CITY OF ELLIJAY, GEORGIA

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2022

CITY OF ELLIJAY, GEORGIA
ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2022

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PRINCIPAL OFFICERS

The City operates under the direction of the Mayor and Council with the daily operations carried out by the Mayor. Following is a list of officials:

MAYOR
William A. Hoyle

COUNCIL MEMBERS, 2022:

Al Fuller
Kathryn Lancey
Sandy Ott
Tom Crawford
Kevin Pritchett

OFFICE PERSONNEL:

City Clerk – Lori Pierce

CITY ATTORNEY

Kayann Hayden West
Attorney at Law

INDEPENDENT AUDITOR

Welch, Walker and Associates, P.C., CPA's

WELCH WALKER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ellijay, Georgia, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ellijay, Georgia, as of December 31, 2022, and the respective changes in financial position, and the respective budgetary comparisons for General Fund, American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund, and Multiple Grant 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 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* as of January 1, 2022. This standard significantly changed the accounting for the City's lease activities. Our opinions are not modified with respect to this matter.

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 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.
- 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 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 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 Schedule of Changes in Net Pension (Asset) Liability and Related Ratios and the Schedule of Contributions on pages 26-28 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 Proceeds, as Official Code of Georgia Annotated 48-4-121, 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 expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2023, on our consideration of the City of 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 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 Ellijay, Georgia's internal control over financial reporting and compliance.

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

Welch, Walker & Associates, P.C., CPAs
East Ellijay, Georgia
June 13, 2023

City of Ellijay, Georgia
Statement of Net Position
December 31, 2022

	Primary Government	
	Governmental Activities	**Component Units**
Assets		
Current Assets		
Cash	$ 2,339,409	$ 6,658
Restricted assets		
Cash	1,581,943	-
Receivables		
Property taxes	180,608	-
Franchise taxes	290,399	-
Other taxes	25,592	-
Fines	149,706	-
Intergovernmental	173,017	-
Prepaid items	37,249	-
Total Current Assets	4,777,923	6,658
Noncurrent Assets		
Net pension assets	170,032	-
Right-to-use leased assets (net)	4,266	-
Capital assets		
Nondepreciable	587,583	-
Depreciable, net	4,052,332	-
Total Noncurrent Assets	4,814,213	-
Total Assets	9,592,136	6,658
Deferred Outflows of Resources		
Pension related	55,779	-
Liabilities		
Current Liabilities		
Accounts payable	96,880	-
Accrued payroll liabilities	40,977	-
Compensated absences payable	30,090	-
Lease liabilities	1,958	-
Payable from restricted assets		
Bonds held on behalf of others	8,482	-
Unearned revenue	433,433	-
Total Current Liabilities	611,820	-
Long-Term Liabilities (net of current portion)		
Lease liabilities	2,317	-
Total Long-Term Liabilities	2,317	-
Total Liabilities	614,137	-
Deferred Inflows of Resources		
Pension related	117,711	-
Total Deferred Inflows of Resources	117,711	-
Net Position		
Net investment in capital assets	4,639,906	-
Restricted for		
Capital projects	1,115,156	-
Program purposes		
Public safety	19,288	-
Public works	41,544	-
Unrestricted	3,100,173	6,658
Total Net Position	$ 8,916,067	$ 6,658

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Statement of Activities
For the Year Ended December 31, 2022

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	$ 456,685	$ 78,891	$ -	$ -	$ (377,794)
Judicial	89,280	-	-	-	(89,280)
Public safety	1,267,450	274,721	202,913	1,463	(788,353)
Public works	548,268	19,050	-	574,781	45,563
Culture and recreation	2,581	50	-	-	(2,531)
Housing and development	39,150	28,043	5,000	-	(6,107)
Interest	716	-	-	-	(716)
Total Governmental Activities	2,404,130	400,755	207,913	576,244	(1,219,218)
Total - Primary Government	$ 2,404,130	$ 400,755	$ 207,913	$ 576,244	$ (1,219,218)
Component Units					
Housing and development	$ 275	$ -	$ -	$ -	(275)
Total Component Units	$ 275	$ -	$ -	$ -	$ (275)

	Primary Government: Governmental Activities	Component Units
Change in net position		
Net (expense) revenue	$ (1,219,218)	(275)
General Revenues		
Taxes		
Property taxes levied for general government purposes	339,379	-
Sales taxes	1,335,991	-
Franchise taxes	307,957	-
Insurance premium taxes	151,348	-
Real estate and intangible taxes	30,096	-
Other taxes	197,124	-
Unrestricted intergovernmental	28,555	-
Payments from City of Ellijay	-	6,898
Investment earnings	11,427	35
Miscellaneous	1,402	-
Total General Revenues	2,403,279	6,933
Total General Revenues and Transfers	2,403,279	6,933
Change in Net Position	1,184,061	6,658
Net Position Beginning of Year	7,732,006	-
Net Position End of Year	$ 8,916,067	$ 6,658

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery	SPLOST	Multiple Grant	Nonmajor Governmental Funds	Total
Assets						
Cash	$ 1,987,111	$ 538,042	$ 1,030,573	$ 172,553	$ 193,073	$ 3,921,352
Receivables (net)						
Property taxes	180,608	-	-	-	-	180,608
Franchise taxes	290,399	-	-	-	-	290,399
Other taxes	19,526	-	-	-	6,066	25,592
Fines	149,706	-	-	-	-	149,706
Intergovernmental						
State	128,019	-	-	-	-	128,019
County	-	-	44,998	-	-	44,998
Interfund	207,843	-	40,907	-	1,384	250,134
Prepaid items	37,249	-	-	-	-	37,249
Total Assets	$ 3,000,461	$ 538,042	$ 1,116,478	$ 172,553	$ 200,523	$ 5,028,057
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	$ 87,585	$ -	$ 1,322	$ -	$ 7,973	$ 96,880
Bonds held on behalf of others	-	-	-		8,482	8,482
Accrued payroll liabilities	40,977	-	-	-	-	40,977
Interfund payable	-	104,609	-	131,009	14,516	250,134
Unearned revenue	-	433,433	-	-	-	433,433
Total Liabilities	128,562	538,042	1,322	131,009	30,971	829,906
Deferred Inflows of Resources						
Unavailable revenue	287,673	-	-	-	-	287,673
Fund Balances						
Nonspendable						
Prepaid items	37,249	-	-	-	-	37,249
Restricted						
Capital projects	-	-	1,115,156	-	-	1,115,156
Program purposes						
Public safety	-	-	-	-	19,288	19,288
Public works	-	-	-	41,544	-	41,544
Committed						
Capital purchases	19,129	-	-	-	-	19,129
Public works	-	-	-	-	85,829	85,829
Assigned						
Economic development	-	-	-	-	64,692	64,692
Unassigned, reported in						
General fund	2,527,848	-	-	-	-	2,527,848
Special revenue funds	-	-	-	-	(257)	(257)
Total Fund Balances	2,584,226	-	1,115,156	41,544	169,552	3,910,478
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,000,461	$ 538,042	$ 1,116,478	$ 172,553	$ 200,523	$ 5,028,057

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Reconciliation of the Governmental Funds' Balance Sheet
to the Statement of Net Position
December 31, 2022

Total Governmental Fund Balances		$ 3,910,478
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 9,332,896	
Less accumulated depreciation	(4,692,981)	4,639,915
Right-of-use leased assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost of right-of-use leased assets	$ 7,423	
Less accumulated amortization	(3,157)	4,266
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes	$ 101,861	
Fines	136,262	
Licenses and permits	49,550	
Deferred outflows of resources- pension related	55,779	343,452
Interfund receivables and payables between governmental funds are reported on the governmental fund's balance sheet but eliminated on the government-wide statement of net position.		
Interfund receivables	$ 250,134	
Interfund payables	(250,134)	-
Liabilities not due and payable in the current period are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position.		
Lease liabilities	$ (4,275)	
Compensated absences	(30,090)	
Net pension asset (obligation)	170,032	
Deferred inflow of resources- pension related	(117,711)	17,956
Net Position Of Governmental Activities		$ 8,916,067

