities begins on page 12. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources using the full accrual basis of accounting. All of the 2018 fiscal year revenues and expenses are taken into account regardless of when cash is received or paid. The difference between income received and liabilities incurred will paint a picture of the City's health.

REPORTING THE CITY'S FUNDS

The fund financial statements begin on page 13 and provide detailed information about the funds. Some funds are required to be established by State law. However, the City can establish other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is, "Is the city as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities

in a way that helps answer this question. These statements include all assets and deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expense are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. One can think of the City's net position, the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources, as one way to measure the City's financial health. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered, however, such as expansion and maintenance of infrastructure in the City, to assess the overall health of the City.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental funds. These funds are added together and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 14 and 16) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting).

[The remainder of page intentionally left blank.]

CONDENSED STATEMENTS OF NET POSITION

Table 1 below presents the City's Condensed Statement of Net Position as of June 30, 2018.

	Governmental Activities	
	2018	2017
Current and other assets	$ 3,018,243	$ 2,889,695
Noncurrent assets	4,678,190	4,553,854
Deferred outflow of resources	59,774	87,624
Total assets	7,756,207	7,531,173
Current liabilities	33,374	27,661
Noncurrent liabilities	-	52,552
Deferred inflow of resources	66,497	26,174
Total liabilities and deferred inflows of resources	99,871	106,387
Net Position		
Invested in capital assets	4,635,660	4,553,854
Restricted for capital projects	388,950	394,785
Reserved for other purposes	4,584	554
Unrestricted	2,627,142	2,475,593
Total net position	$ 7,656,336	$ 7,424,786

The largest component of the City's net position is its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and other). The City uses these capital assets to provide services to the citizens and the businesses in the City; consequently, these net assets are not available for future spending. The largest remaining portion of net position is unrestricted, which can be used to finance government operations.

[The remainder of page intentionally left blank.]

CONDENSED STATEMENT OF ACTIVITIES

Table 2 below presents the City's Condensed Statement of Activities for the year ended June 30, 2018. Over time, increases and decreases in net position measure whether the City's financial position in improving in deteriorating.

Table 2: Condensed Statement of Activities

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Charges for services	$ 370,574	$ 334,571
Operating contributions	32,266	1,386
Capital contributions	82,404	76,817
General revenues		
Taxes		
Sales	759,610	749,909
Other	338,486	270,123
Unrestricted investment earnings	37,494	36,676
Gain (Loss) on sale of capital assets	-	150
Miscellaneous	150	625
Total revenues	1,620,984	1,470,257
Expenses		
General government	248,208	236,889
Judicial	179,532	178,544
Public safety	632,271	622,907
Public works	204,538	188,879
Housing and development	124,885	107,171
Total expenses	1,389,434	1,334,390
Increase in net position	231,550	135,867
Net position – beginning	7,424,786	7,288,919
Net position – ending	$ 7,656,336	$ 7,424,786

During the year ended June 30, 2018, the net position of the government activities increased $231,550 or 3%. Approximately 47% of the City's governmental activities revenues came from sales taxes and approximately 21% came from other taxes.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and the balance of resources available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the year, the City's governmental funds reported a combined ending fund balance of $2,874,995 with $2,440,428 reported as unassigned fund balance, $395,398 restricted for capital projects and program purposes, $28,422 assigned by Mayor & Council for program purposes, and $10,747 nonspendable due to prepaid insurance.

The General Fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $2,453,039. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures for fiscal year 2018. Unassigned fund balance represents 184% of total General Fund expenditures. The net change in the General fund's fund balance for the year ended June 30, 2018 was an increase of $116,451.

General Fund Budgetary Highlights

The City did not exceed the appropriated amounts in any budget category.

Capital Asset Activity

At June 30, 2018, the City reported $4,635,660 in capital assets, net of accumulated depreciation. During fiscal year 2018, the City purchased one vehicle for use in the police department for a total of $27,792 and a mower for use in the street department for $8,995. Additionally, new flooring was purchased for the City Hall for a total of $ 11,679. Refer to note 3 on page 25 of the financial statements for more information.

Conclusion

In conclusion, the City of East Ellijay finished the year with an increase in fund balance and net position. Also, there were no budget overruns. Fiscal management has been sound while providing the services that the citizens expect and deserve.

