CITY OF EAST ELLIJAY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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CITY OF EAST ELLIJAY, GEORGIA

FINANCIAL SECTION

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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, 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, 2021, 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, 2021, and the respective changes in financial position, and the respective budgetary comparison of 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, schedule of change in net pension asset and related ratios, and schedule of contributions and related notes on pages 8-12 and 38-40 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 local option sales tax is presented for purposes of additional analysis as required by Official Code of Georgia 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 construction with special local option sale tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 local option sales tax 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 June 3, 2022, 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, PC, CPAs

East Ellijay, Georgia
June 3, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THE AUDIT FOR 2021

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, 2021. 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 14. The Statement of Activities begins on page 15. 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 2021 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 16 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 17 and 19) 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).

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CONDENSED STATEMENTS OF NET POSITION

Table 1 below presents the City's Condensed Statement of Net Position as of June 30, 2021.

	Governmental Activities	
	2021	2020
Current and other assets	$ 2,085,671	$ 3,482,903
Noncurrent assets	6,849,175	4,870,580
Deferred outflow of resources	122,154	62,820
Total assets and deferred outflows of resources	9,057,000	8,416,303
Current liabilities	47,436	38,472
Noncurrent liabilities	-	-
Deferred inflow of resources	9,935	2,445
Total liabilities and deferred inflows of resources	57,371	40,917
Net Position		
Invested in capital assets	4,682,621	4,768,585
Restricted for capital projects	556,591	409,454
Reserved for other purposes	27,357	3,525
Unrestricted	3,733,060	3,193,822
Total net position	$ 8,999,629	$ 8,375,386

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.

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CONDENSED STATEMENT OF ACTIVITIES

Table 2 below presents the City's Condensed Statement of Activities for the year ended June 30, 2021. 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	
	2021	2020
Revenues		
Program revenues		
Charges for services	$ 445,126	$ 391,273
Operating contributions	70,812	20,122
Capital contributions	147,137	106,479
General revenues		
Taxes		
Sales	746,402	885,103
Other	705,582	304,511
Unrestricted investment earnings	22,815	44,269
Gain (Loss) on sale of capital assets	-	(9,530)
Miscellaneous	191	1,816
Total revenues	2,138,065	1,744,043
Expenses		
General government	260,311	263,488
Judicial	218,235	192,372
Public safety	666,817	666,563
Public works	217,942	199,405
Housing and development	150,517	137,724
Total expenses	1,513,822	1,459,552
Increase in net position	624,243	284,491
Net position – beginning	8,375,386	8,090,895
Net position – ending	$ 8,999,629	$ 8,375,386

During the year ended June 30, 2021, the net position of the government activities increased $624,243 or 7%. Approximately 35% of the City's governmental activities revenues came from sales taxes and approximately 33% 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 $3,874,535 with $3,194,876 reported as unassigned fund balance, $583,948 restricted for capital projects and program purposes, $124 committed for tax revenues contractually payable to other organizations, $86,239 assigned by Mayor and Council for program purposes, and $9,348 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 $3,194,876. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures for fiscal year 2021. Unassigned fund balance represents 219% of total General Fund expenditures. The net change in the General fund's fund balance for the year ended June 30, 2021, was an increase of $375,881.

General Fund Budgetary Highlights

During fiscal year 2021, the City did exceed budgeted expenditures in the Executive department of the general government function. This is due to additional amounts paid into the City of East Ellijay Retirement Plan.

Capital Asset Activity

At June 30, 2021, the City reported $4,682,621 in capital assets, net of accumulated depreciation. During fiscal year 2021, the City purchased one mower for use in the Public Works function. Refer to note 3 on page 28 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. 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, 2021

