CITY OF EAST ELLIJAY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of East Ellijay, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of East Ellijay, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

City of East Ellijay, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of East Ellijay, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of East Ellijay, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Weed, Walker & Associates, PC, CPAs

City of East Ellijay, Georgia
December 12, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THE AUDIT FOR 2022

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, 2022. 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 2022 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, 2022.

	Governmental Activities	
	2022	2021
Current and other assets	$ 3,227,201	$ 2,085,671
Noncurrent assets	6,331,315	6,849,175
Deferred outflow of resources	17,066	122,154
Total assets and deferred outflows of resources	9,575,582	9,057,000
Current liabilities	73,159	47,436
Deferred inflow of resources	185,842	9,935
Total liabilities and deferred inflows of resources	259,001	57,371
Net Position		
Invested in capital assets	4,999,168	4,682,621
Restricted for capital projects	506,429	556,591
Reserved for other purposes	22,280	27,357
Unrestricted	3,788,704	3,733,060
Total net position	$ 9,316,581	$ 8,999,629

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, 2022. 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	
	2022	2021
Revenues		
Program revenues		
Charges for services	$ 380,683	$ 445,126
Operating contributions	88,553	70,812
Capital contributions	198,780	147,137
General revenues		
Taxes		
Sales	1,220,714	746,402
Other	355,165	705,582
Unrestricted investment earnings	3,673	22,815
Realized loss on investments	(176,017)	-
Gain (Loss) on sale of capital assets	17,995	-
Miscellaneous	796	191
Total revenues	2,090,342	2,138,065
Expenses		
General government	320,527	260,311
Judicial	231,424	218,235
Public safety	732,052	666,817
Public works	294,787	217,942
Housing and development	194,600	150,517
Total expenses	1,773,390	1,513,822
Increase in net position	316,952	624,243
Net position – beginning	8,999,629	8,375,386
Net position – ending	$ 9,316,581	$ 8,999,629

During the year ended June 30, 2022, the net position of the government activities increased $316,952 or 4%. Approximately 38% of the City's governmental activities revenues came from sales taxes and approximately 34% 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 $4,130,611 with $3,323,378 reported as unassigned fund balance, $449,982 restricted for capital projects and program purposes, $821 committed for tax revenues contractually payable to other organizations, $58,671 assigned by Mayor and Council for program purposes, and $29,368 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 $3,323,378. 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 2022. Unassigned fund balance represents 201% of total General Fund expenditures. The net change in the General fund's fund balance for the year ended June 30, 2022, was an increase of $148,522.

General Fund Budgetary Highlights

During fiscal year 2022, there was one budget overrun in the Confiscated Assets fund in the Police department of the Public Safety function. In fiscal year 2021, there was a large confiscation by the police department, and these funds are being utilized in subsequent years to purchase additional equipment needed for the police department. There was also a budget overrun in the Hotel Motel fund in the General Administration function and the Police department of the Public Safety function. These budget overruns were to purchase three vehicles. There was an additional budget overrun in the Technology Fee fund in the Police department of the Public Safety function for additional equipment purchases for the Police department.

Capital Asset Activity

At June 30, 2022, the City reported $4,999,168 in capital assets, net of accumulated depreciation. During fiscal year 2022, the City purchased one tractor for use in the Public Works function, three vehicles for use in the Police Department, and one vehicle for use in the General Government function. The City also resurfaced and striped several miles of roads. 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, 2022

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash	
Cash	$ 2,232,096
Restricted cash	460,547
Cash equivalents	55,221
Investments	156,376
Taxes receivable	58,351
Fines receivable, net	153,837
Intergovernmental receivables	81,405
Prepaid items	29,368
Total Current Assets	3,227,201
Noncurrent Assets	
Net pension asset	508,164
Investments	823,983
Capital assets	
Land and other assets, not being depreciated	3,559,740
Depreciable assets, net	1,439,428
Total Noncurrent Assets	6,331,315
Deferred Outflow of Resources	
Pension costs	17,066
Total Deferred Outflow of Resources	17,066
Total Assets and Deferred Outflows of Resources	9,575,582
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities	
Accounts payable	53,852
Salaries and wages payable	18,503
Unearned grant revenue	804
Total Current Liabilities	73,159
Deferred Inflow of Resources	
Pension costs	185,842
Total Deferred Inflow of Resources	185,842
Total Liabilities and Deferred Inflows of Resources	259,001
NET POSITION	
Investment in capital assets	4,999,168
Restricted for:	
Capital Projects	506,429
Program purposes:	
Public Safety	22,280
Unrestricted	3,788,704
Total Net Position	$ 9,316,581