This financial report is designed to provide a general overview of the City of East Ellijay's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report of request for additional financial information should be addressed to City of East Ellijay, PO Box 1060; East Ellijay, Georgia 30539.

BASIC FINANICAL STATEMENTS

CITY OF EAST ELLIJAY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash	
Cash	$ 417,611
Restricted cash	136,146
Investments	1,941,240
Restricted investments	250,000
Taxes receivable	36,532
Fines receivable, net	178,513
Intergovernmental receivables	47,454
Prepaid items	10,747
Total Current Assets	3,018,243
Noncurrent Assets	
Net pension asset	42,530
Capital assets	
Land and other assets, not being depreciated	3,559,740
Depreciable assets, net	1,075,920
Total Noncurrent Assets	4,678,190
Deferred Outflow of Resources	
Pension costs	59,774
Total Deferred Outflow of Resources	59,774
Total Assets and Deferred Outflows of Resources	7,756,207
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities	
Accounts payable	21,840
Salaries and wages payable	11,534
Total Current Liabilities	33,374
Deferred Inflow of Resources	
Pension costs	66,497
Total Deferred Inflow of Resources	66,497
Total Liabilities and Deferred Inflows of Resources	99,871
NET POSITION	
Investment in capital assets	4,635,660
Restricted for:	
Capital Projects	388,950
Program purposes:	
Public Safety	6,448
Unrestricted	2,625,278
Total Net Position	$ 7,656,336

The notes to financial statements are an integral part of this statement.

CITY OF EAST ELLIJAY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities
Primary government					
Governmental activities					
General government	$ 248,208	$ 69,605	$ -	$ -	$ (178,603)
Judicial	179,532	-	-	-	(179,532)
Public safety	632,271	300,969	14,667	-	(316,635)
Public works	204,538	-	17,599	82,404	(104,535)
Housing and development	124,885	-	-	-	(124,885)
Total governmental activities	$ 1,389,434	$ 370,574	$ 32,266	$ 82,404	(904,190)
General revenues					
Taxes					
General sales and use taxes					383,899
Selective sales and use taxes					375,711
Franchise taxes					136,809
Business taxes					201,677
Unrestricted investment earnings					37,494
Miscellaneous					150
Gain on disposal of capital assets					-
Total general revenues					1,135,740
Change in net position					231,550
Net position, beginning of year					7,424,786
Net position, end of year					$ 7,656,336

The notes to financial statements are an integral part of this statement.

CITY OF EAST ELLIJAY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash	$ 392,733	$ 161,024	$ 553,757
Investments	1,941,240	250,000	2,191,240
Receivables			
Taxes	28,756	7,776	36,532
Fines, net of allowance	178,513	-	178,513
Intergovernmental	39,949	7,505	47,454
Prepaid items	10,747	-	10,747
TOTAL ASSETS	$ 2,591,938	$ 426,305	$ 3,018,243
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 17,491	$ 4,349	$ 21,840
Salaries and wages payable	11,534	-	11,534
Deferred Inflows of Resources			
Deferred fine revenue	109,874	-	109,874
Total Liabilities and Deferred Inflows of Resources	138,899	4,349	143,248
Fund Balances			
Nonspendable	10,747	-	10,747
Restricted for			
Capital Projects	-	388,950	388,950
Public Safety	1,864	4,584	6,448
Assigned			
Housing and Development	-	28,422	28,422
Unassigned	2,440,428	-	2,440,428
Total Fund Balances	2,453,039	421,956	2,874,995
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,591,938	$ 426,305	$ 3,018,243

The notes to financial statements are an integral part of this statement.

CITY OF EAST ELLIJAY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance - governmental funds	$	2,874,995
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of $5,266,328 net of accumulated depreciation of $630,668 are not current financial resources and, therefore, are not reported in the funds, but are reported in the government activities of the Statement of Net Position.		4,635,660
Some assets are not current in nature and are not available for current use in the governmental statements; however, these assets are included in the Statement of Net Position. These include the following:		
Deferred outflows - pension costs		59,774
Net pension asset		42,530
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. These include the following:		
Deferred inflows - pension costs		(66,497)
Other long term assets reported are not available to pay for current period expenditures and, therefore are deferred in the fund financial statements.		
Deferred fine revenue		109,874
Net position of governmental activities	$	7,656,336

The notes to financial statements are an integral part of this statement.

