CITY OF McCAYSVILLE, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CITY OF McCAYSVILLE, GEORGIA
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CITY OF McCAYSVILLE, GEORGIA

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of McCaysville, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of McCaysville, 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 business-type activities, each major fund and the aggregate remaining fund information of the City of McCaysville, Georgia, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of McCaysville, 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 McCaysville, 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 McCaysville, 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

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 McCaysville, Georgia's basic financial statements. The accompanying schedule of revenues, expenditures and changes in fund balance – budget and actual – APRA Fund and schedule of projects constructed with special local option sales tax proceeds (as required by *Official Code of Georgia Annotated* Section 48-8-121), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balance – budget and actual – APRA Fund, and schedule of projects constructed with special local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2024, on our consideration of the City of McCaysville, 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 McCaysville, 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 McCaysville, 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 1, 2024

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of McCaysville, Georgia
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash	$ 851,751	$ 1,619,686	$ 2,471,437
Restricted assets			
Cash	693,184	63,965	757,149
Receivables			
Accounts receivable (net)	621	266,200	266,821
Property taxes	8,919	-	8,919
Other taxes	93,468	-	93,468
Fines receivable (net)	23,090	-	23,090
Intergovernmental	99,878	-	99,878
Rent	20,818	-	20,818
Internal balances	(16,614)	16,614	-
Inventory	-	109,016	109,016
Prepaid items	56,358	47,944	104,302
Total Current Assets	1,831,473	2,123,425	3,954,898
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	-	135,470	135,470
Investments	482,991	413,378	896,369
Capital assets			
Nondepreciable	246,998	2,046,306	2,293,304
Depreciable, net	3,896,737	8,704,798	12,601,535
Total Noncurrent Assets	4,626,726	11,299,952	15,926,678
Total Assets	6,458,199	13,423,377	19,881,576
Liabilities			
Current Liabilities			
Accounts payable	275,025	160,603	435,628
Accrued payroll liabilities	19,934	13,396	33,330
Accrued expenses	1,200	5,502	6,702
Accrued interest	5,364	466	5,830
Notes payable	45,257	-	45,257
Payable from restricted assets			
Unearned revenue	193,953	-	193,953
Customer deposits	-	135,470	135,470
Contractor retainage payable	-	2,412	2,412
Total Current Liabilities	540,733	317,849	858,582
Long-Term Liabilities (net of current portion)			
Notes payable	77,689	4,370,234	4,447,923
Total Long-Term Liabilities	77,689	4,370,234	4,447,923
Total Liabilities	618,422	4,688,083	5,306,505
Net Position			
Net investment in capital assets	3,772,239	6,294,287	10,066,526
Restricted for			
Capital projects	545,472	63,965	609,437
Unrestricted	1,522,066	2,377,042	3,899,108
Total Net Position	$ 5,839,777	$ 8,735,294	$ 14,575,071

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Activities
For the Year Ending June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Business-Type Activities	Net Revenue (Expense) and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities							
General government	$ 228,468	$ 16,416	$ -	$ -	$ (212,052)	$ -	$ (212,052)
Judicial	31,941	64,776	-	-	32,835	-	32,835
Public safety	899,285	-	35,102	-	(864,183)	-	(864,183)
Public works	537,840	1,175	-	795,444	258,779	-	258,779
Culture and recreation	122,392	-	-	433,678	311,286	-	311,286
Interest	8,553	-	-	-	(8,553)	-	(8,553)
Total Governmental Activities	1,828,479	82,367	35,102	1,229,122	(481,888)	-	(481,888)
Business-Type Activities							
Water system	2,260,341	2,309,585	-	555,379	-	604,623	604,623
Total Business-Type Activities	2,260,341	2,309,585	-	555,379	-	604,623	604,623
Total - Primary Government	$ 4,088,820	$ 2,391,952	$ 35,102	$ 1,784,501	(481,888)	604,623	122,735
General Revenues							
Taxes							
Property taxes, levied for a general purpose					141,901	-	141,901
Franchise taxes					12,917	-	12,917
General sales and use taxes					1,047,136	-	1,047,136
Selective sales and use taxes					4,653	-	4,653
Business taxes					95,955	-	95,955
Unrestricted investment earnings					17,328	32,214	49,542
Miscellaneous					230	-	230
Insurance proceeds					5,378	7,894	13,272
Gain on disposal of capital assets					6,611	400	7,011
Total General Revenues					1,332,109	40,508	1,372,617
Transfers					(449,207)	449,207	-
Total General Revenues and Transfers					882,902	489,715	1,372,617
Change in Net Position					401,014	1,094,338	1,495,352
Net Position, Beginning of Year					5,438,763	7,640,956	13,079,719
Net Position, End of Year					$ 5,839,777	$ 8,735,294	$ 14,575,071

