CITY OF WALESKA, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

CITY OF WALESKA, GEORGIA
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CITY OF WALESKA, GEORGIA

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Waleska, Georgia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Waleska, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Waleska, Georgia, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension information on pages 28-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waleska, Georgia's basic financial statements. The schedule of projects constructed with special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by OCGA 48-4-121 and is not a required part of the basic financial statements.

The schedule of projects constructed with special purpose local option sales tax proceeds 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of projects constructed with special purpose local option sales tax proceeds is 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 May 2, 2022, on our consideration of the City of Waleska, 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 Waleska, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waleska, Georgia's internal control over financial reporting and compliance.

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

Welch, Walker & Associates, P.C., CPAs
East Ellijay, Georgia
May 2, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WALESKA, GEORGIA
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS AND DEFFERED OUTLFOWS OF RESOURCES			
Current Assets:			
Cash	$ 123,896	$ 509,137	$ 633,033
Restricted cash	1,007,998	187,435	1,195,433
Accounts receivable, net	724	156,665	157,389
Taxes receivable	2,664	-	2,664
Internal balances	119,758	(119,758)	-
Receivable from other governments	99,469	-	99,469
Prepaid expenses	11,868	29,370	41,238
Total Current Assets	1,366,377	762,849	2,129,226
Non-Current Assets:			
Investments	10,479	2,486	12,965
Net pension asset	2,389	16,725	19,114
Capital Assets:			
Capital assets, not being depreciated	402,847	748,065	1,150,912
Capital assets, net of accumulated depreciation	842,147	4,354,095	5,196,242
Total Capital Assets	1,244,994	5,102,160	6,347,154
Total Non-Current Assets	1,257,862	5,121,371	6,379,233
Deferred Outflows of Resources			
Pension costs and other related items	1,623	11,368	12,991
Total Deferred Outflows	1,623	11,368	12,991
Total Assets and Deferred Outflows of Resources	2,625,862	5,895,588	8,521,450
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current Liabilities:			
Accounts payable	267,420	118,987	386,407
Accrued salaries and related taxes	778	4,734	5,512
Accrued interest	-	982	982
Liabilities Payable from Restricted Assets:			
Customer deposits	-	187,435	187,435
Current Portion of Long-term Liabilities:			
Notes payable	-	130,106	130,106
Total Current Liabilities	268,198	442,244	710,442
Long-term Liabilities:			
Notes payable	-	969,652	969,652
Total Long-term Liabilities	-	969,652	969,652
Total Liabilities	268,198	1,411,896	1,680,094
Deferred Inflow of Resources:			
Pension costs and other related items	395	2,764	3,159
Total Deferred Inflow of Resources	395	2,764	3,159
Total Liabilities and Deferred Inflow of Resources	268,593	1,414,660	1,683,253
NET POSITION			
Net investment in capital assets	1,244,994	4,002,402	5,247,396
Restricted for:			
Capital projects	846,677	-	846,677
Unrestricted	265,598	478,526	744,124
Total Net Position	$ 2,357,269	$ 4,480,928	$ 6,838,197

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 122,502	$ 5,713	$ -	$ -	$ (116,789)	$ -	$ (116,789)
Public safety	27,765	-	-	-	(27,765)	-	(27,765)
Public works	330,782	7,299	-	564,712	241,229	-	241,229
Total Governmental Activities	481,049	13,012	-	564,712	96,675	-	96,675
Business-type Activities:							
Water	1,472,055	1,092,969	-	61,275	-	(317,811)	(317,811)
Sanitation	255,823	272,360	-	-	-	16,537	16,537
Total Business-type Activities	1,727,878	1,365,329	-	61,275	-	(301,274)	(301,274)
Total Primary Government	$ 2,208,927	$ 1,378,341	$ -	$ 625,987	96,675	(301,274)	(204,599)
General revenues:							
Taxes:							
Property, levied for a general purpose					66,739	-	66,739
Franchise					43,753	-	43,753
Selective sales and use					19,830	-	19,830
Insurance premium					51,721	-	51,721
Unrestricted investment earnings					166	892	1,058
Miscellaneous					1,412	1,184	2,596
Total General Revenues					183,621	2,076	185,697
Transfers					(302,521)	302,521	-
Total general revenues and transfers					(118,900)	304,597	185,697
Change in net position					(22,225)	3,323	(18,902)
Net position, beginning of year					2,363,625	4,477,605	6,841,230
Prior period adjustment					15,869	-	15,869
Net position, end of year					$ 2,357,269	$ 4,480,928	$ 6,838,197