CITY OF EAST ELLIJAY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Nonmajor Funds	Total
REVENUES			
General sales and use taxes	$ 383,899	$ -	$ 383,899
Selective sales and use taxes	294,375	81,336	375,711
Franchise taxes	136,809	-	136,809
Other taxes	201,677	-	201,677
Fines and forfeitures	300,583	-	300,583
Licenses and permits	69,605	-	69,605
Charges for services	-	144	144
Intergovernmental	17,599	82,310	99,909
Confiscations	-	14,667	14,667
Investment earnings	37,448	140	37,588
Miscellaneous	150	-	150
Total revenues	1,442,145	178,597	1,620,742
EXPENDITURES			
Current			
General government	245,492	6,679	252,171
Judicial	181,954	-	181,954
Public safety	625,826	21,432	647,258
Public works	203,642	88,239	291,881
Housing and development	68,780	56,105	124,885
Total expenditures	1,325,694	172,455	1,498,149
Excess (Deficiency) of Revenues Over Expenditures	116,451	6,142	122,593
Net change in fund balances	116,451	6,142	122,593
Fund balances, beginning of year	2,336,588	415,814	2,752,402
Fund balances, end of year	$ 2,453,039	$ 421,956	$ 2,874,995

The notes to financial statements are an integral part of this statement.

CITY OF EAST ELLIJAY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - governmental funds		$ 122,593
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $174,345 exceeded depreciation expense of $97,539 in the current period.		76,806
Gains and losses on sales of capital assets that do not provide current financial resources are not reported as revenues at the fund financial reporting level.		5,000
Governmental funds report pension expense as expenditures. However, in the government-wide financial statements, the associated asset related to the pension is reported. This is the amount by which pension costs are not related to current financial expenditures.		26,909
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.		
Fines and forfeitures:		
Deferred June 30, 2017	(109,632)	
Deferred June 30, 2018	109,874	242
Change in net position of governmental activities		$ 231,550

The notes to financial statements are an integral part of this statement.

CITY OF EAST ELLIJAY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Taxes	$ 895,500	$ 895,500	$ 1,016,760	$ 121,260
Fines and forfeitures	245,000	245,000	300,583	55,583
Licenses and permits	35,360	35,360	69,605	34,245
Intergovernmental	18,000	18,000	17,599	(401)
Contributions	-	-	-	-
Investment earnings	35,000	35,000	37,448	2,448
Miscellaneous	-	-	150	150
Total revenues	1,228,860	1,228,860	1,442,145	213,285
EXPENDITURES				
General government:				
Executive	34,624	34,624	30,419	4,205
General administration	254,288	254,288	215,073	39,215
Judicial				
Municipal court	200,353	200,353	181,954	18,399
Public safety				
Police	660,460	660,460	610,826	49,634
Fire	15,000	15,000	15,000	-
Public works				
Highways and streets	222,582	222,582	167,687	54,895
Solid waste	39,700	39,700	35,955	3,745
Housing and development				
Planning and code enforcement	85,315	85,315	68,780	16,535
Total expenditures	1,512,322	1,512,322	1,325,694	186,628
Excess (Deficiency) of Revenues Over Expenditures	(283,462)	(283,462)	116,451	399,913
Other Financing Sources				
Transfers	283,462	283,462	-	(283,462)
Total Other Financing Sources (Uses)	283,462	283,462	-	(283,462)
Net change in fund balance	-	-	116,451	116,451
Fund balance, beginning of year	2,336,588	2,336,588	2,336,588	-
Fund balance, end of year	$ 2,336,588	$ 2,336,588	$ 2,453,039	$ 116,451

The notes to financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The City's basic financial statements include the City's accounts of all operations. The criteria for including organizations within the City's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity," is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As of June 30, 2018, there were no component units to be included in the financial statements of the City.

B. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Generally, municipalities' funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. The City's funds are grouped as one broad fund category and two generic fund types. Governmental funds include the general fund, capital projects fund and special revenue funds.