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

City of McCaysville, Georgia
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	SPLOST	Nonmajor American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery	Total Governmental Funds
Assets				
Current				
Cash	$ 657,798	$ -	$ 193,953	$ 851,751
Cash, restricted	-	693,184	-	693,184
Receivables				
Accounts receivable (net)	621	-	-	621
Property taxes	8,919	-	-	8,919
Other taxes	93,468	-	-	93,468
Fines receivable (net)	23,090			23,090
Intergovernmental				
County	2,240	97,638	-	99,878
Lease	20,818	-	-	20,818
Interfund	-	3,200	-	3,200
Prepaid items	56,358	-	-	56,358
Non-current				
Investments	482,991	-	-	482,991
Total Assets	$ 1,346,303	$ 794,022	$ 193,953	$ 2,334,278
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 26,475	$ 248,550	$ -	$ 275,025
Accrued payroll liabilities	19,934	-	-	19,934
Accrued expenses	1,200	-	-	1,200
Interfund payable	19,814	-	-	19,814
Unearned grant revenue	-	-	193,953	193,953
Total Liabilities	67,423	248,550	193,953	509,926
Deferred Inflows of Resources				
Deferred tax revenue	9,608	-	-	9,608
Deferred fine revenue	42,951	-	-	42,951
Deferred inflows relating to leases	22,055	-	-	22,055
Total Deferred Inflows of Resources	74,614	-	-	74,614
Fund Balances				
Nonspendable				
Prepaid items	56,358	-	-	56,358
Restricted for				
Capital projects	-	545,472	-	545,472
Unassigned	1,147,908	-	-	1,147,908
Total Fund Balances	1,204,266	545,472	-	1,749,738
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,346,303	$ 794,022	$ 193,953	$ 2,334,278

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Reconciliation of the Governmental Funds' Balance Sheet
to the Statement of Net Position
June 30, 2023

Total Governmental Fund Balances		$ 1,749,738
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are not current financial resources and, therefore, are not reported in the governmental fund statements, but are reported in the government activities of the Statement of Net Position.		
Cost of capital assets	5,797,252	
Less accumulated depreciation	(1,653,517)	4,143,735
Some assets are not current in nature and are not available to pay for current-period expenditure. As such, these items are deferred in the governmental fund statements. These include the following:		
Property taxes	9,608	
Fines	42,951	
Leases	22,055	74,614
Some liabilities are not due and payable in the current period. Such liabilities are not reported in the governmental fund statements, but are reported on the government-wide Statement of Net Position. These include the following:		
Notes payable	(122,946)	
Accrued interest	(5,364)	(128,310)
Net Position of Governmental Activities		$ 5,839,777

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	SPLOST	Nonmajor American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery	Total
Revenues				
Property taxes	$ 104,610	$ -	$ -	$ 104,610
Personal property taxes	26,279	-	-	26,279
Real estate transfer tax	9,646	-	-	9,646
Franchise taxes	12,917	-	-	12,917
General sales and use taxes	1,047,136	-	-	1,047,136
Selective sales and use taxes	4,653	-	-	4,653
Business taxes	95,955	-	-	95,955
Penalties and interest on taxes	382	-	-	382
Licenses and permits	14,916	-	-	14,916
Intergovernmental	433,678	573,230	245,459	1,252,367
Charges for services	1,175	-	-	1,175
Fines and forfeitures	59,928	-	-	59,928
Interest	17,328	11,857	-	29,185
Lease revenue	17,618			17,618
Miscellaneous	230	-	-	230
Total Revenues	1,846,451	585,087	245,459	2,676,997
Expenditures				
Current				
General government	224,856	-	-	224,856
Judicial	31,941	-	-	31,941
Public safety	768,870	37,549	-	806,419
Public works	351,629	82,995	-	434,624
Culture and recreation	516,462	-	-	516,462
Capital outlay				
Public safety	-	196,611	-	196,611
Public works	-	634,839	-	634,839
Debt service				
Principal retirement	-	42,616	-	42,616
Interest and fiscal charges	-	10,307	-	10,307
Total Expenditures	1,893,758	1,004,917	-	2,898,675
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,307)	(419,830)	245,459	(221,678)
Other Financing Sources (Uses)				
Transfers	35,102	-	(245,459)	(210,357)
Insurance proceeds	5,378	-	-	5,378
Total Other Financing Sources (Uses)	40,480	-	(245,459)	(204,979)
Net Change in Fund Balance	(6,827)	(419,830)	-	(426,657)
Fund Balance, Beginning of Year	1,211,093	965,302	-	2,176,395
Fund Balance, End of Year	$ 1,204,266	$ 545,472	$ -	$ 1,749,738

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Net Changes In Fund Balances - Total Governmental Funds		$ (426,657)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Capital outlay	1,286,088	
Depreciation expense	(252,262)	1,033,826
The cost of capital assets that are disposed of or sold, net of accumulated depreciation, are reported in the government-wide statement of activities but not reported at the fund financial reporting level.		
Capital assets sold	(24,937)	
Accumulated depreciation	23,548	(1,389)
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 June 30, 2022	7,118	
Liability at June 30, 2023	(5,364)	1,754
Transfer of capital asset from capital projects fund to enterprise fund is not recorded on the fund statement; however the capital asset transfer is recorded on the government-wide statements. The transfer of the capital asset is shown as a transfer of $238,850 to the enterprise fund in the government-wide statement of activities.		(238,850)
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.		42,616
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.		
Taxes:		
Deferred at June 30, 2022	(8,624)	
Deferred at June 30, 2023	9,608	984
Fines and forfeitures:		
Deferred at June 30, 2022	(38,103)	
Deferred at June 30, 2023	42,951	4,848
Leases:		
Deferred at June 30, 2022	(38,173)	
Deferred at June 30, 2023	22,055	(16,118)
Change In Net Position of Governmental Activities		$ 401,014