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, 2022

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	$ 320,527	$ 59,705	$ 10,000	$ -	$ (250,822)
Judicial	231,424	-	5,000	-	(226,424)
Public safety	732,052	320,978	41,959	39,938	(329,177)
Public works	294,787	-	26,594	158,842	(109,351)
Housing and development	194,600	-	5,000	-	(189,600)
Total governmental activities	$ 1,773,390	$ 380,683	$ 88,553	$ 198,780	(1,105,374)
General revenues					
Taxes					
General sales and use taxes					685,320
Personal property taxes					35,139
Selective sales and use taxes					535,394
Franchise taxes					153,400
Business taxes					166,626
Unrestricted investment earnings					3,673
Realized loss on investments					(176,017)
Miscellaneous					796
Gain on disposal of capital assets					17,995
Total general revenues					1,422,326
Change in net position					316,952
Net position, beginning of year					8,999,629
Net position, end of year					$ 9,316,581

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

CITY OF EAST ELLIJAY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	SPLOST	Nonmajor Governmental Funds	Total
ASSETS				
Current				
Cash	$ 2,178,565	$ 355,904	$ 79,447	$ 2,613,916
Cash, restricted	78,727	-	-	78,727
Cash equivalents	55,221	-	-	55,221
Investments	156,376	-	-	156,376
Receivables				
Taxes	42,775	-	15,576	58,351
Fines, net of allowance	153,837	-	-	153,837
Intergovernmental	67,184	14,221	-	81,405
Prepaid items	29,368	-	-	29,368
Interfund receivable	700	78,727	-	79,427
Non-current				
Investments	823,983	-	-	823,983
TOTAL ASSETS	$ 3,586,736	$ 448,852	$ 95,023	$ 4,130,611
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 20,955	$ 21,150	$ 11,747	$ 53,852
Salaries and wages payable	18,503	-	-	18,503
Unearned grant revenue	-	-	804	804
Restricted liabilities:				
Interfund payable	78,727	-	700	79,427
Total Liabilities	118,185	21,150	13,251	152,586
Deferred Inflows of Resources				
Deferred fine revenue	115,805	-	-	115,805
Total Liabilities and Deferred Inflows of Resources	233,990	21,150	13,251	268,391
Fund Balances				
Nonspendable	29,368	-	-	29,368
Restricted for				
Capital Projects	-	427,702	-	427,702
Public Safety	-	-	22,280	22,280
Committed				
Housing and Development	-	-	821	821
Assigned				
Housing and Development	-	-	58,671	58,671
Unassigned	3,323,378	-	-	3,323,378
Total Fund Balances	3,352,746	427,702	81,772	3,862,220
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,586,736	$ 448,852	$ 95,023	$ 4,130,611

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, 2022

Total fund balance - governmental funds	$	3,862,220
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of $5,802,254 net of accumulated depreciation of $803,086 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.		4,999,168
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		17,066
Net pension asset		508,164
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		(185,842)
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		115,805
Net position of governmental activities	$	9,316,581