D. Basis of Accounting

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The statement of net position and the statement of activities display information about the City, the primary government, as a whole.

Transfers between funds reported in the governmental activities column are eliminated.

The government-wide statement of activities presents a comparison between expenses and program revenues for each governmental program of the City. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expense identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. It is the City's policy to utilize restricted resources, when available for use, before utilizing unrestricted resources.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measureable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the revenue sources must be deemed both measurable and available. This is defined as the revenue source being collectible within the current year or within sixty days of year-end and is available to pay obligations of the current period. This includes investment earnings, fines and forfeitures, and state-levied locally shared taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the

expenditures are made or, when received in advance, deferred until expenditures are made. The City of East Ellijay, Georgia does not levy any property taxes.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Fines receivable for the fiscal year ended 2018 totaled $187,908. An allowance for uncollectible fines of $9,395 was established resulting in a net receivable of $178,513 reported on the financial statements.

Expenditure recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs such as depreciation are not recognized in the governmental funds.

The City reports the following major governmental funds:

General Fund – This is the City's primary operating fund. This fund accounts for all financial resources of the general government except those required to be accounted for in another fund.

Additionally, the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are restricted for specific purposes. Special Revenue Funds of the City include the Hotel/Motel Tax Fund and the Confiscated Assets Fund.

Capital Project Funds (SPLOST and SPLOST 2014) - The Special Purpose Local Option Sales Tax Fund (SPLOST) and SPLOST 2014 Fund are used to account for the revenues and expenditures related to the 2009 and 2017 1% Special Local Option Sales Tax, authorized by special election, that is to be used for road, street and bridge purposes.

E. Budgets and Budgetary Accounting

The Mayor prepares a draft of the annual budget which is presented to the City Council for review and the proposed budget is discussed and finalized. Any change to original budgeted items must be approved by the Council. The proposed budget is advertised in a local newspaper giving notice regarding a public hearing in which

local citizens may give their input regarding the proposed budget. The City also places a copy of the proposed budget on file for public inspection prior to the actual approval. Once all of these steps have been taken, the City Council and Mayor then formally adopt the annual balanced budget in a legally permissible manner. The legal level of control of the budget of the City of East Ellijay, Georgia is at the department level. All appropriations lapse at year end.

Budgets have been legally adopted for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and classed as follows: operating expenditures, capital outlay, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. No expenditure exceeded appropriated amounts during fiscal year 2018.

F. Encumbrances

Encumbrance accounting involves recording purchase orders, contracts, and other commitments for the expenditures of monies in order to reserve that portion of the applicable appropriation. Encumbrance accounting is not employed by the City as it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control at this time.

G. Cash and Investments

Cash includes amounts in demand deposits. Statutes authorize the City to invest in obligations of the U.S. Government, U.S. Government agencies, the State of Georgia, other counties, and municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking associations, U.S. Government or Agency collateralized repurchase agreements obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and infrastructure with a cost of more than $20,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include all roads, bridges and other infrastructure assets acquired subsequent to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	10-50 years
Buildings	50 years
Building improvements	20 years
Vehicles	2-15 years
Office & computer equipment	3-15 years

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, results could differ from those estimates.

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits up to the end of the year, at which time any vacation or sick pay not yet used is lost and cannot be carried forward to the subsequent year. Therefore, there is no accumulated compensated absence liability as of the fiscal year end.

L. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the

extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable* – Fund balances are reported as Nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restriction imposed by creditors, grantors, or laws and regulations of other governments.
- *Assigned* – Fund balances are reported as assigned when amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (i.e., an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget). However, an assignment of fund balance can not cause a deficit in unassigned fund balance to occur.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all other governmental funds.
- *Committed* - Fund balances reported as committed include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Flow Assumptions – When restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted, and then unrestricted amounts as they are needed.

When committed, assigned or unassigned amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use committed or assigned amounts first and then unassigned amounts as they are needed.