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Taxes	$ 1,228,600	$ 1,231,600	$ 1,301,578	$ 69,978
Licenses and permits	15,500	15,500	14,916	(584)
Intergovernmental	21,000	271,000	433,678	162,678
Charges for services	1,400	1,400	1,175	(225)
Fines and forfeitures	36,000	53,000	59,928	6,928
Interest	700	8,200	17,328	9,128
Lease revenue	18,000	18,000	17,618	(382)
Miscellaneous	3,900	3,900	230	(3,670)
Use of prior year reserves	9,869	213,069	-	(213,069)
Total Revenues	1,334,969	1,815,669	1,846,451	30,782
Expenditures				
Current				
General government:				
Legislative	14,744	14,744	12,918	1,826
Executive	7,600	7,600	7,704	(104)
Elections	600	600	-	600
General administration	216,108	229,658	204,234	25,424
Judicial				
Municipal court	17,115	35,315	31,941	3,374
Public safety				
Police	704,036	765,286	768,870	(3,584)
Public works				
Highways and streets	324,516	365,216	351,629	13,587
Culture and recreation				
Parks	50,750	397,750	516,462	(118,712)
Total Expenditures	1,335,469	1,816,169	1,893,758	(77,589)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	(500)	(47,307)	(46,807)
Other Financing Sources (Uses)				
Transfers	-	-	35,102	35,102
Insurance proceeds	500	500	5,378	4,878
Reserve for future years	-	-	-	-
Total Other Financing Sources (Uses)	500	500	40,480	39,980
Net Change in Fund Balance	-	-	(6,827)	(6,827)
Fund Balance, Beginning of Year	1,211,093	1,211,093	1,211,093	-
Fund Balance, End of Year	$ 1,211,093	$ 1,211,093	$ 1,204,266	$ (6,827)

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Enterprise Fund Water & Sewer
Assets	
Current	
Cash	$ 1,619,686
Cash, restricted	63,965
Receivables	
Accounts receivable (net)	266,200
Interfund	16,614
Inventory	109,016
Prepaid items	47,944
Non-current	
Cash, restricted	135,470
Investments	413,378
Capital assets not being depreciated	2,046,306
Capital assets, net of depreciation	8,704,798
Total Assets	$ 13,423,377
Liabilities	
Current	
Accounts payable	$ 160,603
Accrued payroll liabilities	13,396
Accrued expenses	5,502
Accrued interest	466
Restricted liabilities:	
Customer deposits	135,470
Contractor retainage payable	2,412
Total Current Liabilities	317,849
Long-Term Liabilities	
Notes payable (net of current portion)	4,370,234
Total Long-Term Liabilities	4,370,234
Total Liabilities	4,688,083
Fund Net Position	
Net investment in capital assets	6,294,287
Restricted for capital projects	63,965
Unrestricted	2,377,042
Total Fund Net Position	8,735,294
Total Liabilities and Deferred Inflows of Resources, and Fund Net Position	$ 13,423,377

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Enterprise Fund Water & Sewer
Operating Revenues	
Charges for services	
Charges for services	$ 2,151,494
Tap fees	100,500
Connection fees	11,050
Insurance fees	6,502
Penalties	40,039
Total Operating Revenues	2,309,585
Operating Expenses	
Sanitation	99,282
Sewer	343,297
Water distribution	1,364,730
Water treatment	142,644
Total Operating Expenses	1,949,953
Operating Income before Amortization and Depreciation	359,632
Depreciation	304,847
Operating Income	54,785
Non-Operating Revenues (Expenses)	
Gain on sale of capital assets	400
Insurance proceeds	7,894
Interest income	32,214
Interest on notes payable	(5,541)
Intergovernmental revenue	419,777
Surcharge revenue	23,746
Total Non-Operating Revenues (Expenses)	478,490
Income (Loss) before Contributions and Transfers	533,275
Contributions from private sources	111,856
Contributions of capital assets	238,850
Transfers	210,357
	561,063
Change in Fund Net Position	1,094,338
Net Position, Beginning of Year	7,640,956
Net Position, End of Year	$ 8,735,294

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Enterprise Fund Water & Sewer
Cash Flows from Operating Activities	
Cash received from customers	$ 2,315,820
Cash payments for goods and services	(1,096,396)
Cash payments for personal services	(841,213)
Net Cash Provided by (Used in) Operating Activities	378,211
Cash Flows from Noncapital Financing Activities	
Proceeds from insurance recovery	7,894
Transfers in	210,357
Net Cash Provided by (Used in) Noncapital Financing Activities	218,251
Cash Flows from Capital and Related Financing Activities	
Proceeds from issuance of debt	932,839
Interest paid on notes	(5,488)
Proceeds from sale of assets	400
Proceeds from surcharge fees	23,746
Water line extension fees	111,856
Payments for capital acquisitions and construction	(1,233,711)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(170,358)
Cash Flows from Investing Activities	
Interest income	26,218
Net Cash Provided by (Used in) Investing Activities	26,218
Net Increase (Decrease) in Cash	452,322
Cash Beginning of Year	1,366,799
Cash End of Year	$ 1,819,121
Reconciliation of Total Cash:	
Cash	$ 1,619,686
Restricted cash	199,435
	$ 1,819,121
Noncash Transactions	
Georgia Environmental Finance Authority loan forgiveness	$ 419,777
Contribution of capital assets	$ 238,850