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF WALESKA, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	SPLOST	Total Governmental Funds
ASSETS			
Cash	$ 123,896	$ -	$ 123,896
Restricted cash	-	1,007,998	1,007,998
Investments	10,479	-	10,479
Accounts receivable, net	724	-	724
Taxes receivable	2,664	-	2,664
Interfund receivable	119,908	-	119,908
Receivable from other governments	301	99,168	99,469
Prepaid items	11,868	-	11,868
Total Assets	$ 269,840	$ 1,107,166	$ 1,377,006
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 7,081	$ 260,339	$ 267,420
Interfund payable	-	150	150
Accrued salaries and related taxes	778	-	778
Total Liabilities	7,859	260,489	268,348
Deferred Inflows of Resources:			
Deferred property tax revenue	1,376	-	1,376
Total Deferred Inflows of Resources	1,376	-	1,376
Fund balances:			
Nonspendable	11,868	-	11,868
Restricted for:			
Capital projects funds	-	846,677	846,677
Unassigned	248,737	-	248,737
Total Fund Balances	260,605	846,677	1,107,282
Total Liabilities and Fund Balances	$ 269,840	$ 1,107,166	$ 1,377,006

The accompanying notes are an integral part of this statement.

CITY OF WALESKA , GEORGIA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balance, governmental funds	$ 1,107,282
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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. The cost of the capital assets is $1,923,372, and the accumulated depreciation is $678,378.	1,244,994
Some of the City's tax revenues will be collected after the fiscal year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred on the fund financial statements.	1,376
Some assets are not receivable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. These include the following:	
Deferred outflows - pension costs	1,623
Net pension asset	2,389
Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. These include the following:	
Deferred inflows - pension costs	(395)
Net position of governmental activities in the Statement of Net Position	$ 2,357,269

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

	General	SPLOST	Total Governmental Funds
Revenues:			
Taxes	$ 181,860	$ -	$ 181,860
Licenses and permits	5,713	-	5,713
Intergovernmental	-	563,813	563,813
Charges for services	7,299	-	7,299
Investment earnings	166	899	1,065
Miscellaneous	1,412	-	1,412
Total Revenues	196,450	564,712	761,162
Expenditures:			
Current:			
General government	115,453	-	115,453
Public safety	27,765	-	27,765
Public works	25,068	260,339	285,407
Capital Outlay:			
Public works	-	302,521	302,521
Total Expenditures	168,286	562,860	731,146
Excess (deficiency) of revenues over expenditures	28,164	1,852	30,016
Net changes in fund balances	28,164	1,852	30,016
Fund balances, beginning of year	258,410	802,987	1,061,397
Prior period adjustment	(25,969)	41,838	15,869
Fund balances, end of year	$ 260,605	$ 846,677	$ 1,107,282

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

Net change in fund balances - total governmental funds	$	30,016
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
This is the amount of net capital outlay of $302,521 netted with depreciation of $52,309 in the current period.		250,212
Transfer of capital asset from capital projects fund to enterprise fund is not recorded on the fund statements, however the capital asset transfer is recorded on the government-wide statements. The transfer of the capital asset is shown as a transfer of $302,521 to the enterprise fund in the government-wide statement of activities.		(302,521)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		183
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Pension costs		(115)
Change in net position of governmental activities in the Statement of Activities	$	(22,225)