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash	
Cash	$ 800,489
Restricted cash	226,322
Investments	368,324
Restricted investments	345,621
Taxes receivable	49,935
Fines receivable, net	213,753
Intergovernmental receivables	71,879
Prepaid items	9,348
Total Current Assets	2,085,671
Noncurrent Assets	
Net pension asset	166,554
Annuity contracts	2,000,000
Capital assets	
Land and other assets, not being depreciated	3,559,740
Depreciable assets, net	1,122,881
Total Noncurrent Assets	6,849,175
Deferred Outflow of Resources	
Pension costs	122,154
Total Deferred Outflow of Resources	122,154
Total Assets and Deferred Outflows of Resources	9,057,000
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities	
Accounts payable	27,110
Salaries and wages payable	20,326
Total Current Liabilities	47,436
Deferred Inflow of Resources	
Pension costs	9,935
Total Deferred Inflow of Resources	9,935
Total Liabilities and Deferred Inflows of Resources	57,371
NET POSITION	
Investment in capital assets	4,682,621
Restricted for:	
Capital Projects	556,591
Program purposes:	
Public Safety	27,357
Unrestricted	3,733,060
Total Net Position	$ 8,999,629

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, 2021

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	$ 260,311	$ 64,368	$ -	$ -	$ (195,943)
Judicial	218,235	-	-	-	(218,235)
Public safety	666,817	380,758	25,989	-	(260,070)
Public works	217,942	-	44,823	147,137	(25,982)
Housing and development	150,517	-	-	-	(150,517)
Total governmental activities	$ 1,513,822	$ 445,126	$ 70,812	$ 147,137	(850,747)
General revenues					
Taxes					
General sales and use taxes					633,792
Selective sales and use taxes					112,610
Franchise taxes					142,413
Business taxes					563,169
Unrestricted investment earnings					22,815
Miscellaneous					191
Total general revenues					1,474,990
Change in net position					624,243
Net position, beginning of year					8,375,386
Net position, end of year					$ 8,999,629

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

CITY OF EAST ELLIJAY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
ASSETS				
Current				
Cash	$ 718,511	$ 198,200	$ 109,436	$ 1,026,147
Cash, restricted	664	-	-	664
Investments	368,324	345,621	-	713,945
Receivables				
Taxes	36,689	-	13,246	49,935
Fines, net of allowance	213,753	-	-	213,753
Intergovernmental	59,109	12,770	-	71,879
Prepaid items	9,348	-	-	9,348
Interfund	-	-	664	664
Non-current				
Annuity contracts	2,000,000	-	-	2,000,000
TOTAL ASSETS	$ 3,406,398	$ 556,591	$ 123,346	$ 4,086,335
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 17,484	$ -	$ 9,626	$ 27,110
Salaries and wages payable	20,326	-	-	20,326
Restricted liabilities:				
Interfund payable	664	-	-	664
Total Liabilities	38,474	-	9,626	48,100
Deferred Inflows of Resources				
Deferred fine revenue	163,700	-	-	163,700
Total Liabilities and Deferred Inflows of Resources	202,174	-	9,626	211,800
Fund Balances				
Nonspendable	9,348	-	-	9,348
Restricted for				
Capital Projects	-	556,591	-	556,591
Public Safety	-	-	27,357	27,357
Committed				
Housing and Development	-	-	124	124
Assigned				
Housing and Development	-	-	86,239	86,239
Unassigned	3,194,876	-	-	3,194,876
Total Fund Balances	3,204,224	556,591	113,720	3,874,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,406,398	$ 556,591	$ 123,346	$ 4,086,335

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, 2021

Total fund balance - governmental funds	$	3,874,535
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of $5,450,326 net of accumulated depreciation of $767,705 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.		4,682,621
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		122,154
Net pension asset		166,554
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		(9,935)
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		163,700
Net position of governmental activities	$	8,999,629