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2023

Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$	54,785
Adjustments		
Depreciation		304,847
(Increase) Decrease in Assets		
Accounts receivable		1,855
Interfund receivable		(14,562)
Prepaid expenses		(13,546)
Increase (Decrease) in Liabilities		
Accounts payable		13,323
Accrued payroll liabilities		332
Accrued expenses		664
Customer deposits		4,380
		323,426
Net Cash Provided by (Used in) Operating Activities	$	378,211

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

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

A. THE REPORTING ENTITY

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The City's financial statements include the accounts of all operations. The criteria for including organizations within the City's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. GASB 14 was amended in a later released standard, Governmental Accounting Standards Board's Statement No. 61, which further emphasized and defined the existence of a financial burden or benefit between a primary government and the component unit. As a result of applying the criteria of these two standards, there have been no component units included the financial statements of the City at June 30, 2023.

The Housing Authority of the City of McCaysville is considered a related organization as a result of applying the criteria of GASB 14 and 61. The Authority is a legally separate entity having a board composed of members appointed originally by the City of McCaysville. The City is not able to impose its will upon the Authority, and a financial benefit/burden does not exist between them as of June 30, 2023.

B. GOVERNMENT-WIDE STATEMENTS AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the 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 may 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 financially accountable.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of net position, both governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for capital improvements result from both the capital projects and enterprise funds and the restriction on their net position use. When both restricted and unrestricted net position is available, it is the City's policy to first apply restricted resources when an expense is incurred for restricted purposes. Upon utilizing restricted resources completely, unrestricted resources would be used secondly.

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

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The City has no nonmajor funds in the current year.

C. 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 summaries of governmental and business-type activities for the City.

The measurement focus describes the type of transactions and events that are reported in a fund's operating statements. Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. 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.

The City's funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue, and capital project funds. Proprietary funds include enterprise funds.

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement in the funds statement is upon determination of financial position and changes in financial positions (sources, uses, and balances of financial resources) rather than upon net income. 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. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, intergovernmental revenues (including sales tax allocations), licenses, interest revenue and charges for services. A sixty (60) day availability period is used for revenue recognition for all governmental fund revenues

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

A deferred outflow of resources represents a consumption of net position that applies to a future period and these balances will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and these balances will not be recognized as an inflow of resources (revenue) until that time. This standard affects the Statement of Net Position in the government-wide statements as well as the Governmental Fund Balance Sheet in the fund statements.

The City reports the following major governmental funds:

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

SPLOST Fund – This is a capital projects fund that accounts for financial resources to be used for the acquisition and construction of major capital projects, and for the maintenance of streets and roads, which are not financed by another source of governmental funds.

The City reports the following nonmajor governmental 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.

PROPRIETARY FUNDS
Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for water and sewer usage. Operating expenses for the enterprise funds include all costs to operate the water system and to deliver water service to customers. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

The City reports the following major enterprise funds:

Water and Sewerage Fund – This fund accounts for the development, operation, and maintenance of the water distribution system.

D. BUDGETARY INFORMATION

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.

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Because the City adopts each of its operating budgets at the department level, the applicable statutes require that total expenditures not exceed the total amount of appropriations at the departmental level. This constitutes the legal level of control. Unspent appropriations lapse at year-end.

An annual budget was adopted for the General Fund, the special revenue fund, and the capital projects fund. The General Fund budget, special revenue fund budget, and capital projects fund budget were 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. Budgets for governmental funds are established in a legally permissible manner. An operating budget is adopted for the proprietary Water Fund for administrative control purposes. The City considers expenditures in excess of appropriations by 10% or greater to be a material violation.

Revenues are budgeted by source. Expenditures are budgeted by department and may not exceed appropriations at this level. Budget revisions are subject to review and approval by the City Council.

E. ENCUMBRANCES

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

F. CASH AND INVESTMENTS

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

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

Investments consist of certificates of deposit held at a financial institution with original maturities extending beyond three months.

G. INVENTORIES

Inventories are valued at cost in the proprietary fund types. Inventories consist of expendable supplies and items needed for repairs or improvements to the water utility system. Inventories are accounted for on the first-in, first-out (FIFO) method of accounting for inventories. Inventory was valued at $109,016 at June 30, 2023.

H. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period in governmental and proprietary funds are amortized over their useful policy period. Prepaid expenditures are

similarly reported in the government-wide and fund financial statements. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

I. CAPITAL ASSETS AND DEPRECIATION

Capital assets which include property, equipment and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year, and an initial, individual cost of more than $15,000 for infrastructure and $5,000 for other capital assets. All purchased or constructed assets meeting these requirements are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Amortization of right-to-use assets is calculated on the straight-line basis over the life of the related lease term. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Land improvements	15 years
Infrastructure	30-50 years
Buildings and improvements	15-50 years
Machinery and equipment	10-15 years
Office furniture	10 years
Vehicles	5 years

J. COMPENSATED ABSENCES

Vacation pay is typically accrued when incurred in the government-wide and proprietary fund financial statements. The current City policy does not allow for vacation pay to carry forward to subsequent fiscal years if unused. Therefore, there is no liability shown for vacation pay on the government-wide or proprietary fund financial statements for City of McCaysville, Georgia.