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 2)	Variance from Final Budget
	Original	Final		
Budgetary fund balance, beginning of year, restated	$ 232,441	$ 232,441	$ 232,441	$ -
Revenues (inflows):				
Property taxes	24,150	24,150	52,846	28,696
Personal property taxes	40,000	40,000	12,713	(27,287)
Real estate transfer tax	-	-	735	735
Franchise taxes	47,000	47,000	43,753	(3,247)
Selective sales and use taxes	20,000	20,000	19,830	(170)
Insurance premium taxes	49,000	49,000	51,721	2,721
Penalties and interest on delinquent taxes	-	-	262	262
Licenses and permits	4,000	4,000	5,713	1,713
Charges for services	7,000	7,000	7,299	299
Investment earnings	150	150	166	16
Miscellaneous	2,000	2,000	1,412	(588)
Amounts available for appropriation	193,300	193,300	196,450	3,150
Changes to appropriations (outflows):				
General Government:				
Legislative	15,000	15,000	14,462	538
Executive	24,261	24,261	23,352	909
Elections	2,500	2,500	140	2,360
Financial administration	109,044	109,044	75,786	33,258
General government buildings	3,420	3,420	1,713	1,707
Public Safety:				
Fire	-	-	27,765	(27,765)
Public Works:				
Highways and streets	22,400	22,400	25,068	(2,668)
Contengencies	16,675	16,675	-	16,675
Total changes to appropriations	193,300	193,300	168,286	25,014
Net change	-	-	28,164	28,164
Budgetary fund balance, end of year	$ 232,441	$ 232,441	$ 260,605	$ 28,164

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

	Enterprise Funds		
	Water Fund	Sanitation Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash	$ 438,332	$ 70,805	$ 509,137
Restricted cash	185,210	2,225	187,435
Accounts receivable, net	131,725	24,940	156,665
Interfund receivable	-	106,475	106,475
Prepaid items	29,086	284	29,370
Total Current Assets	784,353	204,729	989,082
Non-Current Assets:			
Investments	2,486	-	2,486
Net pension asset	14,336	2,389	16,725
Capital assets not being depreciated	748,065	-	748,065
Capital assets, net of depreciation	4,354,095	-	4,354,095
Total Non-Current Assets	5,118,982	2,389	5,121,371
Total Assets	5,903,335	207,118	6,110,453
Deferred Outflows of Resources			
Pension costs and other related items	9,744	1,624	11,368
Total Assets and Deferred Outflows of Resources	$ 5,913,079	$ 208,742	$ 6,121,821
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current Liabilities:			
Accounts payable	$ 97,772	$ 21,215	$ 118,987
Salaries payable	4,199	535	4,734
Accrued interest payable	982	-	982
Interfund payable	106,837	119,396	226,233
Liabilities Payable from Restricted Assets:			
Customer deposits	185,210	2,225	187,435
Current Portion of Long-term Liabilities:			
Notes payable	130,106	-	130,106
Total Current Liabilities	525,106	143,371	668,477
Non-Current Liabilities:			
Notes payable	969,652	-	969,652
Total Non-Current Liabilities	969,652	-	969,652
Total Liabilities	1,494,758	143,371	1,638,129
Deferred Inflows of Resources			
Pension costs and other related items	2,369	395	2,764
Total Deferred Inflows of Resources	2,369	395	2,764
Fund Net Position:			
Net investment in capital assets	4,002,402	-	4,002,402
Unrestricted	413,550	64,976	478,526
Total Fund Net Position	4,415,952	64,976	4,480,928
Total Liabilities, Deferred Inflows of Resources, and Fund Net Position	$ 5,913,079	$ 208,742	$ 6,121,821