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, 2021

	General Fund	SPLOST	Nonmajor Funds	Total
REVENUES				
General sales and use taxes	$ 633,792	$ -	$ -	$ 633,792
Selective sales and use taxes	-	-	112,610	112,610
Franchise taxes	142,413	-	-	142,413
Other taxes	563,169	-	-	563,169
Fines and forfeitures	362,105	-	8,377	370,482
Licenses and permits	64,368	-	-	64,368
Intergovernmental	44,823	139,887	-	184,710
Confiscations	-	-	25,989	25,989
Investment earnings	22,755	7,250	60	30,065
Miscellaneous	191	-	-	191
Total revenues	1,833,616	147,137	147,036	2,127,789
EXPENDITURES				
Current				
General government	275,397	-	-	275,397
Judicial	229,005	-	-	229,005
Public safety	695,360	-	10,535	705,895
Public works	183,447	-	-	183,447
Housing and development	74,526	-	75,991	150,517
Total expenditures	1,457,735	-	86,526	1,544,261
Net change in fund balances	375,881	147,137	60,510	583,528
Fund balances, beginning of year	2,828,343	409,454	53,210	3,291,007
Fund balances, end of year	$ 3,204,224	$ 556,591	$ 113,720	$ 3,874,535

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, 2021

Net change in fund balances - governmental funds		$ 583,528
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 depreciation expense of $96,959 exceeded captial outlays of $10,995 in the current period.		(85,964)
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.		116,403
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, 2020	(153,424)	
Deferred June 30, 2021	163,700	10,276
Change in net position of governmental activities		$ 624,243

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, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Taxes	$ 1,002,000	$ 1,002,000	$ 1,339,374	$ 337,374
Fines and forfeitures	320,000	320,000	362,105	42,105
Licenses and permits	66,000	66,000	64,368	(1,632)
Intergovernmental	18,000	18,000	44,823	26,823
Investment earnings	40,000	40,000	22,755	(17,245)
Miscellaneous	200	200	191	(9)
Total revenues	1,446,200	1,446,200	1,833,616	387,416
EXPENDITURES				
General government:				
Executive	33,000	33,000	42,493	(9,493)
General administration	571,789	571,789	232,904	338,885
Judicial				
Municipal court	262,100	262,100	229,005	33,095
Public safety				
Police	735,100	735,100	680,360	54,740
Fire	15,000	15,000	15,000	-
Public works				
Highways and streets	190,364	190,364	141,419	48,945
Solid waste	44,000	44,000	42,028	1,972
Housing and development				
Planning and code enforcement	106,491	106,491	74,526	31,965
Total expenditures	1,957,844	1,957,844	1,457,735	500,109
Excess (Deficiency) of Revenues Over Expenditures	(511,644)	(511,644)	375,881	887,525
Other Financing Sources (Uses)				
Transfers	511,644	511,644	-	(511,644)
Total Other Financing Sources (Uses)	511,644	511,644	-	(511,644)
Net change in fund balance	-	-	375,881	375,881
Fund balance, beginning of year	2,828,343	2,828,343	2,828,343	-
Fund balance, end of year	$ 2,828,343	$ 2,828,343	$ 3,204,224	$ 375,881

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, 2021, 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 2021 totaled $222,001. An allowance for uncollectible fines of $8,248 was established resulting in a net receivable of $213,753 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.

Capital Project Fund (SPLOST) - The Special Purpose Local Option Sales Tax Fund (SPLOST) Fund is used to account for the revenues and expenditures related to the 2020 1% Special Local Option Sales Tax, authorized by special election, that is to be used for road, street and bridge purposes.

Additionally, the City reports the following fund type:

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, Technology Fees Fund, and the Confiscated Assets Fund.

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. During fiscal year 2021, there was one budget overrun in the Executive department of the General Government function due to additional payments into the City of East Ellijay Retirement Plan.

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.
- *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.
- *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.

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, 2021:

	Government-wide Statement of Net Assets
Cash	$ 800,489
Certificates of deposit, unrestricted	368,324
Certificates of deposit, restricted	345,621
Restricted cash for:	
SPLOST capital asset projects	198,200
Confiscated funds	22,438
Technology funds	5,684
Total	$ 1,740,756

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 $1,740,756 and the bank balance was $1,747,281. 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.