Accumulated sick pay benefits have not been recorded as a liability because the payment of these benefits is contingent upon the future illness of an employee. It is not expected that any unrecorded sick pay benefits will exceed a normal year's accumulation. In accordance with the provisions of Statement of Financial Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay bonus.

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. In the fund financial statements, governmental fund types recognize the face amount of debt issued in the current period as other financing sources.

L. 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. Fines and other receivables not collected within sixty days of year-end have been recorded as deferred revenue at the fund reporting level.

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.

J. FUND BALANCE POLICY AND RESTRICTED AND UNRESTRICTED RESOURCES

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources 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.

The City Council has by resolution authorized the City Clerk to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At June 30, 2023, the City had no committed fund balances.

Amounts may also be nonspendable in nature, because they are either 1) not in spendable form, or 2) legally or contractually required to be intact. Nonspendable items are those that are not expected to be converted to

cash, such as prepaid items, inventory, long-term amounts of loans and notes receivable, and property acquired for resale. In fiscal year 2023, the City had $56,358 in prepaid items. This amount is shown as nonspendable fund balance on page 5 of the financial statements.

Net position on the government-wide and proprietary fund statements represents the difference between assets and liabilities. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and right of used assets, net of accumulated amortization, reduced by any outstanding balances of any borrowings used (i.e., the amount that the City has spent) for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulators of other governments. All other net position balances are reported as unrestricted. The City has not adopted a minimum fund balance policy at this time. This is something that the City is actively researching to implement in the near future.

M. ESTIMATES

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

N. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables and payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

2. CASH ON DEPOSIT AND INVESTMENT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

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 June 30, 2023, the City had no monies subject to custodial risk.

At June 30, 2023 the bank balance of all cash and certificates of deposits was $3,412,587 and $896,369, respectively, and the carrying amount was $4,260,425. 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%. The City's deposits are covered by Federal Depository Insurance or by collateral held by a pledging financial institution's agency in the City's name.

The City's investments consisted of marketable certificates of deposit. All investment balances are covered by Federal Depository Insurance.

3. RECEIVABLES

Fines receivable in the General Fund are stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. The allowance is computed as a percentage of the revenue at year end based primarily on the age of the indebtedness. Fines receivable consisted of $46,538 with an associated allowance of uncollectible accounts of $23,448. This resulted in a net receivable balance of $23,090 as shown on the Balance Sheet – Governmental Funds on page 5.

Property tax revenues are recognized when levied to the extent that they result in current receivables. Property taxes receivable in the General Fund are stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. The allowance is computed as a percentage of the revenue at year end based primarily on the age of the indebtedness. Property taxes receivable of $12,210 is shown net of its related allowance for uncollectible accounts of $3,291 on the Balance Sheet – Governmental Funds on page 5. Property taxes levied each year are based on values as of January 1st and are due within 60 days of the levy date. The City's property tax calendar for the 2022 levy is as follows:

Levy date	September 9, 2022
Due date	December 31, 2022
Delinquent date	February 1, 2023

There is no lien date established.

Accounts receivable in the Water Fund are stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. The allowance is computed as a percentage of the revenue at year end based primarily on the age of the indebtedness. The allowance for uncollectible accounts for water receivables at June 30, 2023 amounted to $43,092. Accounts receivable also includes unbilled receivables totaling $64,427 at June 30, 2023. This resulted in a net receivable balance of $266,200, as shown in the Statement of Fund Net Position on page 10.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 246,998	$ -	$ -	$ 246,998
Construction in progress	-	238,850	238,850	-
Total capital assets not being depreciated	246,998	238,850	238,850	246,998
Capital assets being depreciated:				
Land improvements	175,683	-	-	175,683
Buildings and improvements	506,744	365,718	-	872,462
Machinery and equipment	909,365	134,135	24,937	1,018,563
Furniture and fixtures	3,864	-	-	3,864
City park	673,634	431,896	-	1,105,530
Infrastructure	2,258,663	115,489	-	2,374,152
Total capital assets being depreciated	4,527,953	1,047,238	24,937	5,550,254
Less accumulated depreciation:				
Land improvements	37,225	11,639	-	48,864
Buildings and improvements	170,632	21,162	-	191,794
Machinery and equipment	439,052	107,680	23,548	523,184
Furniture and fixtures	1,064	207	-	1,271
City park	216,669	28,053	-	244,722

Infrastructure	560,161	83,521	-	643,682
Total accumulated depreciation	1,424,803	252,262	23,548	1,653,517
Total capital assets being depreciated, net	3,103,150	794,976	1,389	3,896,737
Governmental activities capital assets, net	$ 3,350,148	$ 1,033,826	$ 240,239	$ 4,143,735