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2022

	General Fund	American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery	SPLOST	Multiple Grant	Nonmajor Governmental Funds	Total
Revenues						
Taxes	$ 2,298,931	$ -	$ -	$ -	$ 43,130	$ 2,342,061
Licenses and permits	121,141	-	-	-	-	121,141
Intergovernmental	28,555	184,063	487,296	83,914	-	783,828
Charges for services	1,027	-	-	-	19,050	20,077
Fines and forfeitures	186,000	-	-	-	6,143	192,143
Contributions	18,850	-	-	-	5,000	23,850
Investment earnings	9,665	-	5,034	876	886	16,461
Miscellaneous	1,402	-	-	-	-	1,402
Total Revenues	2,665,571	184,063	492,330	84,790	74,209	3,500,963
Expenditures						
Current						
General government	448,978	-	-	-	-	448,978
Judicial	89,280	-	-	-	-	89,280
Public safety						
Police	883,806	-	-	2,386	-	886,192
Fire	399,182	-	-	-	-	399,182
Public works	376,383	-	17,769	40,907	-	435,059
Culture and recreation	790	-	-	-	-	790
Housing and economic development	-	-	-	-	39,150	39,150
Capital Outlay						
Public works	-	-	223,924	-	-	223,924
Culture and recreation	-	-	79,703	-	-	79,703
Debt Service						
Principal retirement	28,585	-	-	-	-	28,585
Interest and fiscal charges	1,076	-	-	-	-	1,076
Total Expenditures	2,228,080	-	321,396	43,293	39,150	2,631,919
Excess (Deficiency) of Revenues Over (Under) Expenditures	437,491	184,063	170,934	41,497	35,059	869,044
Other Financing Sources (Uses)						
Lease inception	7,423	-	-		-	7,423
Insurance recovery	7,706	-	-		-	7,706
Transfers in	184,063	-	-	-	-	184,063
Transfers out	-	(184,063)	-	-	-	(184,063)
Total Other Financing Sources	199,192	(184,063)	-	-	-	15,129
Net Change in Fund Balances	636,683	-	170,934	41,497	35,059	884,173
Fund Balances Beginning of Year	1,947,543	-	944,222	47	134,493	3,026,305
Fund Balances End of Year	$ 2,584,226	$ -	$ 1,115,156	$ 41,544	$ 169,552	$ 3,910,478

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2022

Net Changes In Fund Balances - Total Governmental Funds			$ 884,173
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.			
	Depreciation expense	$ (300,279)	
	Capital outlay	489,049	188,770
Governmental funds report outlays for right-of-use assets as expenditures on the governmental fund type operating statement. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which capitalized right-of-use assets exceeded amortization expense in the current period.			
	Amortization expense	$ (3,157)	
	Right-of-use assets outlay	7,423	4,266
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.			
	Property taxes:		
	Deferred at 12/31/21	$ (82,027)	
	Deferred at 12/31/22	101,861	19,834
	Business licenses:		
	Deferred at 12/31/21	$ (63,775)	
	Deferred at 12/31/22	49,550	(14,225)
	Fines:		
	Deferred at 12/31/21	$ (54,643)	
	Deferred at 12/31/22	136,262	81,619
Lease liabilities are reported as other financing at the fund level but are reported as a liability on the government-wide statement of activities.			(7,423)
Repayment of lease liability principle is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of activities.			3,148
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.			25,437
Pension expense represents the change in net pension liability from the beginning of the year to the end of the year on the statement of activities, but is measured by the amount actually paid in the governmental funds. This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability and pension related deferrals			3,146
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. The change in the current year expenses are as follows:			
	Accrued interest		
	Liability at 12/31/21	$ 360	
	Liability at 12/31/22	-	360
	Compensated absences		
	Liability at 12/31/21	$ 25,046	
	Liability at 12/31/22	(30,090)	(5,044)
Change In Net Position of Governmental Activities			$ 1,184,061

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Property taxes	$ 340,673	$ 340,673	$ 318,478	$ (22,195)
Franchise taxes	260,000	260,000	307,957	47,957
Real estate and intangible taxes	25,000	25,000	30,096	5,096
Sales taxes	950,000	950,000	1,335,991	385,991
Selective sales and use	100,000	100,000	143,909	43,909
Business taxes	133,000	133,000	161,433	28,433
Penalties and interest on delinquent taxes	1,250	1,250	1,067	(183)
Licenses and permits	107,600	107,600	121,141	13,541
Intergovernmental	26,000	26,000	28,555	2,555
Charges for services	1,510	1,510	1,027	(483)
Fines and forfeitures	200,100	200,100	186,000	(14,100)
Contributions from private sources	-	-	12,850	12,850
Contributions from other governments	-	-	6,000	6,000
Investment earnings	1,000	1,000	9,665	8,665
Miscellaneous	1,000	1,000	1,402	402
Total Revenues	2,147,133	2,147,133	2,665,571	518,438
Expenditures				
Current				
General government	594,572	594,572	448,978	145,594
Judicial	69,000	69,000	89,280	(20,280)
Public safety				
Police	927,576	927,576	883,806	43,770
Fire	460,536	460,536	399,182	61,354
Public works	361,055	361,055	376,383	(15,328)
Culture and recreation	-	-	790	(790)
Debt Service				
Principal retirement	-	-	28,585	(28,585)
Interest and fiscal charges	-	-	1,076	(1,076)
Total Expenditures	2,412,739	2,412,739	2,228,080	184,659
Excess of Revenues Over Expenditures	(265,606)	(265,606)	437,491	703,097
Other Financing Sources (Uses)				
Sale of capital assets	15,500	15,500	-	(15,500)
Lease inception	-	-	7,423	7,423
Insurance reimbursement	-	-	7,706	7,706
Transfers in	231,106	231,106	184,063	(47,043)
Appropriation of fund balance	19,000	19,000	-	(19,000)
Total Other Financing Sources (Uses)	265,606	265,606	199,192	(66,414)
Net Change in Fund Balances	$ -	$ -	636,683	$ 636,683
Fund Balances Beginning of Year			1,947,543	
Fund Balances End of Year			$ 2,584,226	

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Intergovernmental	$ 320,035	$ 320,035	$ 184,063	$ (135,972)
Total Revenues	320,035	320,035	184,063	(135,972)
Total Expenditures	-	-	-	-
Excess of Revenues Over Expenditures	320,035	320,035	184,063	(135,972)
Other Financing Sources (Uses)				
Transfers out	(320,035)	(320,035)	(184,063)	135,972
Total Other Financing Sources (Uses)	(320,035)	(320,035)	(184,063)	135,972
Net Change in Fund Balances	$ -	$ -	$ -	$ -
Fund Balances Beginning of Year			$ -	
Fund Balances End of Year			$ -	

See accompanying notes to the basic financial statements.

City of Ellijay, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Multiple Grant
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Intergovernmental	$ -	$ -	$ 83,914	$ 83,914
Investment earnings	-	-	876	876
Total Revenues	-	-	84,790	84,790
Expenditures				
Current				
Public safety				
Police	-	-	2,386	(2,386)
Public works	-	-	40,907	(40,907)
Total Expenditures	-	-	43,293	(43,293)
Excess of Revenues Over Expenditures	-	-	41,497	41,497
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	$ -	$ -	41,497	$ 41,497
Fund Balances Beginning of Year			47	
Fund Balances End of Year			$ 41,544	

See accompanying notes to the basic financial statements.

CITY OF ELLIJAY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

1. Summary of Accounting Policies

The City of Ellijay, Georgia complies with Generally Accepted Accounting Principles (GAAP). The city's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Government-wide and Fund Financial Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34 which establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

GASB 34 took effect for entities the size of the City of Ellijay during the fiscal year ending December 31, 2004. One of the changes required by GASB 34 is the presentation of current and accumulated depreciation by activity. Another important change is the requirement to present the original adopted budget as well as the final amended budget in the budgetary comparison statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect expenses to functions in the statement of activities.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of governmental activities for the City.

These statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all the City's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

The government has one discretely presented component unit. The Downtown Development Authority is shown in a separate column in the government-wide financial statements.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

C. Basis of Presentation - Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, fines, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. A sixty (60) day availability period is used for revenue recognition for all governmental fund revenues.

The City reports the following major governmental funds:
General Fund – is the principal fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund.

American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund – is a special revenue fund used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

Multiple Grant Fund – is a special revenue fund used to account for both operating and capital grants received by the City, as well as related expenditures or transfer to appropriate fund.

Special Local Option Sales Tax (SPLOST) Fund – is a capital projects fund used to account for the collection and disbursement of the renewal of the 1% Special Local Option Sales Tax (SPLOST) needed to fund road projects and acquisition and construction of capital projects.

Additionally, the City reports the following fund types:
Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. All nonmajor funds contained in the statements are special revenue funds.

D. Basis of Presentation - Component Units

The Ellijay Downtown Development Authority (the "DDA") is accounted for using the current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

E. The Reporting Entity

The reporting entity consists of the funds of the primary government of the City of Ellijay, Georgia and material component units. In defining the reporting entity for financial reporting purposes and as required by accounting principles generally accepted in the United States of America, management has considered all potential component units. The criteria for including an organization within the City's reporting entity is financial accountability. Financial accountability is defined as appointment of a voting majority of the organization's board and either the ability to impose will by the primary government or the possibility that the organization will provide a financial benefit or impose a financial benefit on the primary government. The component unit discussed below is included in the City's reporting entity because of its financial relationship with the City. In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity,* as amended by Statement No. 61, the financial statements of the following component unit have been included as discretely presented component units.

Discretely Presented Component Units:
The Ellijay Downtown Development Authority (the "DDA") has been included as a discretely presented component unit in the accompanying financial statements. The DDA is a public body, corporate and politic, reactivated on February 20, 2012 under the "Downtown Development Authorities Laws," O.C.G.A 36-42-1. The DDA was formed to develop and promote for the public good and general welfare trade, commerce, industry,

and employment opportunities of the State of Georgia by creating a climate favorable to the location of new industry, trade, and commerce and the development of existing industry, trade, and commerce with the city. Five positions are available on the DDA's Board of Directors, and members are appointed by the City of Ellijay's Mayor and Council. A mix of professions and interests will be taken into consideration when appointing the DDA Board members. Because of its close relation with the City, management of the City believes it would be misleading to exclude the DDA from the financial reporting of the City. Separate financial statements for the Ellijay Downtown Development Authority are not prepared. There are no differences between the fund level and government-wide reporting for the DDA; therefore, fund level statements have not been presented in the basic financial statements.

F. New Accounting Pronouncement

In June 2017, the Government Accounting Standards Board issued Statement No. 87, Leases, with an effective date for fiscal years beginning after June 15, 2021. The objective of the statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Leased assets are amortized over the term of the lease. The initial inclusion of leases upon adoption of the standard is presented as the balances on the first day of the fiscal year of implementation; therefore, no restatement of prior periods is required.

G. Budgets

The budgetary data reflected in the financial statements are established and adopted by the City Council and Mayor at the department level. Any change to the original budget for a department must be approved by the Council.

An annual budget is required to be adopted for the general fund and each special revenue fund according to Georgia law. A project-length budget is required for capital projects funds. Annual budgets were adopted for the General Fund, five of the special revenue funds, and capital projects fund. 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. There are three special revenue funds for which an annual budget was not adopted in 2022. See Note 8.

H. Receivables

Property taxes reflected in revenue consist of taxes levied on November 5, 2022, plus collections of any prior year taxes. Those current and prior year property taxes which are collected within sixty days of the fiscal year end are susceptible to accrual and therefore are accrued and reflected in revenue. All other property taxes receivable is deferred in the governmental fund financial statements. An allowance is made for uncollectible taxes at December 31, 2022 in the amount of $8,060.

Fines receivable consists of adjudicated cases with balances outstanding. No allowance is made for fines receivable since warrants are taken out on uncollected cases and probation cases are rarely written off.

I. Capital Assets, Right-of-Use Assets, and Related Depreciation and Amortization

Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks and similar items), and right-to-use leased assets are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of two years. There is no minimum threshold on capitalization of right-of-use assets. Infrastructure assets acquired prior to the implementation of GASB 34 have not been capitalized. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Amortization on right-of-use assets is calculated on the straight-line basis over the term of the related lease. Deprecation on capital assets is calculated on the straight-line basis over the following estimated useful lives.

	Useful Life
Buildings, Building and Land Improvements	15 – 50 years
Machinery and Equipment	5 – 20 years
Vehicles	5 – 12 years
Infrastructure	20 – 50 years

J. Employee Benefits

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are reported as debt service expenditures in governmental funds.

L. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered unnecessary to assure effective budgetary control or to facilitate effective cash planning and control.

M. Prepaids

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items at both reporting levels using the purchases method. Utilizing this method, the City initially records costs as expenditures and reclassifies the prepaid portion of such costs at the end of the year. At the fund reporting level, an equal amount of fund balance offsets the prepaid items as nonspendable. This indicates they do not constitute "available, spendable financial resource even though they are a component of net current assets.

N. Cash

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions.

O. Fund Balance Policy and Restricted and Unrestricted Resources

The fund balance of governmental funds can be classified into five different categories which are nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance are resources that are not in spendable form or are legally or contractually required to be maintained intact, such as inventory or prepaid assets. Some constraints on the use of resources are externally enforceable, imposed by law or enabling legislation and are classified as restricted. An example includes hotel/motel tax resources. Portions of fund balance can be committed if constraints are formally imposed by the government's highest level of decision-making authority by no later than the end of the reporting period. The Mayor and Council are required to formally commit fund balance by resolution. Assigned fund balance is a resource earmarked for particular purposes and can be designated by the Mayor or City Administrator with written authorization. The remaining fund balance not classified in any of the previous categories is labeled unassigned.

Net position on the government-wide statements represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and debt, plus any outstanding balances of borrowings not yet expended, but restricted for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City of through external restrictions imposed by creditors, grantors or laws or regulation of other governments. All other net position balances are reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed. When an expenditure is incurred for purposes for which amounts in committed, assigned, or unassigned fund balance could be used, it is the government's policy to first use committed and then assigned fund balance if available. Unassigned fund balance would be used for remaining expenditures from unrestricted fund balance.

P. Investments

The City generally limits their investments to certificates of deposit through local financial institutions. However, upon approval by Mayor and Council, any investment authorized by Georgia code would be acceptable. There are no investments held by the City at December 31, 2022.

Q. Unearned Revenue and Deferred Outflows/Inflows of Resources

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as unearned revenue (i.e., they are measurable but not available) rather than as revenue.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, if applicable. This element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Property taxes, fines and other receivables not collected within sixty days of year-end have been recorded as deferred revenue at the fund reporting level. Imposed nonexchange tax revenue received in advance is also classified as a deferred inflow at the fund and government-wide reporting levels.

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the City of Ellijay, (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Use of Estimates

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

2. Cash on Deposit and Investment Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. State statutes require all deposits to be collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. It is the City's policy that any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. Obligations. Deposits exceeding FDIC limits secured thru the local government investment pool, "Georgia Fund 1," created by O.C.G.A. 36-83-8 or a collateral pool are acceptable securities. The amount of the total bank balance is classified into three categories of credit risk: (1) FDIC insured or collateralized with securities held by the City or its agent in its name; (2) collateralized with securities held by the pledging institution's trust department in the City's name; (3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

At December 31, 2022 the bank balance of all deposits was $3,900,184 and the carrying amount was $3,921,352. All deposits were covered by FDIC insurance with deposits exceeding FDIC limits secured thru the Georgia Secure Deposit Program according to Georgia law. Administered by the Georgia Bankers Association Services, Inc. (GBASI) and coordinated by the Office of State Treasurer, the Program came into existence during 2016. Through monthly reporting, GBASI ensures the banks participating in the pool meet Georgia state law regarding collateral levels of 110%. As of December 31, 2022, the amount covered by depository insurance was $267,242 and the amount with securities held by United Community Bank or by its trust department or agent, but not in the City's name was $3,632,943. The collateral to deposit ratio is 110%.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. It is currently the City's policy to not invest in instruments with a variable interest rate.
Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City's policy to invest in non-negotiable certificates of deposit and money market accounts that are covered by FDIC insurance or pledged collateral.