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

	Enterprise Funds		
	Water Fund	Sanitation Fund	Total
Operating Revenues:			
Charges for services	$ 1,092,969	$ 272,360	$ 1,365,329
Miscellaneous	1,184	-	1,184
Total Operating Revenues	1,094,153	272,360	1,366,513
Operating Expenses:			
Water administration	295,197	-	295,197
Water supply	631,765	-	631,765
Water distribution	377,991	-	377,991
Solid waste administration	-	25,591	25,591
Solid waste collection	-	230,232	230,232
Total Operating Expenses before Depreciation	1,304,953	255,823	1,560,776
Depreciation expense	143,345	-	143,345
Total Operating Expenses	1,448,298	255,823	1,704,121
Operating Income (Loss)	(354,145)	16,537	(337,608)
Non-Operating Revenues (Expenses):			
Interest revenue	832	60	892
Interest expense	(23,757)	-	(23,757)
Total Non-Operating Revenue (Expenses)	(22,925)	60	(22,865)
Income (loss) before contributions and transfers	(377,070)	16,597	(360,473)
Contributions of capital assets	302,521	-	302,521
Contributions from other government entities	61,275	-	61,275
	363,796	-	363,796
Change in fund net position	(13,274)	16,597	3,323
Total fund net position, beginning	4,429,226	48,379	4,477,605
Total fund net position, ending	$ 4,415,952	$ 64,976	$ 4,480,928

The accompanying notes are an integral part of this statement.

CITY OF WALESKA, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

	Enterprise Funds		
	Water Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 1,096,860	$ 267,089	$ 1,363,949
Payments to suppliers	(1,069,434)	(265,955)	(1,335,389)
Payments to employees	(173,116)	(24,901)	(198,017)
Net cash provided by (used in) operating activities	(145,690)	(23,767)	(169,457)
Cash Flows from Capital Financing Activities:			
Purchase of capital assets	(578,783)	-	(578,783)
Principal paid on capital debt	(124,127)	-	(124,127)
Interest paid on capital debt	(24,839)	-	(24,839)
Proceeds from issuance of capital debt	578,783	-	578,783
Contributions related to capital assets	61,275	-	61,275
Net cash provided by (used in) capital financing activities	(87,691)	-	(87,691)
Cash Flows from Investing Activities:			
Interest earned	829	60	889
Net cash provided by (used in) investing activities	829	60	889
Net increase (decrease) in cash	(232,552)	(23,707)	(256,259)
Cash, beginning of year	856,094	96,737	952,831
Cash, end of year	$ 623,542	$ 73,030	$ 696,572
Reconciliation of total cash:			
Cash	$ 438,332	$ 70,805	$ 509,137
Restricted cash	185,210	2,225	187,435
	$ 623,542	$ 73,030	$ 696,572
Noncash transactions:			
Contribution of capital assets	$ 302,521	$ -	$ 302,521
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (354,145)	$ 16,537	$ (337,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	143,345	-	143,345
Change in assets and liabilities:			
Accounts receivable	(14,792)	(5,896)	(20,688)
Deferred outflows of resources - pension related	2,992	499	3,491
Interfund receivable	-	(45,704)	(45,704)
Net pension asset	(4,432)	(738)	(5,170)
Prepaid expenses	(22,077)	79	(21,998)
Accounts payable	44,621	2,966	47,587
Accrued salaries and benefits	4,199	535	4,734
Customer deposits	17,499	625	18,124
Deferred inflows of resources - pension related	2,124	354	2,478
Interfund payable	34,976	6,976	41,952
	208,455	(40,304)	168,151
Net cash provided by (used in) operating activities	$ (145,690)	$ (23,767)	$ (169,457)

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

The financial statements of the City of Waleska, 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", as amended by Statement No. 61 (GASB 61), 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. As a result of applying the criteria of GASB 14 and GASB 61, the Downtown Development Authority of the City of Waleska, herein referred to as "the Authority", has been included as a discretely presented component unit. Generally, the discretely presented component unit is reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. A brief description of the discretely presented component unit is as follows:

The Authority was created for the sole purpose of issuing revenue bonds for Reinhardt College, the City's largest employer. Revenue bonds were issued by the Authority during 1995, 2001 and 2003 for the purpose of financing various capital projects at Reinhardt College (a non-profit organization). The Authority is prohibited from issuing bonded debt without the approval of the City Council. The bonds originally issued by the Authority were repaid in full during fiscal year 2020. There is no financial activity or effect for the City of Waleska for the current fiscal year.