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, 2022

	General Fund	SPLOST	Nonmajor Funds	Total
REVENUES				
General sales and use taxes	$ 685,320	$ -	$ -	$ 685,320
Personal property taxes	35,139	-	-	35,139
Selective sales and use taxes	383,838	-	151,556	535,394
Franchise taxes	153,400	-	-	153,400
Business taxes	166,626	-	-	166,626
Fines and forfeitures	355,828	-	13,045	368,873
Licenses and permits	58,860	-	-	58,860
Charges for services	845	-	-	845
Intergovernmental	23,053	152,266	105,438	280,757
Investment earnings	3,656	6,576	17	10,249
Miscellaneous	796	-	-	796
Total revenues	1,867,361	158,842	270,056	2,296,259
EXPENDITURES				
Current				
General government	316,701	-	26,308	343,009
Judicial	235,631	-	-	235,631
Public safety	751,842	-	67,631	819,473
Public works	255,013	-	-	255,013
Housing and development	91,973	-	102,627	194,600
Capital outlay				
Public works	-	287,731	-	287,731
Total expenditures	1,651,160	287,731	196,566	2,135,457
Excess (Deficiency) of Revenues Over Expenditures	216,201	(128,889)	73,490	160,802
Other Financing Sources (Uses)				
Transfers	105,438	-	(105,438)	-
Proceeds from Sale of Assets	2,900	-	-	2,900
Realized Loss on Investments	(176,017)	-	-	(176,017)
Total Other Financing Sources (Uses)	(67,679)	-	(105,438)	(173,117)
Net change in fund balances	148,522	(128,889)	(31,948)	(12,315)
Fund balances, beginning of year	3,204,224	556,591	113,720	3,874,535
Fund balances, end of year	$ 3,352,746	$ 427,702	$ 81,772	$ 3,862,220

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, 2022

Net change in fund balances - governmental funds		$ (12,315)
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 captial outlays of $403,850 exceeded depreciation expense of $102,398 in the current period.		301,452
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.		15,095
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.		60,615
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, 2021	(163,700)	
Deferred June 30, 2022	115,805	(47,895)
Change in net position of governmental activities		$ 316,952

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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Taxes	$ 1,165,500	$ 1,165,500	$ 1,424,323	$ 258,823
Fines and forfeitures	329,500	329,500	355,828	26,328
Licenses and permits	64,000	64,000	58,860	(5,140)
Charges for services	-	-	845	845
Intergovernmental	15,000	15,000	23,053	8,053
Investment earnings	41,000	41,000	3,656	(37,344)
Miscellaneous	-	-	796	796
Total revenues	1,615,000	1,615,000	1,867,361	252,361
EXPENDITURES				
General government:				
Executive	31,900	31,900	21,852	10,048
General administration	292,200	292,200	294,849	(2,649)
Judicial				
Municipal court	247,630	247,630	235,631	11,999
Public safety				
Police	822,900	822,900	736,842	86,058
Fire	15,000	15,000	15,000	-
Public works				
Highways and streets	428,399	428,399	211,931	216,468
Solid waste	50,000	50,000	43,082	6,918
Housing and development				
Planning and code enforcement	141,800	141,800	91,973	49,827
Total expenditures	2,029,829	2,029,829	1,651,160	378,669
Excess (Deficiency) of Revenues Over Expenditures	(414,829)	(414,829)	216,201	631,030
Other Financing Sources (Uses)				
Transfers	414,829	414,829	105,438	(309,391)
Proceeds from sale of capital assets	-	-	2,900	2,900
Realized Loss on Investments	-	-	(176,017)	(176,017)
Total Other Financing Sources (Uses)	414,829	414,829	(67,679)	(482,508)
Net change in fund balance	-	-	148,522	148,522
Fund balance, beginning of year	3,204,224	3,204,224	3,204,224	-
Fund balance, end of year	$ 3,204,224	$ 3,204,224	$ 3,352,746	$ 148,522

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, 2022, 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 2022 totaled $161,934. An allowance for uncollectible fines of $8,097 was established resulting in a net receivable of $153,837 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 2021 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 American Rescue Plan Act (ARPA) Fund, 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 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. Because the ARPA fund did not have a budget adopted in fiscal year 2022, a material violation of finance-related legal provisions is noted. See note 12.

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. Certificates of deposit with a maturity date of three months of less subsequent fiscal year end are considered cash equivalents.

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 AND INVESTMENTS

Following is a reconciliation of the City's cash and certificates of deposit balances as of June 30, 2022:

	Government-wide Statement of Net Assets
Cash	$ 2,232,096
Certificates of deposit, unrestricted	211,597
Restricted cash for:	
SPLOST capital asset projects	434,631
Confiscated funds	16,916
Technology funds	8,196
ARPA funds	804
Total	$ 2,904,240

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 June 30, 2022, the City had no monies subject to custodial risk.