At year end, the City's non-current investments consisted of life insurance annuities totaling $2,000,000, with a contract of $1,000,000 at Woodmen of the World, and a contract of $1,000,000 at Cetera Investments. At June 30, 2021, the market value of the annuities totaled $2,020,687. However, subsequent to year end, it was determined these investments did not meet State of Georgia legal requirements for allowable investments by the City. Upon removing funds from these annuities, the City was required to forfeit interest earned through the date of withdraw. Therefore, the annuities are presented on the financial statements as the amount of principal invested, totaling $2,000,000. These funds were not insured by Federal Depository Insurance nor collateral held by a pledging institution.

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3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning of Year	Increases	Decreases	Reclassifications	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	935,103	-	-	-	935,103
Buildings	543,115	-	-	-	543,115
Machinery and equipment	120,247	10,995	-	-	131,242
Vehicles	281,126	-	-	-	281,126
Total depreciable capital assets	1,879,591	10,995	-	-	1,890,586
Less accumulated depreciation					
Infrastructure	249,992	40,443	-	-	290,435
Buildings	163,586	11,407	-	-	174,993
Machinery and equipment	99,021	5,808	-	-	104,829
Vehicles	158,147	39,301	-	-	197,448
Total accumulated depreciation	670,746	96,959	-	-	767,705
Total depreciable capital assets, net	1,208,845	(85,964)	-	-	1,122,881
Governmental activities capital assets, net	$ 4,768,585	$ (85,964)	$ -	$ -	$ 4,682,621

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

Governmental activities:	
General government	$ 14,365
Public safety	27,443
Public works	55,151
Total	$ 96,959

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables consist of the local option sales tax receivable in the amount of $57,390 from the State of Georgia and the ad valorem vehicle tax receivable in the amount of $1,719 from Gilmer County Tax Commissioner, totaling $59,109 for General Fund. For the SPLOST Fund, the special purpose local option sales tax receivable in the amount of $12,770 from Gilmer County Commissioner represents the

total on the fund statement, for a total intergovernmental receivable for all funds of $71,879 as of June 30, 2021.

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, 2021, 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	13
Active plan members	14
Total	34

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, 2020 which applied to the current fiscal year 2021 of $36,220 is 8.26% 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, 2021 of $146,220 was based, in part, on the previous recommended contribution for the plan year beginning January 1, 2020, 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 netted 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, 2020, 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, 2021.

The assumptions used in the January 1, 2021 actuarial valuation are as follows:

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
Actuarial Assumptions:	
Net Investment Rate of Return	7.375%
Projected Salary Increases	2.25% plus service-based merit increases
Cost of Living Adjustments	0.00%
Amortization Period of UAAL	30 years

Mortality rates were based on the sex-distinct Pri-2012 head-count weighted Mortality Table with rates multiplied by 1.25 and the sex-distinct Pri-2012 headcount weighted Disabled Retiree Mortality Table with rates multiplied by 1.25. Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct 2019 OASDI Trustees Report. Previously future mortality improvements were not explicitly projected.

The mortality and economic actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study covering the period January 1, 2015 to June 30, 2019.

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 March 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.40%
International equity	20%	7.05%
Global fixed income	5%	1.25%
Domestic fixed income	20%	1.15%
Real estate	10%	4.50%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.375 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.

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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, 2019	$ 1,029,487	$ 1,131,482	$ (101,955)
Changes for the year:			
Service Cost	21,809	-	21,809
Interest	76,109	-	76,109
Differences between Expected and Actual experience	29,027	-	29,027
Changes of assumptions	-	-	-
Contributions – employer	-	90,397	(90,397)
Contributions – employee	-	-	-
Net investment income	-	110,076	(110,076)
Benefit payments, including refunds of employee contributions	(38,616)	(38,616)	-
Administrative expense	-	(8,969)	8,969
Other	-	-	-
Net Changes	88,329	152,888	(64,559)
Balances at September 30, 2020	$ 1,117,816	$ 1,284,370	$ (166,554)

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 7.375%, 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 (6.375%) or one percentage point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability (asset)	($13,356)	($166,554)	($293,827)

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, 2021, the City recognized pension expense of $29,817. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,124	$ -
Changes of assumptions	7,865	-
Net difference between projected and actual earnings on pension plan investments	-	(9,935)
	34,989	(9,935)
Deferred pension contributions (after measurement date)	87,165	-
Total Deferred (Inflows) and Outflows - ending	$ 122,154	$ (9,935)

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
2022	$(10,491)	$25,313
2023	657	9,676
2024	4,909	-
2025	(5,010)	-
2026	-	-
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, 2021. In addition, subsequent events were evaluated through the date of the report, June 3, 2022. The City received grant funds in the amount of $106,246 from CARES Act in July 2021. These funds were utilized in the subsequent fiscal year.