Net Position – Net position represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used (i.e., the amount that the City has spent) for the acquisition, construction, or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

2. SUMMARY OF DEPOSITS

Following is a reconciliation of the City's cash and certificates of deposit balances as of June 30, 2018:

	Government-wide Statement of Net Assets
Cash	$ 417,611
Certificates of deposit, unrestricted	1,941,240
Certificates of deposit, restricted	250,000
Restricted cash for:	
SPLOST capital asset projects	131,445
Confiscated funds	4,701
Total	$ 2,744,997

It is the City's policy for deposits to be secured at 110% by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance.

At year end, the carrying amount of the City's demand and time deposits was $2,744,997 and the bank balance was $2,750,974. The bank balances differ from the carrying amounts due to outstanding checks, deposits in transit, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by a pledging financial institution's agency in the City's name.

[The remainder of page intentionally left blank.]

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning of Year	Increases	Decreases	End of Year
Governmental activities				
Non-depreciable capital assets				
Land	$ 3,559,740	$ -	$ -	$3,559,740
Total capital assets not being depreciated	3,559,740	-	-	3,559,740
Depreciable capital assets				
Infrastructure	567,203	130,879	-	698,082
Buildings	531,436	11,679	-	543,115
Machinery and equipment	111,252	8,995	-	120,247
Vehicles	312,229	27,792	(47,261)	292,760
Total depreciable capital assets	1,522,120	179,345	(47,261)	1,654,204
Less accumulated depreciation				
Infrastructure	132,364	43,521	-	175,885
Buildings	129,979	10,761	-	140,740
Machinery and equipment	86,605	5,056	-	91,661
Vehicles	179,058	38,201	(47,261)	169,998
Total accumulated depreciation	528,006	97,539	(47,261)	578,284
Total depreciable capital assets, net	994,114	81,806	-	1,075,920
Governmental activities capital assets, net	$ 4,553,854	$ 81,806	$ -	$ 4,635,660

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

Governmental activities:	
General government	$ 14,174
Public safety	28,143
Public works	55,222
Total	$ 97,539

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables consist of the local option sales tax receivable in the amount of $35,002 from the State of Georgia and the ad valorem vehicle tax receivable in the amount of $4,947 from Gilmer County Tax Commissioner, totaling $39,949 for General Fund. For the SPLOST 2014 Fund, the special purpose local option sales tax receivable in the amount of $7,505 from Gilmer County Commissioner represents the

total on the fund statement, for a total intergovernmental receivable for all funds of $47,454 as of June 30, 2018.

5. RETIREMENT PLANS

Plan Description. The City's defined benefit pension plan, City of East Ellijay Retirement Plan (CEERP), provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CEERP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities and, for the CEERP, that authority rests with the City. The Georgia Municipal Association issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association or by calling (404) 688-0472.

Membership of the Plan. As of January 1, 2018, the most recent date of the actuarial valuation, plan membership was as follows:

Retirees and beneficiaries	7
Terminated plan members entitled to, but not receiving benefits	12
Active plan members	13
Total	32

Funding Policy. The City is required to contribute at an actuarially determined amount annually to the CEERP. The contribution amount is determined using actuarial methods and assumptions approved by the GMEBS Board of Trustees and meets applicable State of Georgia funding standards. The recommended contribution for the plan year beginning January 1, 2018 of $37,537 is 9,53% of annual covered payroll, and includes the annual required contribution, administrative fees, and an adjustment for timing contributions over twelve months. The City's actual contribution during the year ended June 30, 2018 of $89,008 was based, in part, on the previous recommended contribution for the plan year beginning January 1, 2018, in addition to amounts contributed in excess of minimum contributions by the Mayor and City Council. Plan members are not required to contribute to the plan. Only the City makes contributions to the plan. Employees become eligible immediately upon employment and become vested in the plan after ten years of service if hired or rehired after November 1, 2004, and five years of service if hired or rehired before November 1, 2004, with service prior to April 1, 1983 not to be credited. Contributions and interest forfeited by employees who leave employment before ten years of service are used to reduce the City's current period contribution requirement.

Net Pension Asset

The City's total pension liability nested with the fiduciary net position resulted in a net pension asset as shown in the Statement of Net Position. The asset was measured as of September 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

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 comparted 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 effects as of January 1, 2018.