At year end, the carrying amount of the City's demand and time deposits was $2,904,240 and the bank balance was $2,662,802. 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.

During fiscal year 2021, 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. However, during fiscal year 2022, 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. These funds are no longer owned by the City, and have no current balance at June 30, 2022. These funds were not insured by Federal Depository Insurance nor collateral held by a pledging institution.

At June 30, 2022, the City's non-current investments consisted of marketable certificates of deposit held by Cetera Investments. These investments have a fair value of $823,983 at June 30, 2022.

The City has adopted investment policies, which address the specific deposit or investment risks presented below.

Custodial Credit Risk – Deposits – the custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. It is the City's policy that any investment (other than federal or state government instruments) or deposit in excess of the FDIC insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations.

As of June 30, 2022, the City's credit and interest rate risk related to the City's investments was as follows:

Investment	Fair Value	Segmented Time Distribution	Credit Quality
Negotiable certificates of deposit	$823,983	>3 years	AAA

The City's investments were all valued at fair value measurements using significant other observable inputs (Level 2) and using the market approach as of June 30, 2022. There has been no change in the valuation method. The City does not utilize the nonrecurring fair value measurements. An account statement is received quarterly from the brokerage firm with market values of all investments. There are no restrictions on when any of these investments may be redeemed/sold. The City has no plans at this time to sell any of these investments prior to maturity. Of the City's investments, $823,983 were in negotiable certificates of deposit and $156,376 were in nonnegotiable certificates of deposit.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 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	287,731	-	-	1,222,834
Buildings	543,115	-	-	-	543,115
Machinery and equipment	131,242	11,172	-	-	142,414
Vehicles	281,126	142,947	(89,922)	-	334,151
Total depreciable capital assets	1,890,586	441,850	(89,922)	-	2,242,514
Less accumulated depreciation					
Infrastructure	290,435	42,938	-	-	333,373
Buildings	174,993	11,407	-	-	186,400
Machinery and equipment	104,829	5,296	-	-	110,125
Vehicles	197,448	42,757	(67,017)	-	173,188
Total accumulated depreciation	767,705	102,398	(67,017)	-	803,086
Total depreciable capital assets, net	1,122,881	339,452	(22,905)	-	1,439,428
Governmental activities capital assets, net	$ 4,682,621	$ 339,452	$ (22,905)	$ -	$ 4,999,168

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

Governmental activities:	
General government	$ 16,259
Public safety	28,961
Public works	57,178
Total	$ 102,398

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables consist of the local option sales tax receivable in the amount of $63,992 from the State of Georgia and the ad valorem vehicle tax receivable of $553, transfer tax receivable of $546, intangible tax receivable of $2,033, and election fees of $60 from Gilmer County Tax Commissioner, totaling $67,184 for General Fund. For the SPLOST Fund, the special purpose local option sales tax receivable in the amount of $14,221 from Gilmer County Commissioner represents the total on the fund statement, for a total intergovernmental receivable for all funds of $81,405 as of June 30, 2022.

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, 2022, 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	14
Active plan members	13
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, 2021 which applied to the current fiscal year 2022 of $9,853 is 2.07% 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, 2022 of $43,425 was based, in part, on the previous recommended contribution for the plan year beginning January 1, 2021, 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, 2021, 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, 2022.

The assumptions used in the January 1, 2022 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	N/A
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, 2022 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%	6.55%
International equity	20%	7.30%
Global fixed income	5%	.50%
Domestic fixed income	20%	.40%
Real estate	10%	3.65%
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.