	Beginning Balances	Increases/ Adjustments	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 200,310	$ -	$ -	$ 200,310
Construction in progress	1,354,824	523,377	32,205	1,845,996
Total capital assets not being depreciated	1,555,134	523,377	32,205	2,046,306
Capital assets being depreciated:				
Land improvements	108,132	-	-	108,132
Buildings and improvements	101,862	-	-	101,862
Infrastructure	14,149,191	161,894	-	14,311,085
Machinery and equipment	577,753	-	12,346	565,407
Total capital assets being depreciated	14,936,938	161,894	12,346	15,086,486
Less accumulated depreciation:				
Land improvements	37,526	2,017	-	39,543
Buildings and improvements	62,310	3,567	-	65,877
Infrastructure	5,603,653	258,701	-	5,862,354
Machinery and equipment	385,698	40,562	12,346	413,914
Total accumulated depreciation	6,089,187	304,847	12,346	6,381,688
Total capital assets being depreciated, net	8,847,751	(142,953)	-	8,704,798
Business-type activities capital assets, net	$ 10,402,885	$ 380,424	$ 32,205	$ 10,751,104

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

Governmental activities:	
General government	$ 3,612
Public safety	84,866
Public works	125,958
Culture and recreation	37,826
	$ 252,262
Business-type activities:	
Water and sewerage	$ 304,847

5. LEASES

City as a lessor

The City, as a lessor, has entered into a lease agreement involving building space. The total amount of inflows of resources, including rent revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was $18,042. The lease term ends August 31, 2024. Deferred inflows and rents receivable in relation to this lease agreement total $22,055 and $20,818 respectively, as of June 30, 2023.

6. LONG-TERM OBLIGATIONS

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.

Governmental Activities

Financed purchases for governmental activities are as follows:

Financed purchase agreement with Ford Motor Credit Company, LLC in the amount of $95,631 for the purchase of two police cars and related equipment. Payments are due annually until the lease matures in January 2025. The interest rate associated with this lease is 5.99%. Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2024	$ 19,062	$ 2,352	$ 21,414
2025	20,203	1,211	21,414
	$ 39,265	$ 3,563	$ 42,828

Financed purchase agreement with Ford Motor Credit Company, LLC in the amount of $139,822 for the purchase of three police cars and related equipment. Payments of $31,509 are due annually until the lease matures in September 2025. The interest rate associated with this lease is 6.35%. Annual debt service requirements to maturity are as follows:

	Principal	Interest	Total
2024	$ 26,195	$ 5,314	$ 31,509
2025	27,859	3,650	31,509
2026	29,627	1,881	31,508
	$ 83,681	$ 10,845	$ 94,526

Business Type Activities
The City has the following notes payable for business-type activities:

The City was awarded funding from a loan issued by the State Revolving Loan Funds through Georgia Environmental Facility Agency (GEFA) for the refinancing of water treatment plant loan and installation of automated meters in the amount of $4,991,000. As of June 30, 2023, the City has received $4,370,234 of the loan disbursements, with undisbursed obligations totaling $185,654. This loan includes a provision for $501,750 of loan forgiveness, $419,777 of which was received in fiscal year 2023. The interest rate for the note is 0.13%, and the note is not yet in repayment.

The following depicts outstanding balances for notes payable at June 30, 2023:

Georgia Environmental Facilities Authority, refinancing of water treatment plan loan and installation of automatic reading system. Interest rate of 0.13%. Loan is not yet in repayment.	$ 4,370,234
Less current portion of notes payable	-
Non-current portion of notes payable	$ 4,370,234

The following represents the changes in long-term debt from the previous year:

	Beginning Balance 6/30/2022	Additions	Reductions	Principal Forgiveness	Ending Balance 6/30/2023	Due Within One Year
Governmental activities						
Financed purchases	$ 165,562	$ -	$ 42,616	$ -	$ 122,946	$ 42,257
	$ 165,562	$ -	$ 42,616	$ -	$ 122,946	$ 42,257
Business-type activities						
Notes payable	$3,857,173	$ 932,839	$ -	$ 419,777	$4,370,234	$ -
	$3,857,173	$ 932,839	$ -	$ 419,777	$4,370,234	$ -

Total interest expense for all activities included in the Statement of Activities for the fiscal year ending June 30, 2023 was $8,553 for governmental-type activities and $5,541 for business-type activities.

7. INTERFUND BALANCES AND ACTIVITY

Balances exist between the following funds in order to transfer cash to the appropriate fund from various transactions and correction of immaterial noncompliant expenditures. Repayment of internal balances will occur within one year of the date of the financials.

Interfund balances consisted of the following at June 30, 2023:

Interfund Receivable	Interfund Payable	Amount
Water Fund	General Fund	$ 16,614
Net interfund receivable for Water Fund for payroll-related costs		$ 16,614

Interfund Receivable	Interfund Payable	Amount
SPLOST Fund	General Fund	$ 3,200
Net interfund receivable for SPLOST Fund for non-compliant costs		$ 3,200

A summary of interfund transfers for the year ended June 30, 2023 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Local Fiscal Recovery Fund	$ 35,102
Water Fund	Local Fiscal Recovery Fund	210,357
		$ 245,459

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. $35,102 was transferred from the Local Fiscal Recovery Fund to the General Fund police department supplies and training. $210,357 was transferred from the Local Fiscal Recovery Fund to the Water Fund for water infrastructure.