3. Restricted Assets and Restricted Net Position

Restricted cash is related to the following funds for the stated purposes below:

Technology Fee Fund	$ 18,626	Technology for police department
Confiscated Assets Fund	662	For public safety expenditures
Bond Escrow Fund	8,225	Bonds held on behalf of others
Multiple Grant Fund	41,544	Unspent grant proceeds for public works department
Hotel Motel Fund	3,453	Amount due to Chamber of Commerce
Hotel Motel Fund	4,520	Amount due for overpayment of tax
ARPA Fund	433,433	Unspent ARPA grant funds
SPLOST Fund	1,071,480	For referendum-approved capital projects
Total restricted cash	$1,581,943	

A related portion of net position is restricted in the government-wide Statement of Net Position for the following governmental activities:

SPLOST Fund	$1,115,156	For capital projects
Confiscated Asset Fund	662	For public safety expenditures
Technology Fee Fund	18,626	Technology for police department
Multiple Grant Fund	41,544	Unspent grant proceeds for public works department
	$1,175,988	

4. Capital Assets – Governmental Activities

Changes in capital assets by major classes for 2022 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Land	$ 415,068	$ -	$ -	$ 415,068
Construction in progress	77,594	94,921	-	172,515
Total capital assets not depreciated	492,662	94,921	-	587,583
Capital assets depreciated:				
Infrastructure	3,360,453	238,613	-	3,599,066
Buildings	2,550,141	-	-	2,550,141
Land improvements	370,467	-	-	370,467
Machinery and equipment	765,584	42,445	-	808,029
Vehicles	1,304,540	113,070	-	1,417,610
Total capital assets depreciated	8,351,185	394,128	-	8,745,313
Less accumulated depreciation for:				
Infrastructure	1,523,495	160,652	-	1,684,147
Buildings	860,288	51,652	-	911,940
Land improvements	246,139	10,248	-	256,387
Machinery and equipment	589,031	24,103	-	613,134
Vehicles	1,173,749	53,624	-	1,227,373
Total accumulated depreciation	4,392,702	300,279	-	4,692,981
Total capital assets depreciated, net	3,958,483	93,849	-	4,052,332
Governmental activities - capital assets, net excluding lease assets	$4,451,145	$ 188,770	$ -	$4,639,915
Lease assets, net (Note 5)				4,266
Total Governmental activities capital assets, net as reported in the statement of net position				$4,644,181

Depreciation expense for the year ended December 31, 2022, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 13,863
Public safety	105,729
Public works	178,895
Culture and recreation	1,792
Total expense – Governmental Activities	$ 300,279

5. Intangible Right to Use Leases

A summary of leased asset activity during the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Leased assets:				
Equipment	$ -	$ 7,423	$ -	$ 7,423
Total lease assets	-	7,423	-	7,423
Less accumulated amortization:				
Equipment	-	3,157	-	3,157
Total accumulated amortization	-	3,157	-	3,157
Total lease assets, net	$ -	$ 4,266	$ -	$ 4,266

Amortization expense was charged to functions as follows:

Governmental Activities:	
General government	$ 1,903
Public safety	1,254
Total expense – Governmental Activities	$ 3,157

6. Lease Liabilities

The City, as a lessee, has entered into lease agreements for the use of equipment and multifunction copiers for both the public safety and general government departments. The total of the City's leased assets are recorded at a cost of $7,423, less accumulated amortization of $3,157.

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due in One Year
Lease liabilities	$ -	$ 7,423	$ (3,148)	$ 4,275	$ 1,958

The future lease payments under lease agreements are as follows:

	Leases		
	Principal	Interest	Total
2023	$ 1,958	$ 24	$ 1,982
2024	767	15	782
2025	772	10	782
2026	778	4	782
Total	$ 4,275	$ 53	$ 4,328

Interest expense related to lease liabilities in the amount of $33 is shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position, Governmental Funds.

7. Long-term Debt

After implementation of GASB 87 "Leases," the City has reclassified agreements that transfer ownership of the underlying asset by the end of the contract and do not contain termination options as financed purchases. For governmental activities, police cruisers and related equipment were acquired under a financed purchase agreement. The vehicles have an estimated useful life of five years. Annual payments of $26,479 at an interest rate of 3.289% were required until the contract matured in August of 2022. The financed purchase was completed in August of 2022 according to the terms of the contract.

Changes in long-term Debt:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Financed purchases	$ 25,437	$ -	$ 25,437	$ -	$ -
Compensated absences	25,046	34,611	29,567	30,090	30,090
Total	$ 50,483	$ 34,611	$ 55,004	$ 30,090	$ 30,090

Interest expense included in the Statement of Activities was $683.

Compensated absences are liquidated by the general fund.

8. Material Violation of Finance-Related Legal Provision

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 December 31, 2022 in the amounts shown below:

General Fund:	
Judicial	$ 20,280
Culture and recreation	$ 790
Principal retirement	$ 28,585
Interest and fiscal charges	$ 1,076
Hotel/Motel Fund:	
Housing and economic development	$ 14,252

Although expenditures materially exceeded budgeted appropriations for these departments, total expenditures were offset by an excess of revenues, resulting in an increase in fund net position for the General Fund and the Hotel/Motel Fund.

OCGA 36-81-3(b) requires an annual balanced budget for each special revenue fund. In 2022, there was no budgeted amounts established for the Multiple Grant Fund, Better Hometown Fund, and Confiscated Assets Fund.

9. Property Taxes

The City of Ellijay's property tax calendar for the 2022 levy was as follows:

Lien date	January 2022
Levy date	November 2022
Due date	January 2023
Delinquent date	April 2023

10. Pension Plan

Plan Description

The City has established a non-contributory defined benefit pension plan (The City of Ellijay Retirement Plan), covering all full-time employees who work a minimum of 40 hours per week. Elected officials are not eligible for participation. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City makes no investments on behalf of the City of Ellijay Retirement Plan. Benefits are provided by the Plan whereby retirees receive a range of 1.00% to 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City established the plan effective August 1, 1972, and has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. Members may retire at 65 years of age with 5 years of service. Early retirement is possible at age 55 with 10 years of service. Employee benefits vest after 5 years of service. Employees do not contribute toward the plan.

The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan membership. As of July 1, 2022, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not receiving benefits	24
Active plan members	24
	66

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City contributes an amount equal to the recommended contribution each year. For the year ended December 31, 2022, the City's contribution rate was 5.00% of annual payroll. City contributions to the Plan were $19,926 for the year ended December 31, 2022.

Net Pension Liability of the City

Effective January 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension asset was measured as of March 31, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022 with updated procedures performed by the actuary to roll forward to the total pension liability measured as of March 31, 2022.

Actuarial assumptions. The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.25% plus service-based merit increases
Investment rate of return	7.375% net of pension plan investment expense, including inflation

Mortality rates for were based on the Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25, and on the Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The methods and assumptions used in the July 1, 2022 valuation were approved by the Board in December 2019 based on the results of an actuarial experience study for the period January 1, 2015 through June 30, 2019 conducted by Segal in November and December of 2019.

Cost of living adjustments were assumed to be 0%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made equal to the actuarially determined contribution 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability. The discount rate was at 7.375% for the measurement period ending March 31, 2022.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2022, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at March 31, 2021	$ 986,316	$1,189,754	$(203,438)
Changes for the year:			
Service cost	24,884	-	24,884
Interest	72,708	-	72,708
Differences between expected and actual experience	29,819	-	29,819
Contributions – employer	-	31,669	(31,669)
Contributions – employee	-	-	-
Net investment income	-	72,445	(72,445)
Benefit payments, including refunds of employee contributions	(50,671)	(50,671)	-
Administrative expense	-	(10,109)	10,109
Other changes	-	-	-
Net changes	76,740	43,334	33,406
Balances at March 31, 2022	$1,063,056	$1,233,088	$(170,032)

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 7.375 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375 percent) or 1-percentage-point higher (8.375 percent) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension liability (asset)	$ (32,629)	$ (170,032)	$ (283,843)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective.