The assumptions used in the January 1, 2018 actuarial valuation are as follows:

Actuarial Cost Method	Entry age method
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A
Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value
Actuarial Assumptions:	
Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Amortization Period of UAAL	30 years

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

Disabled Retiree Mortality Table with sex-distinct rates. The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four year review of mortality experience for the period January 1, 2010 to June 30, 2014.

The mortality and economic actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	45%	6.71%	6.71%
International equity	20%	7.71%	7.71%
Global fixed income	5%	3.36%	3.36%
Domestic fixed income	20%	2.11%	2.11%
Real estate	10%	5.21%	5.21%
Cash	0%		
Total	100%		

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

[The remainder of page intentionally left blank.]

Changes in the Net Pension Liability (Asset)

	Increases (Decreases)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (Asset) (c)
Balances at September 30, 2016	$ 829,083	$ 776,531	$ 52,552
Changes for the year:			
Service Cost	23,204	-	23,204
Interest	62,589	-	62,589
Differences between Expected and Actual experience	(6,596)	-	(6,596)
Contributions – employer	-	86,185	(86,185)
Contributions – employee	-	-	-
Net investment income	-	117,197	(117,197)
Benefit payments, including refunds of employee contributions	(42,963)	(42,963)	-
Administrative expense	-	(10,257)	10,257
Other	18,846	-	18,846
Net Changes	55,080	150,162	(95,082)
Balances at September 30, 2017	$ 884,163	$ 926,693	$ (42,530)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability (asset)	$82,855	($42,530)	($146,652)

Pension plan fiduciary net position. Detailed information about the Plan's fiduciary net position is available in the separately issued GMEBS financial report.

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

For the year ended June 30, 2018, the City recognized pension expense of $62,099. At June 30, 2018, 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 experience	$ 20,462	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	10,056	
	30,518	(66,497)
Deferred pension contributions (after measurement date)	29,256	-
Total Deferred (Inflows) and Outflows - ending	$ 59,774	$ (66,497)

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:	Inflows	Outflows
2019	($22,014)	$ 16,363
2020	($17,767)	$ 14,155
2021	($15,568)	-
2022	($11,148)	-
Thereafter	-	-

6. COMMITMENTS, CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The City has entered into various agreements and contracts in the normal course of business. Such agreements do not give rise to assets or liabilities considered to be material at June 30, 2018. In addition, subsequent events were evaluated through the date of the report, November 8, 2018. No items were noted that warranted disclosure or inclusion in the financial statements.

7. RISK MANAGEMENT

The City of East Ellijay is exposed to various risks of loss related to torts; theft of, damage to, destruction of assets; errors and omissions; and workers' compensation for which the City carries insurance coverage.

There are no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pools

The City has insurance coverage with a local insurance agency. Insurance coverage and deductible options for property, casualty, and crime under the policy are selected by the City's management based on anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by the agency, as well as following loss reduction and prevention procedures established by the agency. The agency's responsibility includes paying claims, and representing the City in defense and settlement of claims. The agency's basis for estimating the liabilities for unpaid claims is established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims which the City is liable up to the applicable deductible which were outstanding and unpaid at June 30, 2018. No provisions have been made in the financial statements for the year ended June 30, 2018 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMWCASIF), a risk management agency created under Georgia law. As a participant in the GMWCASIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statue creating GMWCASIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the basic financial statements for this contingency, as management believes the likelihood for assessment is remote.

8. JOINT VENTURE

The City of East Ellijay, Georgia, in conjunction with cities and counties in a fifteen (15) county area, is a member of the Northwest Georgia Regional Commission (NWGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989 and House Bill 1216) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the NWGRC. The City paid their annual dues to the NWGRC for the year ended June 30, 2018. The NWGRC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a

resident (but not an elected or appointed official or employee of the county or municipality) to serve as the nonpublic Board member from a county. The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defined these commissions as "public agencies and instrumentalities of their member." Georgia laws also provide that the member governments are liable for any debts or obligations of the regional commission beyond its resource (O.C.G.A. 50-8-39.1). A copy of the audited financial statements of the Northwest Georgia Regional Commission may be obtained from their office at 1 Jackson Hill Drive, Rome, Georgia 30162.