8. CLASSIFICATIONS OF EQUITY

Non-spendable – The following fund balance is non-spendable:

General Fund:	
Prepaid Items	$ 56,358

Restricted – The following fund balances are restricted for:

Capital Projects Fund:	
SPLOST Fund – used to account for capital projects with SPLOST tax revenues.	$ 545,472

A corresponding portion of net position restricted by enabling legislation has been shown for the SPLOST Fund capital project purposes on the Statement of Net Position on page 3.

Enterprise Fund:	
Water & Sewer Fund - surcharges	$ 63,965

A corresponding portion of net position is restricted for surcharges as shown for the Water & Sewer Fund capital project purposes on the Statement of Net Position on page 3.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and workers compensation for which the City carries the insurance coverage. There were no

significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three years.

10. RETIREMENT PLANS

Defined Contribution Plan

The City offers a defined contribution plan created in accordance with Internal Revenue Code Section 457 for full time employees. This plan is administered by the Georgia Municipal Association and serviced by MetLife Resources. The City of McCaysville Defined Contribution Plan is open and employees are entitled to make contributions to the plan, with a matching contribution from the City up to 4%. Total contributions made by employees were $47,336. The total contributions made by the City were $41,779 during fiscal year 2023.

In accordance with Section 457 of the Internal Revenue Code, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and liabilities of the deferred compensation plan are not included in the financial statements.

11. JOINT VENTURE

The City, in conjunction with other cities and counties in the North Georgia area are members of the Northwest Georgia Regional Commission (NWGRC). Membership in NWGRC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs, and was amended in 2008 to consolidate the existing RDC's into fewer larger organizations called Regional Commissions (RC). Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The City paid annual dues to the RC during the fiscal year 2023 in the amount of $1,171. The RC Board membership includes the chief elected official of each county and the chief elected official of the largest municipality in each county. The county board members elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDC's (later transferred to RC's) as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources, (O.C.G.A. 50-8-39.1). Complete financial statements of the Atlanta Regional Commission can be obtained directly from their office:

Northwest Georgia Regional Commission
503 W. Waugh Street
Dalton, Georgia 30720

12. CAPITAL GRANT

On July 25, 2017, the City was awarded a grant in the amount of $500,000 by the Georgia Department of Community Affairs. This grant was to be used for the development of infrastructure on City-owned property along the Toccoa River. This development connects to the existing park, promotes tourism, and improves the overall appearance of the City. Design began in fiscal year 2019 and the project was completed in fiscal year 2023. A total of $479,308 in grant funds were utilized in this project, with the remaining $20,692 of grant funds de-obligated at the conclusion of the project.

13. SUBSEQUENT EVENTS

In January of 2024, the City of McCaysville was approved for State Fiscal Recovery Funds of $941,326.10 for two new hires in the public safety department and any related salaries, benefits, and insurance over a five-year period beginning July 1, 2023.

The City has evaluated subsequent events through June 1, 2024, the date which the financial statements were available to be issued. There were no items noted that required modification to the financial statements.

14. COMMITMENTS AND CONTINGENCIES

The City, from time to time, may be involved in litigation, disputes and claims arising in the ordinary course of business. These matters arise from a wide variety of sources, including the day-to-day operations of the City and contracts/agreements related to its services and vendors.

15. MATERIAL VIOLATION OF FINANCE-RELATED LEGAL PROVISIONS AND STEWARDSHIP

Excess of Expenditures over Appropriations – Governmental Funds

For the year ended June 30, 2023, expenditures materially exceed appropriations for the Culture and Recreation department in the General Fund, as depicted on page 9 of the financial statements. Overall, total expenditures exceeded budgeted appropriations by $77,589 and total revenues exceeded budgeted amounts by $30,782. The total excess of expenditures over revenues varied from budgeted appropriations by $46,807. This does not include the net $39,980 variance shown for other financing sources.

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 department had expenditures which exceeded appropriations by 10% or more at June 30, 2023 in the amount shown below:

General Fund:	
Culture & recreation	
Parks	$ 118,712
Nonmajor ARPA Fund	
Other Financing Uses - Transfers	$ 43,359

OTHER SUPPLEMENTARY INFORMATION

City of McCaysville, Georgia
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Nonmajor American Rescue Plan (ARP) Act of 2021
Local Fiscal Recovery Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Intergovernmental	$ -	$ -	$ 245,459	$ 245,459
Reserve from prior years	411,500	202,100	-	(202,100)
Total Revenues	411,500	202,100	245,459	43,359
Expenditures				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	411,500	202,100	245,459	43,359
Other Financing Sources (Uses)				
Transfers	(411,500)	(202,100)	(245,459)	(43,359)
Reserve for future years	-	-	-	-
Total Other Financing Sources (Uses)	(411,500)	(202,100)	(245,459)	(43,359)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -

See accompanying notes to the basic financial statements.