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, 2021. No provisions have been made in the financial statements for the year ended June 30, 2021 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, 2021. 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 2021 budget. A copy of the agreed-upon procedures of the Development may 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 2021, the City collected $112,610 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 66% 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. INTERFUND BALANCES

During the fiscal year, the General Fund collected $664 of technology fees that had not yet been transferred to the nonmajor fund, Technology Fund, at June 30, 2021. This is presented as an interfund balance in the Governmental Funds Balance Sheet.

11. 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	$556,591
Public safety expenditures specific to program purposes	27,357
	$583,948

Committed – The following components of fund balance are committed for:

Portion of Hotel/Motel tax revenues contractually payable to local tourism organizations	$ 124

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

Tourism and city improvement expenditures specific to program purposes	$ 86,239

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

Prepaid items	$ 9,348

12. MATERIAL VIOLATION OF FINANCE-RELATED LEGAL PROVISIONS

During fiscal year 2021, the City invested $2,000,000 in life insurance annuities with Cetera Investments and Woodmen of the World. It was later determined that these were not legally allowable investments for a municipality in the State of Georgia. As of the date of this audit report, the principal invested in the annuities has been withdrawn, and the City was required to forfeit all earnings on the principal invested as a penalty for early termination of the contract. The forfeited amounts earned at June 30, 2021 were $5,893 at Woodmen of the World and $14,794 at Cetera Investments. The amount forfeited in total, including amounts earned subsequent to year end was $45,856. No additional penalties were assessed for early termination of the annuity contracts other than forfeiture of interest earned.

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, 2021

Total pension liability	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Service cost	$ 21,809	$ 26,691	$ 20,683	$ 23,204	$ 19,974	$ 18,963
Interest	76,109	69,911	66,402	62,589	58,946	49,457
Differences between expected and actual experience	29,027	23,315	(7,334)	(6,596)	6,623	88,182
Changes in assumptions	-	23,595	-	15,085	-	-
Changes of benefit terms	-	-	-	3,761	-	-
Benefit payments, including refunds of employee contributions	(38,616)	(38,969)	(38,970)	(42,963)	(34,114)	(34,217)
Net change in total pension liability	88,329	104,543	40,781	55,080	51,429	122,385
Total pension liability – beginning	1,029,487	924,944	884,163	829,083	777,654	655,269
Total pension liability – ending (a)	$1,117,816	$1,029,487	$ 924,944	$884,163	$829,083	$777,654
Plan fiduciary net position						
Contributions – employer	$ 90,397	$ 88,600	$ 88,640	$ 86,185	$ 59,421	$ 58,053
Contributions – employee	-	-	-	-	-	-
Net investment income	110,076	31,379	92,271	117,197	75,665	6,039
Benefit payments, including refunds of employee contributions	(38,616)	(38,969)	(38,970)	(42,963)	(34,114)	(34,217)
Administrative expense	(8,969)	(8,722)	(9,440)	(10,257)	(5,867)	(6,628)
Other	-	-	-	-	-	-
Net change in fiduciary net position	152,888	72,288	132,501	150,162	95,105	23,247
Plan fiduciary net position – beginning	1,131,482	1,059,194	926,693	776,531	681,426	658,179
Plan fiduciary net position – ending (b)	$1,284,370	$1,131,482	$1,059,194	$926,693	$776,531	$681,426
Net pension liability (asset) – ending (a)-(b)	$(166,554)	$(101,995)	$(134,250)	$(42,530)	$ 52,552	$ 96,228
Plan's fiduciary net position as a percentage of the total pension liability	114.90%	109.91%	114.51%	104.81%	93.66%	87.63%
Covered employee payroll	$ 471,871	$ 433,559	$ 438,704	$388,393	$397,263	$365,932
Net pension liability (asset) as a percentage of covered employee payroll	(35.30%)	(23.53%)	(30.60%)	(10.95%)	13.23%	26.30%