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 a 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 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental revenues. 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.

Those revenues susceptible to accrual are property taxes, intergovernmental revenues (including sales tax allocations), licenses, interest revenue and charges for services.

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. The City has no special revenue funds in the current year.

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.

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, which are not financed by another source of governmental funds.

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

Sanitation Fund – This fund accounts for the operation of the solid waste collection program for customers.

D. 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.

E. 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 reported on the City's financial statements at June 30, 2021, consist of a non-negotiable certificate of deposit.

F. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period in governmental funds are amortized over their useful policy period. Prepaid expenditures are similarly reported in the government-wide and fund financial statements.

G. 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 initial, individual cost of more than $1,000 for equipment, $2,500 for property and $5,000 for infrastructure and an estimated useful life in excess of one year. All purchased or constructed 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 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

H. COMPENSATED ABSENCES

Vacation pay is typically accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they matured. 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 Waleska, 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.

I. 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.

J. FUND EQUITY

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

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, if applicable, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The policy applies also to the net position of the government-wide statements.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Fund balances are reported as non-spendable when amounts cannot be spent because they are (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.

The committed fund balance classification includes 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.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director 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.

The City has adopted a minimum fund balance policy. This policy requires the City to maintain 25% of the upcoming year's budget in fund balance at all times, with provisions for replenishing fund balance in the event that this threshold is not met in any given year. At the end of fiscal year 2021, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

K. 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.

L. 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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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.

Annual budgets are adopted for all governmental funds and proprietary funds. The budget is 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 and Sanitation Fund for administrative control purposes.

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.

Excess of Expenditures over Appropriations – Governmental Funds

For the year ended June 30, 2021, expenditures materially exceed appropriations for the Public Safety and Public Works departments in the General Fund, as depicted on page 9 of the financial statements. See additional information in Note 18. Although expenditures materially exceeded budgeted appropriations for these departments, overall budgeted appropriations exceeded expenditures by $25,014. In addition, total expenditures were offset by an excess of revenues, resulting in an increase in fund net position.

3. DEPOSITS

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. As of June 30, 2021, the bank balance of cash held by the financial institutions was $1,920,624. Of this total, $260,479 was covered by FDIC Insurance, and the remainder was collateralized by securities held in the financial institution's name. The carrying value of cash and certificates of deposit for the City on June 30, 2021 was $1,841,431.

4. RECEIVABLES

A. ACCOUNTS RECEIVABLE

Property tax revenues are recognized when levied to the extent that they result in current receivables. 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 2020 levy is as follows:

Levy date	October 15th
Due date	December 30th
Delinquent date	March 31st

There is no lien date established.

Accounts receivable is stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material.

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, 2021, amounted to $3,899. Accounts receivable includes unbilled receivables totaling $38,658 at June 30, 2021. This resulted in a net receivable balance of $131,725, as shown in the Statement of Fund Net Position on page 10.

Accounts receivable in the Sanitation Fund are stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. The allowance is computed in a manner consistent with water receivables. The allowance for uncollectible accounts at June 30, 2021 amounted to $3,326. This resulted in a net receivable balance of $24,940, as shown in the Statement of Fund Net Position on page 10.

B. RECEIVABLE FROM OTHER GOVERNMENTS

The following amounts are due from other governments at year end:

Government	General Fund	SPLOST Fund	Total
Cherokee County	$ 301	$ 99,168	$ 99,469

5. CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 402,847	$ -	$ -	$ 402,847
Construction in progress	-	302,521	302,521	-
Total capital assets not being depreciated	402,847	302,521	302.521	402,847
Capital assets being depreciated:				
Buildings and improvements	163,351	-	-	163,351
Infrastructure	1,327,357	-	-	1,327,357
Machinery and equipment	29,817	-	-	29,817
Total capital assets being depreciated	1,520,525	-	-	1,520,525
Less accumulated depreciation:				
Buildings and improvements	86,636	6,240	-	92,876
Infrastructure	516,710	44,245	-	560,955
Machinery and equipment	22,723	1,824	-	24,547
Total accumulated depreciation	626,069	52,309	-	678,378
Total capital assets being depreciated, net	894,456	52,309	-	842,147
Governmental activities capital assets, net	$ 1,297,303	$ 250,212	$ 302,521	$ 1,244,994
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 41,219	$ -	$ -	$ 41,219
Construction in progress	269,023	611,512	173,689	706,846
Total capital assets not being depreciated	310,242	611,512	173,689	748,065
Capital assets being depreciated:				
Buildings and improvements	15,103	-	-	15,103
Equipment and vehicles	256,477	-	-	256,477
Water infrastructure	6,158,343	443,481	-	6,601,824
Total capital assets being depreciated	6,429,923	443,481	-	6,873,404
Less accumulated depreciation:				
Buildings and improvements	14,820	283	-	15,103
Equipment and vehicles	166,029	16,270	-	182,299
Water infrastructure	2,195,115	126,792	-	2,321,907
Total accumulated depreciation	2,375,964	143,345	-	2,519,309
Total capital assets being depreciated, net	4,053,959	300,136	-	4,354,095
Business-type activities capital assets, net	$ 4,364,201	$ 911,648	$ 173,689	$ 5,102,160

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

Governmental activities:	
General government	$ 6,934
Public works	45,375
	52,309
Business-type activities:	
Water	$ 145,345

6. INTERFUND BALANCES AND ACTIVITY

A. TRANSFER TO/FROM OTHER FUNDS

There were no transfers between funds in fiscal year 2021.

B. DUE TO/FROM OTHER FUNDS

The following amounts are due from other funds at year end:

Due from	Due to	Amount	Purpose
SPLOST Fund	General Fund	$ 150	Auto tax incorrectly deposited into SPLOST fund
Water Fund	Sanitation Fund	$ 106,475	Solid waste collection charges not yet transferred
Water Fund	General Fund	362	Reimbursement of payroll related expenditures
		$ 106,837	
Sanitation Fund	General Fund	$ 119,396	Reimbursement of payroll related expenditures

All balances are expected to be repaid within one year from the date of the financial statements.

7. CLASSIFICATIONS OF EQUITY

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

General Fund:	
Prepaid Items	$ 11,868

Restricted – The following fund balance is restricted:

Capital Projects Fund:	
SPLOST Fund – used to account for capital projects with SPLOST tax revenues.	$ 846,677

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.

8. LONG-TERM OBLIGATIONS

Business Type Activities

Notes Payable:

The following notes payable had outstanding balances at June 30, 2021:

Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of $10,119, including interest at 5.56%. Original balance $1,464,000, matures in May 2023.	$ 220,170
Georgia Environmental Facilities Authority, infrastructure construction, monthly installments of $2,047, including interest rate of 3%. Original balance $369,000, matures in February 2032.	223,333
Georgia Environmental Facilities Authority, infrastructure construction, not yet in repayment. Interest rate of 1.250%, with total award of $1,080,000.	656,255
	1,099,758
Less current portion of debt	(130,106)
	$ 969,652

Payments of principal and interest related to the above notes payable for the next five years and until maturity are as follows:

	Principal	Interest	Total
2022	$ 130,106	$ 15,886	$ 145,992
2023	126,789	8,947	135,736
2024	19,204	5,354	24,558
2025	19,788	4,770	24,558
2026	20,390	4,168	24,558
2027 – 2031	111,639	11,149	122,788
2032	15,587	183	15,770
	443,503	50,457	493,960
Not yet in repayment	656,255	-	656,255
	$1,099,758	$ 50,457	$ 1,150,215

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due in One Year
Business-Type Activities:					
Notes payable	$ 645,102	$ 578,783	$ 124,127	$ 1,099,758	$ 130,106

Total interest expense for the fiscal year ended June 30, 2021 was $23,757 as shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position on page 11. This was also included in the direct expense of the water business-type activities in the Statement of Activities on page 4.