Calculations are based on the substantive plan in effect as of March 31, 2022 and the current sharing pattern of costs between employer and employee.

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

For the year ended December 31, 2022, the City recognized pension expense of $13,459. At December 31, 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	$ 40,488	$ -
Changes in assumptions	346	-
Net difference between projected and actual earnings on pension plan investments	-	(117,711)
City contributions subsequent measurement date	14,945	-
Total	$ 55,779	$ (117,711)

City contributions subsequent to the measurement date of $14,945 are reported as deferred outflows of resources and will be recognized as an increase of the net pension asset in the year ending December 31, 2022. Other 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 December 31:	
2023	$ (4,182)
2024	(15,974)
2025	(59,566)
2026	2,845
	$ (76,877)

11. Deferred Compensation Plan

The City also has a 457(b) plan of deferred compensation that is funded 100% by the employees. The plan calls for volunteer contributions up to the levels allowed by the IRS. The cost of the plan will be borne by the participating employees. The funds are invested and administered by VALIC and the employee directs such investments. The plan is portable and eligible for rollover. There is one current employee active in the City's 457(b) plan of deferred compensation administered by Nationwide Retirement. No employee contributions were made to the plan in 2022.

12. Commitments and Contingencies

In the opinion of the City Attorney, there are no suits pending on unasserted claims that would result in material liabilities of the City. The City has various agreements and contracts entered into in the normal course of business. Such agreements do not give rise to assets or liabilities considered material at December 31, 2022.

13. Risk Management

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Worker's Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage being required to pay and claim of loss. The City is also to allow investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protest the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against member in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

14. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the Northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto. During its year ended December 31, 2022 the City paid $1,847 in such dues. Membership in the NWGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NWGRC. Membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of NWGRC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, 1 Jackson Hill Drive, Rome Georgia 30162.

15. Related Organizations

The Housing Authority of the City of Ellijay, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Ellijay, Georgia. The City of Ellijay is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Ellijay, Georgia is a related organization.

16. Hotel/Motel Tax

The City of Ellijay levies a 5% Hotel/Motel tax in accordance with OCGA 48-13-51. Amounts levied in excess of 3% (40% of the taxes levied) are expended for the purpose of promoting tourism in accordance with OCGA 48-13-50 (a)(3).

Hotel Tax Collections of 5%	43,130
Collections in excess of 3%	17,252
Hotel Tax Expenditures	17,252
Percentage Expended	100%

17. Deficit Fund Balance

The Bond Escrow Fund had a deficit balance of $257 on December 31, 2022.

18. Interfund Balances

Balances exist between the following funds in order to transfer cash to the appropriate fund from various transactions for compliant grant expenditures, as well as fees collected in special revenue funds due to the operating fund. Repayment of internal balances will occur within one year of the date of the financials.

Interfund Receivable	Interfund Payable	Amount
General Fund	Local Fiscal Recovery Fund	$ 104,609
General Fund	Multiple Grant Fund	90,102
General Fund	Nonmajor Funds	14,516
Nonmajor Funds	General Fund	(1,384)
Net interfund receivable for General Fund		$ 207,843
SPLOST Fund	Multiple Grant Fund	$ 40,907
Net interfund receivable for SPLOST Fund		$ 40,907
Nonmajor Funds	General Fund	$ 1,384
Net interfund receivable for Nonmajor Funds		$ 1,384

Interfund Payable	Interfund Receivable	Amount
Local Fiscal Recovery Fund	General Fund	$ (104,609)
Net interfund payable for Local Fiscal Recovery Fund		$ (104,609)
Multiple Grant Fund	General Fund	$ (90,102)
Multiple Grant Fund	SPLOST Fund	(40,907)
Net interfund payable for Multiple Grant Fund		$ (131,009)
Nonmajor Funds	General Fund	(14,516)
Net interfund payable for Nonmajor Funds		$ (14,516)

A summary of interfund transfers for the year ended December 31, 2022 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Local Fiscal Recovery Fund	$ 184,063

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets and the related accumulated depreciation between funds. There are no transfers related to capital assets in 2022.

19. Subsequent Events

The City has evaluated subsequent events through June 13, 2023, the date which the financial statements were available to be issued. There were no items noted that required disclosure or modification to the financial statements.

CITY OF ELLIJAY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION

City of Ellijay, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Changes in the Net Pension Liability and Related Ratios
For the year ended December 31, 2022

	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	$ 24,884	$ 20,018	$ 22,984	$ 18,944	$ 21,445	$ 23,989	$ 20,631
Interest	72,708	66,748	62,570	57,642	55,031	54,815	52,585
Difference between expected and actual experience	29,819	31,654	19,120	15,231	(22,989)	(48,746)	(19,247)
Changes of assumptions	-	-	1,385	-	14,977	-	-
Changes of benefit terms	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(50,671)	(34,291)	(30,297)	(30,012)	(27,849)	(26,684)	(23,702)
Net change in total pension liability	76,740	84,129	75,762	61,805	40,615	3,374	30,267
Total pension liability- beginning	986,316	902,187	826,425	764,620	724,005	720,631	690,364
Total pension liability- ending (a)	$ 1,063,056	$ 986,316	$ 902,187	$ 826,425	$ 764,620	$ 724,005	$ 720,631
Plan fiduciary net position							
Contributions- employer	$ 31,669	$ 40,355	$ 36,734	$ 35,164	$ 35,635	$ 30,830	$ 27,638
Contributions- employee	-	-	-	-	-	-	-
Net investment income	72,445	372,469	(62,287)	31,092	95,457	86,478	2,162
Benefit payments- including refund of employee contributions	(50,671)	(34,291)	(30,297)	(30,012)	(27,849)	(26,684)	(23,702)
Administrative expense	(10,109)	(9,807)	(10,605)	(10,262)	(10,456)	(10,608)	(7,532)
Other	-	-	-	-	-	-	-
Net change in fiduciary net position	43,334	368,726	(66,455)	25,982	92,787	80,016	(1,434)
Plan fiduciary net position- beginning	1,189,754	821,028	887,483	861,501	768,714	688,698	690,132
Plan fiduciary net position- ending (b)	$ 1,233,088	$ 1,189,754	$ 821,028	$ 887,483	$ 861,501	$ 768,714	$ 688,698
Net pension liability- ending (a-b)	$ (170,032)	$ (203,438)	$ 81,159	$ (61,058)	$ (96,881)	$ (44,709)	$ 31,933
Plans fiduciary net position as a percentage of the total pension liability	115.99%	120.63%	91.00%	107.39%	112.67%	106.18%	95.57%
Covered employee payroll	$ 788,751	$ 914,141	$ 791,866	$ 818,946	$ 674,157	$ 729,126	$ 821,999
Net pension liability as a percentage of covered employee payroll	-21.56%	-22.25%	10.25%	-7.46%	-14.37%	-6.13%	3.88%

Notes to the Schedule:
Historical information prior to implementation of GASB 67/68 is not required, but this schedule will present 10 years of information once accumulated.

Changes in assumptions in the valuation report dated July 1, 2022:

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

The mortality table for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25.

The mortality table for disabled participants was changed from the sex-distinct RP-2000 Disabled Retiree Mortality Table to the sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The mortality table for active participants, terminated vested participants, and deferred beneficiaries was changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct Scale SSA2019. Previously future mortality improvements were not explicitly projected.

The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. If normal retirement eligibility was available prior to age 65, the rates were 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70 and older as long as a participant was at least eligible for early retirement.

The new assumption relates to when a given participant is eligible for normal retirement (either regular normal retirement or alternative normal retirement). Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after age 65 are 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.

ages 61 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 30%.

Where normal retirement is available at age 60 or 61, the new retirement rates are 3% when first eligible for early retirement through age 59, 10% at ages 60 to 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 20%.