*(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, 2021

Schedule of City's Contributions

	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	--*	$ 41,789	$ 37,537	$ 39,008	$ 35,244	$ 27,480
Contributions in relation to the actuarially determined contribution	--*	$ 94,917	$ 84,409	89,008	65,244	47,480
Contribution deficiency (excess)	--*	(53,128)	(46,872)	(50,000)	(30,000)	(20,000)
Covered-employee payroll	--*	$433,559	$438,704	$388,393	$397,263	$365,932
Contributions as a percentage of covered employee payroll	--*	21.89%	19.24%	22.92%	16.42%	12.98%

*2021 information will be determined after fiscal year end and will be included in 2021 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, 2021, 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, 2021.

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	7.375%
Projected Salary Increases	2.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Inflation	2.25%

Retirement age	65 years old for inactive vested employees, active employees 65-69 at 60%, 70 and over 100%
Mortality	Pri-2012 head-count weighted Employee Mortality Table

Changes in Assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on the results of an actuarial experience study conducted in November and December of 2019:

- 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 changed from the greater of age-based rates and select rates for the first five years of service followed by age-based rates thereafter to service-based rates only.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 70 to the new assumption of 35% at ages 65, 25% at ages 66-70 and 100% at age 72 and older. 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 5% at ages 55-59, 7% ages 61 to 62, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66-71 and 100% at ages 72 and older.
- The inflation assumption was decreased from 2.75 to 2.25%
- The salary increase assumption was changed from a service-based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service-based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The investment return assumption was decreased from 7.50% to 7.375%.

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.

Effective September 12, 2017, the Officials' benefit multiplier was increased from $18 to $20.

OTHER SUPPLEMENTARY INFORMATION

CITY OF EAST ELLIJAY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			
	Confiscated Assets	Hotel/Motel Tax	Technology Fees	Total
ASSETS				
Cash	$ 22,438	$ 81,314	$ 5,684	$ 109,436
Receivables				
Taxes	-	13,246	-	13,246
Interfund	-	-	664	664
TOTAL ASSETS	$ 22,438	$ 94,560	$ 6,348	$ 123,346
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 917	$ 8,197	$ 512	$ 9,626
Total Liabilities	917	8,197	512	9,626
Fund Balances				
Restricted				
Public Safety	21,521	-	5,836	27,357
Committed				
Housing and Development	-	124	-	124
Assigned				
Housing and Development	-	86,239	-	86,239
Total Fund Balances	21,521	86,363	5,836	113,720
TOTAL LIABILITIES AND FUND BALANCES	$ 22,438	$ 94,560	$ 6,348	$ 123,346

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, 2021

	Special Revenue Funds			
	Confiscated Assets	Hotel/Motel Tax	Technology Fees	Total
REVENUES				
Selective sales and use tax	$ -	$ 112,610	$ -	$ 112,610
Technology fees	-	-	8,377	8,377
Intergovernmental	-	-	-	-
Confiscations	25,989	-	-	25,989
Investment earnings	1	59	-	60
Total revenues	25,990	112,669	8,377	147,036
EXPENDITURES				
Current				
Public safety	5,860	-	4,675	10,535
Public works	-	-	-	-
Housing and development	-	75,991	-	75,991
Capital Outlay				
Pulic works	-	-	-	-
Total expenditures	5,860	75,991	4,675	86,526
Excess of Revenues Over Expenditures	20,130	36,678	3,702	60,510
Net change in fund balances	20,130	36,678	3,702	60,510
Fund balances, beginning of year	1,391	49,685	2,134	53,210
Fund balances, end of year	$ 21,521	$ 86,363	$ 5,836	$ 113,720