9. OPERATING LEASES

In February 2020, the City entered into a 48-month operating lease with Duplicating Products, Inc. for the use of a multi-function copier. Monthly minimum payments are $333 with an additional cost for copies produced above the monthly allotment specified in the contract. Rental expense for fiscal year 2021 in association with this lease was $5,342.

The remaining lease term minimum obligation is as follows:

Fiscal Year	Rental Amount
2022	3,996
2023	3,996
2024	2,331
	$ 10,323

In December 2020, the City entered into a 12-month copier maintenance lease with Duplicating Products, Inc. Monthly minimum payments are $30 with an additional cost for copies produced above the monthly allotment specified in the contract. Rental expense for fiscal year 2021 in association with this lease was $254.

The remaining lease term minimum obligation is as follows:

Fiscal Year	Rental Amount
2022	150
	$ 150

10. 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.

Risk Pools
The City has joined the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims and representing the City in defense and settlement of claims. GIRMA's basis for establishing the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2021. No provisions have been made in the financial statements for the year ended June 30, 2021 for any estimate of potential unpaid claims.

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

Self-Insurance
The City pays unemployment claims to the state department of labor on a reimbursement basis. There were no liabilities for such claims at June 30, 2021.

11. RETIREMENT PLANS

Defined Benefit Pension Plan
Plan Description. The City's defined benefit plan, the City of Waleska Retirement Plan (CWRP) (the "Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), and agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities and, for the Plan, that authority rests with the City or Waleska. The Georgia Municipal Association issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, GA 30303, or by calling (404) 688-0472.

Membership of the Plan

Plan membership as of January 1, 2021 (the most recent actuarial date) consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	1
Terminated plan members entitled to benefits, but not yet receiving them	4
Active plan members	4
Total Participants	9

Funding Policy. City employees are not required to contribute to the Plan. The City is required to contribute at an actuarially determined rate; the current rate is 6.11% of annual covered payroll. Participating employees became eligible after the first full calendar year of employment up until January 1, 2015, when the Plan changed to include no waiting period for eligibility. Employees become vested in the Plan after five years of service. Only the City of Waleska, the employer, makes contributions to the Plan. Total contributions to the Plan totaled $10,019. Contributions and interest forfeited by employees who leave employment before ten years of service are used to reduce the City's current period contribution requirement. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees.

Net Pension Asset (Liability)

The City's net pension asset was measured as of September 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are 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 January 1, 2021. The assumptions used in the January 1, 2021 actuarial valuation are as follows:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A
Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.375% on-going basis based on long term expected rate of return on pension plan investments
Projected Salary Increase	2.25% plus age and service-based merit increases
Cost of Living Adjustments	0.00%
Amortization Period for UAAL	30 years

Mortality rates were based on the Pri-2012 head-count weighted Employee Mortality Table with sex-distinct rates, Pri-2012 headcount weighted Healthy Retiree Mortality Table with sex-distinct rates multiplied by 1.25 and the Pri-2012 headcount weighted Disabled Retiree Mortality Table with sex-distinct rates multiplied by 1.25. The mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period July 1, 2015 to June 30, 2019 conducted in November and December 2019, and as approved by the Board in December 2019. The mortality tables (other than the one used for

plan termination basis) are adjusted from 2012 to future years using sex-distinct generational projection under scale SSA2019-2D to reflect expected mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 September 30, 2020, are summarized in the following table:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension (Asset) Liability

	Increases (Decreases)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Position (Asset) Liability (c)**
Balances at September 30, 2019	$ 93,440	$ 106,646	$ (13,206)
Changes for the year:			
Service cost	7,027	-	7,027
Interest	7,375	-	7,375
Differences between Expected and Actual experience	(2,733)	-	(2,733)
Contributions – employer	-	9,826	(9,826)
Contributions – employee	-	-	-
Net investment income	-	10,718	(10,718)
Benefit payments, including refunds of employee contributions	(940)	(940)	-
Administrative expense	-	(2,967)	2,967
Other	-	-	-
Net Changes	10,729	16,637	(5,908)
Balances at September 30, 2020	$ 104,169	$ 123,283	$ (19,114)

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%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.375%) or what the net pension asset would be using a discount rate that is one percentage point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
City's net pension (asset) liability	$ 2,690	$ (19,114)	$ (32,576)

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

Changes in assumptions since the last measurement date. As a result of a study performed in November and December 2019, several changes in assumptions were implemented in the January 1, 2020 actuarial report. These changes are detailed in the Schedule of Contributions and Related Notes on pages 28-30.