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, 2020	$ 1,117,816	$ 1,284,370	$ (166,554)
Changes for the year:			
Service Cost	22,104	-	22,104
Interest	82,649	-	82,649
Differences between Expected and Actual experience	(10,918)	-	(10,918)
Changes of assumptions	-	-	-
Contributions – employer	-	123,202	(123,202)
Contributions – employee	-	-	-
Net investment income	-	321,408	(321,408)
Benefit payments, including refunds of employee contributions	(38,498)	(38,498)	-
Administrative expense	-	(9,165)	9,165
Other	-	-	-
Net Changes	55,337	396,947	(341,610)
Balances at September 30, 2021	$ 1,173,153	$ 1,681,317	$ (508,164)

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)	($350,749)	($508,164)	($639,136)

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, 2022, the City recognized pension expense of ($17,188). At June 30, 2022, 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	$ 9,676	$ (7,278)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(178,564)
	9,676	(185,842)
Deferred pension contributions (after measurement date)	7,390	-
Total Deferred (Inflows) and Outflows - ending	$ 17,066	$ (185,842)

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
2023	(47,762)	9,676
2024	(43,510)	-
2025	(49,790)	-
2026	(44,780)	-
2027	-	-
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, 2022. In addition, subsequent events were evaluated through the date of the report, December 12, 2022.

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, 2022. No provisions have been made in the financial statements for the year ended June 30, 2022 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, 2022. 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 2022 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 2022, the City collected $151,556 of lodging tax. According to OCGA 48-13-51(a)(1), the City can utilize these funds for any legal general fund purpose. The City expended 66% of the tax collections through a funding agreement between the City and the Gilmer County Chamber of Commerce. This portion of the hotel/motel tax collections is committed contractually. The remaining 34% can be used for general purposes.

10. INTERFUND BALANCES

During the fiscal year, the General Fund collected $800 of technology fees that had not yet been transferred to the nonmajor fund, Technology Fund, at June 30, 2022. Additionally, proceeds from the sale of an asset of $1,500 were erroneously deposited into the Technology Fees Fund instead of the General Fund. Therefore, the net amount due from the Technology Fees Fund to the General Fund is $700, which is presented as an interfund balance on the governmental funds balance sheet.

Additionally, during fiscal year 2022, a certificate of deposit totaling $78,727 in the SPLOST fund matured and the funds were deposited into the General Fund. The proceeds are payable to the SPLOST fund from the General Fund at June 30, 2022. Repayment occurred subsequent to year end.

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	$427,702
Public safety expenditures specific to program purposes	22,280
	$449,982

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

Portion of Hotel/Motel tax revenues contractually payable to local tourism organizations	$ 821

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

Tourism and city improvement expenditures specific to program purposes	$ 58,671

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

Prepaid items	$ 29,368

Restricted – The following components of net position are restricted because:

Investment in capital assets	$ 506,429
Public safety expenditures specific to program purposes	22,280
	$ 528,709

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. During fiscal year 2022, the principal invested in the annuities was withdrawn, and the City was required to forfeit all earnings on the principal invested as a penalty for early termination of the contract. The amount forfeited in total was $45,856. No additional penalties were assessed for early termination of the annuity contracts other than forfeiture of interest earned.

Budget:
Budgetary controls are established by the Mayor and Council through the adoption of annual budgets, with the legal level of control being department level. The following departments had expenditures which exceeded appropriations by 10% or more at June 30, 2022 in the amounts shown below:

Confiscated Assets Fund:		
Public Safety:		
Police	$	7,032

Hotel Motel Fund:		
General Government:		
General administration	$	26,308
Public safety:		
Police	$	49,506
Technology Fee Fund:		
Public safety:		
Police	$	1,093
ARPA Fund:		
Other Financing Uses:	$	105,438

Although expenditures materially exceeded budgeted appropriations for these departments, total expenditures were offset by an excess of revenues reserved from prior fiscal years and each special revenue fund has positive fund balance.

OCGA 36-81-3(b) requires an annual balanced budget for each special revenue fund. In fiscal year 2022, there were no budgeted amounts established for the ARPA Fund.

13. RELATED PARTY TRANSACTIONS

During fiscal year 2022, a City employee was awarded an annual contract for sanitation services in the amount of $33,600, payable in monthly installments of $2,800. Payments for those services totaled $28,500 in fiscal year 2022.