Where normal retirement is available prior to age 60, the new retirement rates are 3% when first eligible for early retirement through the year prior to normal retirement eligibility, 10% from normal retirement eligibility through age 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older. In addition, in the first year a participant is eligible for normal retirement, the rate is increased by 10%. 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 disability rates were changed to 50% of the rates in the prior age-based table.

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%.

There were no changes in benefit provisions in the last two years.

City of Ellijay, Georgia
Required Supplementary Information
Georgia Municipal Association Defined Benefit Plan
Schedule of Contributions
For the year ended December 31, 2022

	2021		2020	2019	2018	2017	2016
Actuarially determined contribution	$ 40,012	*	$ 40,469	$ 35,489	$ 35,056	$ 35,828	$ 38,223
Contributions in relation to the actuarially determined contribution	40,012	*	40,469	35,489	35,056	35,828	38,223
Contribution deficiency (excess)	$ -	*	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 914,141	*	$ 791,866	$ 818,946	$ 674,157	$ 729,126	$ 821,999
Contributions as a percentage of covered employee payroll	4.38%	*	5.11%	4.33%	5.20%	4.91%	4.65%

*2022 information will be determined after fiscal year end and will be included in the 2023 valuation report.

Notes to the Schedule:

Historical information prior to implementation of GASB 67/68 is not required, but this schedule will present 10 years of information once accumulated.

Valuation date	The actuarial determined contribution rate was determined as of July 1, 2021, with an interest adjustment to the fiscal year.
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 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 the end of the 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 increase	2.25% plus service based merit increases
Cost of living adjustments	0.00%
Retirement age	Where normal retirement is only available on or after age 65 retirement age is assumed to be 60% at ages 65 to 69 and 100% at age
Mortality	Mortality rates for were based on the Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25, and on the Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

The above information reflects assumptions and methods in use during the valuation dated July 1, 2022, for which the most recent information is reported above. See schedule of assumption changes on previous page that relate to the information as of the July 1, 2020 valuation date.

CITY OF ELLIJAY, GEORGIA

SUPPLEMENTARY INFORMATION

City of Ellijay, Georgia
Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Better Hometown	Bond Escrow	Cemetery	Confiscated Assets	Hotel/Motel Tax	Technology Fee	
Assets							
Cash	$ -	$ 18,356	$ 85,829	$ 662	$ 70,984	$ 17,242	$ 193,073
Receivables (net)							
Other taxes	-	-	-	-	6,066	-	6,066
Interfund	-	-	-	-	-	1,384	1,384
Total Assets	$ -	$ 18,356	$ 85,829	$ 662	$ 77,050	$ 18,626	$ 200,523
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ -	$ -	$ -	$ -	$ 7,973	$ -	$ 7,973
Bonds held on behalf of others	-	8,482	-	-	-	-	8,482
Interfund payable	-	10,131	-	-	4,385	-	14,516
Total Liabilities	-	18,613	-	-	12,358	-	30,971
Fund Balances							
Restricted							
Program purposes							
Public safety	-	-	-	662	-	18,626	19,288
Committed							
Public works	-	-	85,829	-	-	-	85,829
Assigned							
Economic development	-	-	-	-	64,692	-	64,692
Unassigned, reported in							
Special revenue funds	-	(257)	-	-	-	-	(257)
Total Fund Balances	-	(257)	85,829	662	64,692	18,626	169,552
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ -	$ 18,356	$ 85,829	$ 662	$ 77,050	$ 18,626	$ 200,523

City of Ellijay, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2022

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Better Hometown	Bond Escrow	Cemetery	Confiscated Assets	Hotel/Motel Tax	Technology Fee	
Revenues							
Selective use taxes	$ -	$ -	$ -	$ -	$ 43,130	$ -	$ 43,130
Charges for services	-	-	19,050	-	-	-	19,050
Fines and forfeitures	-	-	-	-	-	6,143	6,143
Contributions from private sources	-	-	-	-	5,000	-	5,000
Investment earnings	-	52	419	4	323	88	886
Total Revenues	-	52	19,469	4	48,453	6,231	74,209
Expenditures							
Current							
Housing and economic development	6,898	-	-	-	32,252	-	39,150
Total Expenditures	6,898	-	-	-	32,252	-	39,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,898)	52	19,469	4	16,201	6,231	35,059
Net Change in Fund Balances	(6,898)	52	19,469	4	16,201	6,231	35,059
Fund Balances Beginning of Year	6,898	(309)	66,360	658	48,491	12,395	134,493
Fund Balances (Deficits) End of Year	$ -	$ (257)	$ 85,829	$ 662	$ 64,692	$ 18,626	$ 169,552

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Better Hometown Fund
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Total Revenues	$ -	$ -	$ -	$ -
Expenditures				
Current				
Housing and economic development	-	-	6,898	(6,898)
Total Expenditures	-	-	6,898	(6,898)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(6,898)	(6,898)
Net Change in Fund Balances	$ -	$ -	(6,898)	$ (6,898)
Fund Balances Beginning of Year			6,898	
Fund Balances End of Year			$ -	

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Bond Escrow Fund
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Fines and forfeitures	$ 50,000	$ 50,000	$ -	$ (50,000)
Investment earnings	-	-	52	52
Total Revenues	50,000	50,000	52	(49,948)
Expenditures				
Current				
Judicial	50,000	50,000	-	50,000
Total Expenditures	50,000	50,000	-	50,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	52	52
Net Change in Fund Balances	$ -	$ -	52	$ 52
Fund Balances Beginning of Year			(309)	
Fund Balances End of Year			$ (257)	

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Cemetery Fund
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Charges for services	$ 5,000	$ 5,000	$ 19,050	$ 14,050
Investment earnings	-	-	419	419
Total Revenues	5,000	5,000	19,469	14,469
Expenditures				
Current				
Public works	5,000	5,000	-	5,000
Total Expenditures	5,000	5,000	-	5,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	19,469	19,469
Net Change in Fund Balances	$ -	$ -	19,469	$ 19,469
Fund Balances Beginning of Year			66,360	
Fund Balances End of Year			$ 85,829	

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Confiscated Assets Fund
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Investment earnings	$ -	$ -	$ 4	$ 4
Total Revenues	-	-	4	4
Expenditures				
Current				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	4	4
Net Change in Fund Balances	$ -	$ -	4	$ 4
Fund Balances Beginning of Year			658	
Fund Balances End of Year			$ 662	

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Hotel/Motel Tax Fund
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Hotel/motel taxes	$ 18,000	$ 18,000	$ 43,130	$ 25,130
Contributions from private sources	-	-	5,000	5,000
Investment earnings	-	-	323	323
Total Revenues	18,000	18,000	48,453	30,453
Expenditures				
Current				
Housing and economic development	18,000	18,000	32,252	(14,252)
Total Expenditures	18,000	18,000	32,252	(14,252)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	16,201	16,201
Net Change in Fund Balances	$ -	$ -	16,201	$ 16,201
Fund Balances Beginning of Year			48,491	
Fund Balances End of Year			$ 64,692	

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Technology Fee Fund
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Budget
Revenues				
Fines and forfeitures	$ 5,500	$ 5,500	$ 6,143	$ 643
Investment earnings	-	-	88	88
Total Revenues	5,500	5,500	6,231	731
Expenditures				
Current				
Public safety	14,500	14,500	-	14,500
Total Expenditures	14,500	14,500	-	14,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,000)	(9,000)	6,231	15,231
Other Financing Sources (Uses)				
(Additions to) Use of fund balance	9,000	9,000	-	(9,000)
Total Other Financing Sources (Uses)	9,000	9,000	-	(9,000)
Net Change in Fund Balances	$ -	$ -	6,231	$ 6,231
Fund Balances Beginning of Year			12,395	
Fund Balances End of Year			$ 18,626	

City of Ellijay, Georgia
Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the year ended December 31, 2022

Project	Referendum Authorized Amount	Original Estimated Cost	Prior Years' Expenditures	Current Year Expenditures	Cumulative Total	Estimated Percentage of Completion
2020 SPLOST						
Road, street, and bridge purposes, which may include sidewalks and bicycle paths; parks and recreational facilities and capital equipment therefor.	$ 1,680,000	$ 1,680,000	$ 101,297	$ 321,396	$ 422,693	25%

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

Note B: The expenditures for total SPLOST activity do not reconcile to the capital outlay total shown in the basic financial statements. There were purchases of items that were in compliance with the SPLOST referendum but that did not require capitalization. These items have been expensed in accordance with the financial policies of the City. However, the total expenditures shown above for the current fiscal year reconcile to the amount shown in the fund statements.