The City of East Ellijay, Georgia, in conjunction with the City of Ellijay, Georgia and Gilmer County, Georgia have formed the Joint Development Authority of Gilmer County under the official Code of Georgia Section 36-62-5.1 (the Development Authorities Law). The three participating jurisdictions of the Authority are responsible for the budget of the Authority. Each jurisdiction appoints two members of the board of directors of the Authority. The City of East Ellijay contributed 9% of the fiscal year 2017 budget. A copy of the agreed-upon procedures of the Development may be reviewed, and can be obtained from the Authority at 696 First Avenue, East Ellijay, Georgia 30540.

9. HOTEL/MOTEL TAX

The City has levied a 3% lodging tax. During 2018, the City collected $81,336 of lodging tax. The City is required by State law to expend a percentage of the total taxes collected which is not less than the percentage of tax collections expended for such purposes during the immediately preceding fiscal year. The City expended 67% of the tax collections through a funding agreement between the City and the Gilmer County Chamber of Commerce. The City has therefore complied with the provisions of OCGA 48-13-51 of the State of Georgia.

10. RESTRICTED NET POSITION AND FUND EQUITY

Restricted – The following components of net position and fund balance are restricted for the following purposes:

Capital projects financed with SPLOST tax revenues	$388,950
Public safety expenditures specific to program purposes	6,448
	$395,398

Assigned – The following components of fund balance are assigned for:

Tourism and city improvement expenditures specific to program purposes	$ 28,422

Nonspendable – The following components of und balance are nonspendable because:

Prepaid items	$ 10,747

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST ELLIJAY, GEORGIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total pension liability	**2018**	**2017**	***2016-2007**
Service cost	$ 23,204	$ 19,974	*
Interest	62,589	58,946	*
Differences between expected and actual experience	(6,596)	6,623	*
Changes in assumptions	15,085	-	*
Changes of benefit terms	3,761	-	*
Benefit payments, including refunds of employee contributions	(42,963)	(34,114)	*
Net change in total pension liability	55,080	51,429	
Total pension liability – beginning	829,083	777,654	
Total pension liability – ending (a)	$ 884,163	$ 829,083	
Plan fiduciary net position			
Contributions – employer	$ 86,185	$ 59,421	*
Contributions – employee	-	-	
Net investment income	117,197	75,665	*
Benefit payments, including refunds of employee contributions	(42,963)	(34,114)	*
Administrative expense	(10,257)	(5,867)	*
Other	-	-	
Net change in fiduciary net position	150,162	95,105	
Plan fiduciary net position – beginning	776,531	681,426	
Plan fiduciary net position – ending (b)	$ 926,693	$ 776,531	
Net pension liability (asset) – ending (a)-(b)	$ (42,530)	$ 52,552	
Plan's fiduciary net position as a percentage of the total pension liability	104.81%	93.66%	
Covered employee payroll	$ 388,393	$ 397,263	
Net pension liability (asset) as a percentage of covered employee payroll	(10.95%)	13.23%	

*(Historical information prior to implementation of GASB 67/68 is not required)

CITY OF EAST ELLIJAY, GEORGIA
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule of City's Contributions

	2018	2017	**2014-2006
Actuarially determined contribution	--*	$ 35,244	
Contributions in relation to the actuarially determined contribution	--*	65,244	
Contribution deficiency (excess)	--*	(30,000)	
Covered-employee payroll	--*	$397,263	
Contributions as a percentage of covered employee payroll	--*	16.42%	

*2018 information will be determined after fiscal year end and will be included in 2019 valuation report.
**Historical information prior to implementation of GASB 67/68 is not required

Notes to Schedule of Contributions

Valuation date:

The actuarially determined contribution rate was determined as of January 1, 2018, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A
Asset Valuation Method	Sum of actuarial value at the 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
Net Investment Rate of Return	7.50%
Projected Salary Increases	2.75% plus service based merit increases
Cost of Living Adjustments	0.00%
Inflation	2.75%
Retirement age	65 years old for inactive vested employees, active employees 65-69 at 60%, 70 and over 100%

CITY OF EAST ELLIJAY, GEORGIA
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Mortality	RP-2000 Combined Healthy Mortality Table and RP-2000 Disabled Retiree Mortality Table

Changes in Assumptions

Amounts reported for the fiscal year ending in 2018 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2017:

- The mortality table for disabled participants was changed to remove the two year set forward for males and the one year set forward for females.
- The turnover rates were updated to introduce selected rates for services less than five years to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The selected period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65-69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55-59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65-6, and 100% at age 70.
- The inflation assumption was decreased from 3.25 to 2.75%
- The salary increase assumption was changed from select period rates during the the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged 3.75% to 8.00% and include an inflation assumption of 3.5% Under the new assumption, the salary increases range from 3.25% to 8.25% and include an inflation assumption of 2.75%

Benefit Changes

Effective January 1, 2015, the Plan was amended to provide for immediate participation for employees. This change has no impact on service credited under the Plan and has no impact on benefits.

OTHER SUPPLEMENTARY INFORMATION

CITY OF EAST ELLIJAY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds		Capital Projects Fund		
ASSETS	Confiscated Assets	Hotel/Motel Tax	SPLOST	SPLOST 2014	Total
Cash	$ 4,701	$ 24,878	$ 101,362	$ 30,083	$ 161,024
Investments	-	-	-	250,000	250,000
Receivables					
Taxes	-	7,776	-	-	7,776
Intergovernmental	-	-	-	7,505	7,505
TOTAL ASSETS	$ 4,701	$ 32,654	$ 101,362	$ 287,588	$ 426,305
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 117	$ 4,232	$ -	$ -	$ 4,349
Total Liabilities	117	4,232	-	-	4,349
Fund Balances					
Restricted					
Capital Projects	-	-	101,362	287,588	388,950
Public Safety	4,584	-	-	-	4,584
Assigned					
Housing and Development	-	28,422	-	-	28,422
Total Fund Balances	4,584	28,422	101,362	287,588	421,956
TOTAL LIABILITIES AND FUND BALANCES	$ 4,701	$ 32,654	$ 101,362	$ 287,588	$ 426,305

CITY OF EAST ELLIJAY, GEORGIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		Capital Projects Fund		
	Confiscated Assets	Hotel/Motel Tax	SPLOST	SPLOST 2014	Total
REVENUES					
Selective sales and use tax	$ -	$ 81,336	$ -	$ -	$ 81,336
Intergovernmental	-	-	-	82,310	82,310
Confiscations	14,667	-	-	-	14,667
Charges for services	144	-	-	-	144
Investment earnings	1	45	94	-	140
Total revenues	14,812	81,381	94	82,310	178,597
EXPENDITURES					
Current					
General government	-	6,679	-	-	6,679
Public safety	10,782	10,650	-	-	21,432
Public works	-	-	88,239	-	88,239
Housing and development	-	56,105	-	-	56,105
Total expenditures	10,782	73,434	88,239	-	172,455
Net change in fund balances	4,030	7,947	(88,145)	82,310	6,142
Fund balances, beginning of year	554	20,475	189,507	205,278	415,814
Fund balances, end of year	$ 4,584	$ 28,422	$ 101,362	$ 287,588	$ 421,956

CITY OF EAST ELLIJAY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
2014 SPLOST						
Road, street and bridge purposes to include sidewalks and bicycle paths	$ 42,170	$ 42,170	$ -	$ -	$ -	0.00%
	$ 42,170	$ 42,170	$ -	$ -	$ -	
2009 SPLOST						
Road, street and bridge purposes to include sidewalks and bicycle paths	$ 1,054,900	$ 1,054,900	$ 466,806	$ 88,239	$ 555,045	52.62%
	$ 1,054,900	$ 1,054,900	$ 466,806	$ 88,239	$ 555,045	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE

WELCH WALKER
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

540 N. MAIN STREET
JASPER, GA 30143
PH (706) 253-3700 FAX (706) 253-5973

489 HIGHLAND CROSSING
SUITE 208
EAST ELLIJAY, GA 30540
PH (706) 515-2000 FAX (706)515-2011

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 City Council
City of East Ellijay, 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, each major fund, and the aggregate remaining fund information of the City of East Ellijay, Georgia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of East Ellijay, Georgia's basic financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control over Financial Reporting

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

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.

Welch, Walker + Associates, P.C., CPAs

East Ellijay, Georgia
November 8, 2018