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, 2022

Total pension liability	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Service cost	$ 22,104	$ 21,809	$ 26,691	$ 20,683	$ 23,204	$ 19,974
Interest	82,649	76,109	69,911	66,402	62,589	58,946
Differences between expected and actual experience	(10,918)	29,027	23,315	(7,334)	(6,596)	6,623
Changes in assumptions	-	-	23,595	-	15,085	-
Changes of benefit terms	-	-	-	-	3,761	-
Benefit payments, including refunds of employee contributions	(38,498)	(38,616)	(38,969)	(38,970)	(42,963)	(34,114)
Net change in total pension liability	55,337	88,329	104,543	40,781	55,080	51,429
Total pension liability – beginning	1,117,816	1,029,487	924,944	884,163	829,083	777,654
Total pension liability – ending (a)	$1,173,153	$1,117,816	$1,029,487	$ 924,944	$884,163	$829,083
Plan fiduciary net position						
Contributions – employer	$ 123,202	$ 90,397	$ 88,600	$ 88,640	$ 86,185	$ 59,421
Contributions – employee	-	-	-	-	-	-
Net investment income	321,408	110,076	31,379	92,271	117,197	75,665
Benefit payments, including refunds of employee contributions	(38,498)	(38,616)	(38,969)	(38,970)	(42,963)	(34,114)
Administrative expense	(9,165)	(8,969)	(8,722)	(9,440)	(10,257)	(5,867)
Other	-	-	-	-	-	-
Net change in fiduciary net position	396,947	152,888	72,288	132,501	150,162	95,105
Plan fiduciary net position – beginning	1,284,370	1,131,482	1,059,194	926,693	776,531	681,426
Plan fiduciary net position – ending (b)	$1,681,317	$1,284,370	$1,131,482	$1,059,194	$926,693	$776,531
Net pension liability (asset) – ending (a)-(b)	$(508,164)	$(166,554)	$(101,995)	$(134,250)	$(42,530)	$ 52,552
Plan's fiduciary net position as a percentage of the total pension liability	143.32%	114.90%	109.91%	114.51%	104.81%	93.66%
Covered employee payroll	$ 432,835	$ 471,871	$ 433,559	$ 438,704	$388,393	$397,263
Net pension liability (asset) as a percentage of covered employee payroll	(117.40%)	(35.30%)	(23.53%)	(30.60%)	(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, 2022

Schedule of City's Contributions

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	--*	$ 36,220	$ 41,789	$ 37,537	$ 39,008	$ 35,244
Contributions in relation to the actuarially determined contribution	--*	$146,220	$ 94,917	$ 84,409	89,008	65,244
Contribution deficiency (excess)	--*	(110,000)	(53,128)	(46,872)	(50,000)	(30,000)
Covered-employee payroll	--*	$471,871	$433,559	$438,704	$388,393	$397,263
Contributions as a percentage of covered employee payroll	--*	30.99%	21.89%	19.24%	22.92%	16.42%

*2022 information will be determined after fiscal year end and will be included in 2022 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, 2022, 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, 2022.

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	N/A
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, 2022

	Special Revenue Funds				
	ARPA	Confiscated Assets	Hotel/Motel Tax	Technology Fees	Total
ASSETS					
Cash	$ 804	$ 16,916	$ 53,531	$ 8,196	$ 79,447
Receivables					
Taxes	-	-	15,576	-	15,576
TOTAL ASSETS	$ 804	$ 16,916	$ 69,107	$ 8,196	$ 95,023
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ -	$ 49	$ 9,615	$ 2,083	$ 11,747
Interfund	-	-	-	700	700
Unearned grant revenue	804	-	-	-	804
Total Liabilities	804	49	9,615	2,783	13,251
Fund Balances					
Restricted					
Public Safety	-	16,867	-	5,413	22,280
Committed					
Housing and Development	-	-	821	-	821
Assigned					
Housing and Development	-	-	58,671	-	58,671
Total Fund Balances	-	16,867	59,492	5,413	81,772
TOTAL LIABILITIES AND FUND BALANCES	$ 804	$ 16,916	$ 69,107	$ 8,196	$ 95,023