City of Ellijay, Georgia
Balance Sheet
Component Unit - Downtown Development Authority
December 31, 2022

	Downtown Development Authority
Assets	
Cash	$ 6,658
Total Assets	$ 6,658
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities	-
Deferred Inflows of Resources	-
Fund Balances	
Assigned	
Program purposes	
Economic development	6,658
Total Fund Balances	6,658
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,658

City of Ellijay, Georgia
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Component Unit - Downtown Development Authority
For the year ended December 31, 2022

Revenues		
Intergovernmental	$	6,898
Investment earnings		35
Total Revenues		6,933
Expenditures		
Current		
Housing and economic development		275
Total Expenditures		275
Excess (Deficiency) of Revenues Over (Under) Expenditures		6,658
Net Change in Fund Balances		6,658
Fund Balances Beginning of Year		-
Fund Balances End of Year	$	6,658

CITY OF ELLIJAY, GEORGIA

INTERNAL CONTROL AND COMPLIANCE SECTION

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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 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ellijay, Georgia, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Ellijay, Georgia's basic financial statements and have issued our report thereon dated June 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of 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 Ellijay, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ellijay, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2018-001, 2018-003, 2020-002, 2022-001, and 2022-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2020-001, 2022-003, 2022-004 and 2022-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2020-003.

Additional matters were communicated to management in a letter that is not included in this report.

City of Ellijay, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Ellijay, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings. City of 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.

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

Welch, Walker & Associates, P.C., CPAs
East Ellijay, Georgia
June 13, 2023

Material Weaknesses:

2018-001 – Material Adjustments to Financial Statements

Criteria: The City is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP).

Condition/Context: Material adjustments to all account classes were required to prevent the financial statements from being materially misstated. This resulted in inaccurate information from which management was operating and making financial decisions throughout the year, as well as year-end reporting of financial results.

Cause: Activity in the subledgers were not regularly reconciled to the general ledger in order to correct errors or misstatements.

Effect: As a result of the misstatement, all account classes were materially misstated.

Recommendation: Activity in the subledgers and software modules should be reconciled to the general ledger monthly so that errors in financial information can be prevented or corrected in a timely manner.

Response: The City agrees with this finding and will continue their efforts for accurate financial reporting in the future.

2018-003: Lack of Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, general ledger and bank reconciliation.

Condition/Context: During the course of the audit, we noted many critical duties are combined and given to the available employees.

Cause: The limited number of employees working in the office and the resulting overlapping of duties causes segregation of duties to be difficult.

Effect: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

Recommendation: To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements and maintaining the general ledger. In situations where additional personnel are not available, an effort should be made to divide the duties of the available personnel in such a manner as to achieve the greatest possible segregation of duties. Increased Council involvement in the City's finances is also encouraged to strengthen internal controls. When these suggestions are implemented the City's system of internal control will be enhanced, so that the risk of employee misappropriation of assets is reduced.

Response: The lack of segregation of duties is a recurring item as the limited number of employees makes segregation of duties difficult to accomplish. Management plans to continue close involvement with the City's finances to aid in this matter.

2020-002 – Bank Reconciliations

Criteria: Bank statements for all cash accounts should be performed regularly, at a minimum within a month of receiving the bank statements. Any discrepancies between bank balances and balances per the general ledger should be researched and resolved in a timely manner.

Condition/Context: Bank reconciliations were not performed on a regular monthly basis. The majority of the reconciliations for 2022 were performed subsequent to calendar year end. In addition, the bank reconciliations included numerous items for unrecorded transactions, such as business license deposits, credit card payments, service charges, and deposit corrections. These items were recorded on the bank reconciliation, but were not recorded in the general ledger. As such, the balance shown on the bank reconciliation for the ending cash balance did not agree with the general ledger balance for cash for each respective month. Additionally, bank reconciliations for ten months included entries to force the reconciliations to balance. Supporting documentation for such entries could not be located.

Cause: Bank reconciliations were not performed in a timely manner, nor were discrepancies adequately researched and resolved. Discrepancies resolved were not recorded in the financial software.

Effect: Failure to accurately reconcile bank accounts and report cash activity results in inaccurate financial reporting throughout the year. The use of unsubstantiated entries to balance the operating account of the City instead of accurately reconciling and recording cash transactions compromises the accuracy, completeness, and existence of cash transactions presented in the General Fund. A net variance of $2,701 between cash balances as stated by the bank and cash balances as stated in the General Fund was unable to be substantiated. Additionally, errors are not recognized timely, which could prevent the issues from being easily corrected.

Recommendation: It is our recommendation that bank reconciliations for all bank accounts are performed monthly, and any inaccuracies or errors corrected immediately. Additionally, as part of this monthly process, all errors and discrepancies should be recorded in the financial software, and general ledger totals for cash balances should be reconciled to the manual bank reconciliation cash balances.

Response: The City agrees with this finding, and staff will implement processes to ensure that all accounts are reconciled timely and accurately.

2022-001 – Timeliness of Deposits

Criteria: Monies received the by City should be deposited at the appropriate financial institution within days of receipt.

Condition/Context: Two checks were held for an extended period of time beyond the date they were received by the City before being deposited into the bank account. One check consisted of an insurance reimbursement in the amount of $3,804 and was held for 5 months before being deposited. This 5-month period extended over two calendar reporting years. The other check consisted of a contribution from private sources in the amount of $12,580 for use in the public safety department and was held for 3 months before being deposited.

Cause: Checks were not taken to the financial institution for deposit in a timely manner.

Effect: Failure to deposit monies in a timely manner opens the City to risk of misappropriation or loss of funds. Checks may be easily misplaced, misappropriated, or overlooked if not deposited within days of their receipt. In addition, failure to deposit checks in a timely manner results in inaccurate financial reporting.

Recommendation: It is our recommendation that the City utilize the central receipting process for all payments received, including grant funds and miscellaneous items, and the items are deposited at the appropriate financial institution within days of receipt.

Response: The City currently uses the cashier function of the software to receive the majority of payments during the year. Staff will work with management to implement controls to capture all payments received by the City through the central cashiering function.

2022-002 – Timeliness of Transfers and Repayment of Interfund Balances

Criteria: Cash required to be transferred between funds should occur as the transaction is executed. The amounts transferred should be for exact transaction amounts. In the event the transfer is not executed on the day of the transaction, amounts owed between funds should be repaid in a timely manner. No interfund balances should be carried forward beyond one fiscal year.

Condition/Context: Transfers required to repay various funds or move monies to the appropriate fund were not made in a timely manner. Transfers of cash should routinely occur at the City for technology fees collected by the court system that need to be moved to a separate account in the Technology Fund, as well as court bonds collected that need to be either repaid to an individual or transferred to the General Fund as fine revenue. Additionally, transfers to the appropriate fund are required in order for the City to maintain compliance with the legal provisions for the use of grant awards. When the legal provisions of the awards have been met, such as ARPA grant funding or other state grant awards, the release of those monies should be reflected in a transfer of cash from the appropriate Special Revenue Fund to the General Fund or Capital Projects Fund to reflect the use of cash spent in accordance with the regulations. Although cash transfers were made in 2022, not all amounts agreed with the exact amounts earmarked to be transferred. In addition, several interfund balances have been outstanding for more than two years.

Cause: Transfers of monies were not made in a timely manner. Several transferred amounts were not made in the appropriate amount.

Effect: The failure to transfer cash in a timely manner and in the appropriate amount has resulted in material interfund balances owed between the General Fund, the Local Fiscal Recovery Fund, the Multiple Grant Fund, the Bond Escrow Fund, the SPLOST Fund, and the Technology Fund.