CITY OF EAST ELLIJAY, GEORGIA
CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	$ 3,000	$ 3,000	$ 25,989	$ 22,989
Investment earnings	-	-	1	1
Total revenues	3,000	3,000	25,990	22,990
EXPENDITURES				
Public safety				
Police	3,000	3,000	5,860	(2,860)
Total expenditures	3,000	3,000	5,860	(2,860)
Excess (Deficiency) of Revenues Over Expenditures	-	-	20,130	20,130
Net change in fund balance	-	-	20,130	20,130
Fund balance, beginning of year	1,391	1,391	1,391	-
Fund balance, end of year	$ 1,391	$ 1,391	$ 21,521	$ 20,130

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

CITY OF EAST ELLIJAY, GEORGIA
TECHNOLOGY FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	$ 8,000	$ 8,000	$ 8,377	$ 377
Total revenues	8,000	8,000	8,377	377
EXPENDITURES				
Public safety				
Police	8,000	8,000	4,675	3,325
Total expenditures	8,000	8,000	4,675	3,325
Excess (Deficiency) of Revenues Over Expenditures	-	-	3,702	3,702
Net change in fund balance	-	-	3,702	3,702
Fund balance, beginning of year	2,134	2,134	2,134	-
Fund balance, end of year	$ 2,134	$ 2,134	$ 5,836	$ 3,702

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

CITY OF EAST ELLIJAY, GEORGIA
HOTEL MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Selective sales and use tax	$ 92,000	$ 92,000	$ 112,610	$ 20,610
Investment earnings	-	-	59	59
Total revenues	92,000	92,000	112,669	20,669
EXPENDITURES				
Housing and development				
Economic development and resources	92,000	92,000	75,991	16,009
Total expenditures	92,000	92,000	75,991	16,009
Excess (Deficiency) of Revenues Over Expenditures	-	-	36,678	36,678
Net change in fund balance	-	-	36,678	36,678
Fund balance, beginning of year	49,685	49,685	49,685	-
Fund balance, end of year	$ 49,685	$ 49,685	$ 86,363	$ 36,678

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

CITY OF EAST ELLIJAY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
2020 SPLOST						
Road, street and bridge purposes to include sidewalks and bicycle paths	$ 434,250	$ 434,250	$ 80,467	$ -	$ 80,467	18.53%
	$ 434,250	$ 434,250	$ 80,467	$ -	$ 80,467	

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

INTERNAL CONTROL AND COMPLIANCE

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

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, 2021, 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 June 3, 2022.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards.* See finding 2021-001.

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, PC, CPAs
East Ellijay, Georgia
June 3, 2022

CITY OF EAST ELLIJAY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

Material Weaknesses:
None noted.

Significant Deficiencies:
None noted.

Instances of Noncompliance with State Law:

2021-001 – Material Violation of Finance-Related Legal Provisions
Criteria: OCGA 36-83-4 specifies the types of investments that municipalities may utilize for public funds.

Condition/Context: During the fiscal year ended June 30, 2021, the City of East Ellijay executed two contracts for life insurance annuities totaling $2,000,000. Life insurance annuities are not an allowable investment type for a municipality in the State of Georgia. The monies invested in the annuities were not protected by FDIC nor were they secured by pledged collateral. Additionally, the bond rating for the issuing insurance companies did not meet the minimum rating standards stipulated in state law.

Cause: In an effort to place monies in an investment that would yield higher returns for the City than the certificates of deposit previously held, management placed $2,000,000 in life insurance annuities with a 10-year investment period.

Effect: The public funds were placed in an investment type other than the investments legally authorized by the Official Code of the State of Georgia. Such funds were not insured or collateralized for the period they were held by the life insurance companies.

Recommendation: We recommend that investment opportunities be reviewed by legal counsel in the future to ensure that the City complies with state law regarding allowable investments.

Response: The City agrees with this finding. During fieldwork, the funds were withdrawn from the life insurance annuities, forfeiting only the interest earned as a penalty for contract termination. The principal invested was returned to the City in full. The City will review all investments in the future to comply with legal requirements related to such matters.