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, 2022

	Special Revenue Funds				
	ARPA	Confiscated Assets	Hotel/Motel Tax	Technology Fees	Total
REVENUES					
Selective sales and use tax	$ -	$ -	$ 151,556	$ -	$ 151,556
Technology fees	-	-	-	10,669	10,669
Intergovernmental	105,438	-	-	-	105,438
Confiscations	-	2,376	-	-	2,376
Investment earnings	-	2	14	1	17
Total revenues	105,438	2,378	151,570	10,670	270,056
EXPENDITURES					
Current					
General government	-	-	26,308	-	26,308
Public safety	-	7,032	49,506	11,093	67,631
Housing and development	-	-	102,627	-	102,627
Total expenditures	-	7,032	178,441	11,093	196,566
Excess of Revenues Over Expenditures	105,438	(4,654)	(26,871)	(423)	73,490
Other Financing Sources					
Transfers out	(105,438)	-	-	-	(105,438)
Total Other Financing Sources (Uses)					
Net change in fund balances	-	(4,654)	(26,871)	(423)	(31,948)
Fund balances, beginning of year	-	21,521	86,363	5,836	113,720
Fund balances, end of year	$ -	$ 16,867	$ 59,492	$ 5,413	$ 81,772

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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	$ -	$ -	$ 2,376	$ 2,376
Investment earnings	-	-	2	2
Total revenues	-	-	2,378	2,378
EXPENDITURES				
Public safety				
Police	5,000	5,000	7,032	(2,032)
Total expenditures	5,000	5,000	7,032	(2,032)
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	(5,000)	(4,654)	346
Other Financing Sources (Uses)				
Transfers	5,000	5,000	-	(5,000)
Total Other Financing Sources (Uses)	5,000	5,000	-	(5,000)
Net change in fund balance	-	-	(4,654)	(4,654)
Fund balance, beginning of year	21,521	21,521	21,521	-
Fund balance, end of year	$ 21,521	$ 21,521	$ 16,867	$ (4,654)

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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Selective sales and use tax	$ 115,000	$ 115,000	$ 151,556	$ 36,556
Investment earnings	-	-	14	14
Total revenues	115,000	115,000	151,570	36,570
EXPENDITURES				
General government				
General administration	-	-	26,308	(26,308)
Public safety				
Police	-	-	49,506	(49,506)
Housing and development				
Economic development and resources	115,000	115,000	102,627	12,373
Total expenditures	115,000	115,000	178,441	(63,441)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(26,871)	(26,871)
Net change in fund balance	-	-	(26,871)	(26,871)
Fund balance, beginning of year	86,363	86,363	86,363	-
Fund balance, end of year	$ 86,363	$ 86,363	$ 59,492	$ (26,871)

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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	$ 10,000	$ 10,000	$ 10,669	$ 669
Investment earnings	-	-	1	1
Total revenues	10,000	10,000	10,670	670
EXPENDITURES				
Public safety				
Police	10,000	10,000	11,093	(1,093)
Total expenditures	10,000	10,000	11,093	(1,093)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(423)	(423)
Net change in fund balance	-	-	(423)	(423)
Fund balance, beginning of year	5,836	5,836	5,836	-
Fund balance, end of year	$ 5,836	$ 5,836	$ 5,413	$ (423)

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

CITY OF EAST ELLIJAY, GEORGIA
AMERICAN RESCUE PLAN ACT (ARPA) FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 1.E.)	Variance from Final Budget
	Original	Final		
REVENUES				
Intergovernmental	$ -	$ -	$ 105,438	$ 105,438
Total revenues	-	-	105,438	105,438
EXPENDITURES				
General government:				
General administration	-	-	-	-
Total expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	105,438	105,438
Other Financing Sources (Uses)				
Transfers	-	-	(105,438)	(105,438)
Total Other Financing Sources (Uses)	-	-	(105,438)	(105,438)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

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, 2022

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	$ 287,731	$ 368,198	84.79%
	$ 434,250	$ 434,250	$ 80,467	$ 287,731	$ 368,198	

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

INTERNAL CONTROL AND COMPLIANCE

WELCH WALKER
& 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 City of East Ellijay, Georgia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of East Ellijay, Georgia's basic financial statements and have issued our report thereon dated December 12, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of East Ellijay, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of East Ellijay, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-02, 2022-03, and 2022-04.