Recommendation: It is our recommendation that interfund balances reconciled at the end of calendar year 2022 be repaid immediately, and all subsequent transfers in the future should be made either on a monthly basis as appropriate, or on the date the related grant transaction occurs.

Response: The staff will repay all interfund balances noted in the reconciled balances at the end of 2022, and, with the assistance of management, implement controls to ensure that all future transfers are made on a timely basis.

Significant Deficiencies:

2020-001 – Grant Monitoring and Expenditure

Criteria: Grant monies received should be deposited into the Multiple Grant Fund per city policy, and only those funds should be spent from the related cash account. Grant funds spent in conjunction with a project in another fund should be transferred to the appropriate fund out of the Multiple Grant Fund before any expenditure is made. Such transfers should be made in a timely manner to avoid interfund balances.

Condition/Context: Grant monies received are deposited into the Multiple Grant Fund bank account presently in accordance with city policy. However, when project invoices are paid, costs in addition to grant award (including match) are paid from the Multiple Grant Fund. This causes overspending in the cash account and circumvents the inclusion of expenditures in the appropriate departmental budget. In addition, transfers of grant monies to the appropriate fund (when applicable) are not being made in the appropriate time frame.

Cause: Invoices approved for use in grant projects are paid from the Multiple Grant Fund account. However, there has been no cash transferred from General Fund to supplement amounts for required city match or additional expenditure above grant budget for the project. This creates a shortage of appropriate funds in the cash account as well as omission of expenditure of operating funds in the individual departmental budgets. Grant monies spent in conjunction with other projects/funds have not been transferred to the appropriate cash accounts, resulting in interfund balances owed between funds.

Effect: $685 in excess of grant monies received was spent out of the Multiple Grant Fund, resulting an interfund payable between the General Fund and the Multiple Grant Fund. The failure to reimburse interfund balances in a timely manner for funds spent in conjunction with projects in other funds has resulted in a net amount of $90,102 due from the Multiple Grant Fund to the General Fund and $40,907 due to the SPLOST Fund.

Recommendation: The Multiple Grant Fund cash account should be reconciled against grant awards received and spent to verify the balance of unspent grant funds throughout the year. Invoices paid using the Multiple Grant Fund should be paid using a combination of grant monies and supplemented monies from other funds to prevent this issue in the future. Supplemental monies should be recorded in the departmental expenditures in the fund from which they are transferred. If the grant funds are spent in conjunction with a project in another fund, e.g., LMIG monies to supplement road construction in the SPLOST Fund, then the grant monies should be transferred to the appropriate fund out of the Multiple Grant Fund before any expenditure is made.

Response: The City agrees with this finding and will implement internal controls and policies to properly manage and utilize the Multiple Grant Fund in the future.

2022-003 – Restricted Hotel Motel Funds

Criteria: The restricted portion of hotel motel funds should be equal to at least 40 percent of the total taxes collected at a rate of 5 percent for the purposes of promoting tourism per O.C.G.A. §48-13-51(4.6)(A). Restricted hotel motel funds are to be used for tourism promotion purposes.

Condition/Context: In order to comply with the restriction requirements of the use of hotel motel funds, the City has a contract with the Gilmer County Chamber of Commerce (Chamber). The City remits restricted funds to the Chamber, and the Chamber utilizes the restricted funds for tourism promotion purposes, thereby fulfilling the restricted purpose. The City has a contractual obligation to remit restricted tax collections to the Chamber monthly. Payments are currently sent, at a minimum, quarterly. Additionally, the calculation of hotel motel tax to be remitted has been inaccurate and overages, as well as shortages, are netting over time.

Cause: The City is not making payments in accordance with the specifications of the contract entered into with the Gilmer County Chamber of Commerce. Amounts remitted to the Chamber have not accurately reflected the 40 percent of the total taxes collected at a rate of 5 percent.

Effect: Failure to accurately calculate the restricted portion of hotel motel taxes and remit the restricted funds on a regular basis resulted in a liability for funds owed to the Chamber of $3,453 at December 31, 2022 for restricted funds not remitted by year end. Failure to make payments on a monthly basis has caused the City to be in violation of the agreed-upon contract and opens the City to the risk of the misuse of restricted funds.

Recommendation: The calculation of the restricted portion of hotel motel fund should be performed on a monthly basis. The restricted portion should be calculated at 40 percent of the total taxes collected, or the rate set by ordinance by the governing body. The restricted funds should be remitted to the Chamber on a monthly basis in accordance with the agreed upon contract, until such time a new contract is negotiated.

Response: The City staff has been working with Chamber staff to reconcile amounts owed for restricted taxes collected, and will continue to improve their process to meet the contractual obligations to accurately remit restricted tax collections to the Chamber in the specified time period.

2022-004 – Bond Escrow

Criteria: Bonds held by the City for court should be reconciled on a regular basis (quarterly at a minimum) to ensure that all bonds are released and transferred back to the General Fund. In addition, the recording of bond activity on the general ledger should use a liability account rather than revenue and expenditure accounts in the Bond Escrow Fund.

Condition/Context: The City did not reconcile bonds released on a regular basis. Released bonds were not transferred in a timely manner, and inaccurate transfers were noted when tested. Bond activity was recorded in revenue and expenditure accounts rather than the appropriate liability account.

Cause: The City did not reconcile bonds held on behalf of others and payments received to Court records for bond activity on a regular basis. Released bonds were not transferred from the Bond Escrow Fund to the General Fund in a timely manner.

Effect: Failure to reconcile court bonds has resulted in the underfunding of the bond escrow account by $257 at December 31, 2022. The use of revenue and expenditure accounts as opposed to a liability account to record bond activity overstates both revenues and expenses and fails to acknowledge the liability associated with bonds held by the City.

Recommendation: It is our recommendation that a reconciliation of bond activity to Court records be performed on a regular basis. Funds should be transferred in a timely manner as appropriate.

Response: While the City staff does reconcile amounts held by Gilmer County on their behalf before a court appearance, the process for reconciling bonds held on behalf of others after court appearance will be reviewed and corrected to improve the recording and release of funds to the General Fund. Further, they will work to ensure that transfers will be substantiated by court documents and amounts transferred will reconcile to such documents.

2022-005 – Municipal Court Probation Cases

Criteria: Open probation cases per the City's records should be reconciled with the probation office on a regular basis and cases closed accordingly.

Condition/Context: Multiple discrepancies were noted between the City's records of probation cases and the records maintained by the third-party probation servicer. These errors consist of 1) cases not reported in the Courtware system as being probation; 2) cases closed out in the Courtware system despite the cases being identified by the probation officer as being active; 3) cases reported as active in the Courtware system despite the cases being identified by the probation officer as being closed; and 4) one case was noted as being paid in full by the City, but was noted as being outstanding per the probation office records.

Cause: The City did not reconcile open probation cases per the City's records with the probation office.

Effect: Due to the nature of probation cases, the risk for an overstatement of court fines receivable is significantly higher and requires communication with the probation officer to ensure that the City is up to date with the collectability and status of each case.

Recommendation: It is our recommendation that open probation cases be reconciled with the Ellijay Probation Office's records on a monthly basis. Discrepancies should be researched and any inaccuracies or errors corrected immediately.

Response: City staff will implement controls and procedures to closely monitor outstanding probation cases, and work with the probation officer to maintain current probation records in the software.

Instances of Noncompliance:

2020-003 – Budget Adoption

Criteria: OCGA 36-81-3(b) requires that an annual balance budget be adopted for each special revenue fund.

Condition/Context: There were no budgeted appropriations for three special revenue funds in 2022.

Cause: The Better Hometown Fund, Confiscated Assets Fund, and Multiple Grant Fund did not have legally adopted budgets for 2022.

Effect: The omission of budgeted appropriations for these funds caused the City to be in violation of OCGA 36-81-3(b).

Recommendation: It is our recommendation that the City include a balanced budget for General Fund and all special revenue funds. Project length budgets would continue to be adopted for all capital project funds.

Response: The City agrees with this finding and will include adopt budgets for all funds in the future.