City of McCaysville, Georgia
Schedule for Projects Constructed with
Special Purpose Local Option Sales Tax
For the Year Ended June 30, 2023

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
2017 SPLOST Referendum						
Roads/Transportation						
Roads, streets and sidewalks	$ 1,080,000	$ 1,080,000	$ 776,445	$ 478,984	$ 1,255,429	
Water/Sewer						
Utility and equipment	300,000	300,000	283,055	238,850	521,905	
Public Safety						
Equipment and facilities	300,000	300,000	265,508	287,083	552,591	
	$ 1,680,000	$ 1,680,000	$ 1,325,008	$ 1,004,917	$ 2,329,925	138.69%

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 did not meet the City's capitalization policy requirements. 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.*

INTERNAL CONTROL AND COMPLIANCE

WELCH WALKER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

To the Honorable Mayor and City Council
City of McCaysville, 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 business-type activities, each major fund, and the aggregate remaining fund information of City of McCaysville, Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of McCaysville, Georgia's basic financial statements and have issued our report thereon dated June 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of McCaysville, 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 McCaysville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of McCaysville, 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 and questioned costs, 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 deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2014-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of McCaysville, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

City of McCaysville, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of McCaysville, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of McCaysville, 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
East Ellijay, Georgia
June 1, 2024

CITY OF McCAYSVILLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2023

MATERIAL WEAKNESSES:

2014-001: Material Adjustments and Maintenance of General Ledger

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

Condition/Context: Although the fiscal year-end financial statements are prepared on the appropriate accrual/modified accrual basis, the City improperly presented cash, receivables, capital assets, prepaid items, accounts payable, interfund payables, revenues, expenditures, and transfers, which caused the balances in General Fund, ARPA Fund, and Water & Sewer Fund to be materially misstated.

Cause: Material entries were required to present the financial information under the applicable financial reporting framework at fiscal year end. Failure to properly report balances causes financial statements to be materially misstated and misleading for management, elected officials, and any other intended users of such information.

Effect: Cash balances for the General Fund and Water & Sewer Fund were understated by $34,716 and $5,996, respectively, at fiscal year end. Prepaid items for the General Fund and Water & Sewer Fund were understated by $30,517 and $38,813, respectively. Material entries were also needed to correct interfund balances between the General Fund, ARPA Fund, and Water & Sewer Funds, which affected multiple classes of transactions (including accounts payable, interfund accounts, and transfer accounts) across these funds. Failure to record ARPA expenditures in the correct funds also affected multiple classes of transactions, primarily Water & Sewer Fund capital assets and expenditures, General Fund expenditures, and interfund and transfer accounts for each of these three funds. The incorrect recording of debt proceeds resulted in the overstatement of Water & Sewer Fund revenues and understatement of notes payable by $419,777. Employee insurance withheld was overstated by $24,214. $238,850 of the transfer of assets between the SPLOST Fund and Water & Sewer Fund was not reflected in the Water & Sewer Fund. Inventory balances were understated by $26,163 and depreciation expense was understated by $304,847.

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

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

SIGNIFICANT DEFICIENCIES:

2014-002: 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 segregation of duties involving cash receipts, cash disbursements, payroll, general ledger preparation and reconciliation, and bank reconciliation.

Condition/Context: During the course of our testing procedures, we noted several areas in which the segregation of duties could be improved. Ideally, the duties of cash handling and bookkeeping should be segregated in order to prevent those handling cash from having access to the accounting records. Also, the duties of posting detailed transactions to the general ledger system should be segregated from other functions, such as cash reconciliation, accounts receivable, accounts payable and/or purchasing.

Cause: The limited number of employees involved in these functions and the resulting overlapping of duties causes segregation of duties to be difficult.

Effect: Without segregation of duties within these functions, there is increased exposure that City assets could be intentionally or unintentionally misappropriated.

Recommendation: To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties of could be improved if additional employee(s) were hired to perform the separate duties of processing cash receipts and cash disbursements and maintaining the records of journals. In the situation where it is not feasible for the City to hire additional employee(s), continued Mayor and Council involvement in the City's finances is 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 duties is a recurring item that due to the limited number of employees is difficult to accomplish. The City Council will continue to be closely involved in financial reporting and will continue to provide oversight as practical in order to mitigate risk of misappropriation of assets.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW:

2023-001 – Material Violation of Finance-Related Legal Provisions

Criteria: OCGA 48-8-121 states that SPLOST (Special Local Option Sales Tax) proceeds shall be used exclusively for the purpose(s) specified in the resolution or ordinance calling for imposition of the tax.

Condition/Context: During the fiscal year ended June 30, 2023, there were expenditures totaling $3,200 that did not meet the requirements of the referendum approved for SPLOST expenditures and/or projects. This activity was reclassified during audit fieldwork as a liability to the General Fund for repayment of non-compliant expenditures.

Cause: The provision for public safety facilities and equipment under the SPLOST referendum does not include the use of cloud based third party software for license plate recognition.

Effect: The use of SPLOST funds for expenditures other than those approved in the ordinance and referendum caused the City to be subject to noncompliance with state law.

Recommendation: We recommend that any potential SPLOST purchases be verified as compliant with the applicable referendum before payment is made.

Response: The City agrees with this finding and will repay the non-compliant expenditures in fiscal year 2023. Future purchases will be verified as compliant with the applicable referendum before payment is issued using SPLOST funds.