Additional matters have been communicated to those charged with governance and management in a separate letter dated December 12, 2022.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of East Ellijay, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of East Ellijay, Georgia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability (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 is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of projects constructed with special local option sales tax, as required by Official Code of Georgia Annotated 48-8-121, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and individual 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 December 12, 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 City of East Ellijay, Georgia's internal control over financial reporting and compliance.

Welch, Walker & Associates, PC, CPAs

East Ellijay, Georgia
December 12, 2022

Material Weaknesses:

None noted.

Significant Deficiencies:

2022-01 – Material Misstatements in Reporting

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Timely recording of transactions on an accrual basis/modified accrual basis is in accordance with GAAP and provides more meaningful financial information.

Condition/Context: Although the fiscal year-end financial statements are prepared on the appropriate accrual/modified accrual basis, the City improperly presented prepaid items, revenues, expenditures, and payroll related items, which caused the balances in General Fund and ARPA Fund to be materially misstated.

Effect: Failure to properly report balances causes financial statements to be materially misstated and misleading for management, elected officials and any other intended users of such information.

Cause: Bonuses totaling $65,500 and a contribution to Gilmer County of $39,938 paid from ARPA monies were not properly recorded in the correct fund. Additionally, payroll tax liabilities and accrued wages were overstated by $6,218. Prepaid items were understated by $19,708. These comprised the material entries required to properly present the balances on the financial statements.

Recommendation: We recommend that staff review all year-end adjustments and balances to ensure that the financials are accurately presented.

Response: The City agrees with this finding and will correct this reporting error in the upcoming fiscal year.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW:

2022-002 – 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 for the fiscal year 2021 audit (performed during fiscal year 2022), 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 continue to review all investments in the future to comply with legal requirements related to such matters.

2022-003 – Material Violation of Finance-Related Legal Provisions

Criteria: OCGA 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund, each debt service fund, and a project-length budget for each capital projects fund.

Condition/Context: During the fiscal year ended June 30, 2022, the City of East Ellijay received a grant award from the American Rescue Plan Act, which required a separate special revenue fund. A budget amendment was not adopted to include a balance budget for the fund.

Cause: A balanced budget was not adopted for the American Rescue Plan Act Fund, which is a special revenue fund. Because the award had not yet been received at the time the City's budget was prepared and adopted, the Mayor and Council were not yet aware that the budget was required. An amendment to include the budget was not prepared after the special revenue fund was created.

Effect: The City of East Ellijay was not in compliance with OCGA 36-81-3(b).

Recommendation: We recommend that the City adopt a balanced budget for all special revenue funds.

Response: The City agrees with this finding and will monitor new grant awards in the future to be certain that budgets are adopted if new special revenue funds are created throughout the fiscal year.

2022-004 – Material Violation of Finance-Related Legal Provisions

Criteria: OCGA 48-8-121 states that special local option sales tax proceeds shall be kept in a separate account from other funds of such county and each qualified municipality receiving proceeds of the sales and use tax and shall not in any manner be commingled with other funds of such county and each qualified municipality receiving proceeds of the sales and use tax prior to the expenditures.

Condition/Context: During the fiscal year ended June 30, 2022, the City of East Ellijay redeemed a certificate of deposit comprised of special local option sales tax. The proceeds from the certificate of deposit were deposited into the General Fund operating bank account.

Cause: The proceeds from the certificate of deposit were deposited into the General Fund bank account instead of an account earmarked for the custody and expenditure of special local option sales tax. Therefore, the restricted tax proceeds were commingled with the general operating funds of the City. The proceeds had not yet been transferred to the SPLOST Fund as of June 30, 2022.

Effect: The City of East Ellijay commingled SPLOST monies with General Fund monies, and therefore, was not in compliance with OCGA 48-8-121.

Recommendation: We recommend that the City segregate all SPLOST monies from other monies held by the City.

Response: The City agrees with this finding and will monitor this to ensure that SPLOST monies are not commingled in the future.