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

For the year ended June 30, 2021, the City recognized pension expense of $10,933. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,259	$ (1,822)
Changes of assumptions	1,218	-
Net difference between projected and actual earnings on pension plan investments	-	(1,337)
	5,447	(3,159)
Deferred pension contributions (after measurement date)	7,514	-
Total Deferred (Inflows) and Outflows	$ 12,991	$ (3,159)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Inflows	Outflows
2022	$ (2,089)	$ 4,183
2023	$ (953)	$ 1,294
2024	$ 410	$ -
2025	$ (527)	$ -

Deferred Compensation Plan

The City, in past years, offered to the employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is considered to be a defined contribution plan. The Plan is closed and the City's current employees are not permitted to make contributions. The former employees covered under this Section 457 plan have not elected to receive their compensation; therefore, the Plan still has assets. 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.

12. JOINT VENTURE

The City, in conjunction with other cities and counties in Metro Atlanta are members of the Atlanta Regional Commission (ARC). Membership in ARC 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 regional development centers and was amended in 2008 to consolidate 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 did not pay annual dues to the RC during the fiscal year because currently all dues are paid on the City's behalf by Cherokee County. 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 amended as 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:

Atlanta Regional Commission
40 Courtland Street, NE
Atlanta, GA 30303-2538

13. FEDERAL GRANT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was $339.8 billion designated for programs for state and local government, which included $150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic. In fiscal year 2021, the City of Waleska, Georgia, received the second round of CRF funds in the amount of $15,139. The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. Each city in the state was provided the opportunity to request funds equal to the amount of payroll for the eligible time period as well as cleaning supplies & protective measures taken to ensure the safety of their employees during the pandemic. CRF funds are considered one-time funds and were not to be used for ongoing services or base operations. The City returned these funds to the Federal Government and did not utilize any of these proceeds.

14. SUBSEQUENT EVENTS

The City has evaluated subsequent events through May 2, 2022 , the date which the financial statements were available to be issued. No other events which require disclosure or modifications to the financial statements were noted.

The City was awarded funds through the America Rescue Plan Act (ARPA) in the amount of $179,997 subsequent to fiscal year end. This grant will be reflected in fiscal year 2022.

15. 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.

At the end of the fiscal year, the City was involved in an infrastructure replacement project funded by the Georgia Environmental Finance Authority in the amount of $1,080,000. Of the total funds, $423,745 remained available for use in the subsequent fiscal year for the completion of the project. Additional loan information is included in Note 8 on page 21.

16. RESTATEMENT OF NET POSITION

In order to properly present the financial statements, prior year restatements were required for the General Fund and the SPLOST Fund on the fund level statements and for the Governmental Activities on the government-wide statements.

For the Governmental Funds and Governmental Activities, the following restatements were necessary:

General Fund	
$ (2,869)	Motor vehicle taxes remitted to the City of Waleska in error in prior fiscal years and reimbursed to Cherokee County in fiscal year 2021.
(23,100)	Fire taxes from the 2019 tax digest owed in relation to fiscal year 2020 were remitted to Cherokee County in fiscal year 2021, but were not recorded as a payable at June 30, 2020.
$ (25,969)	

SPLOST Fund	
$ 41,838	Special local option sales taxes from June 2020 were not recognized as revenue in the correct reporting period and were incorrectly excluded from the receivable from other governments total at June 30, 2020.
$ 41,838	

$ (15,869)	Total restatement presented for fund balance on the Governmental Funds Balance Sheet, and the net position of the Governmental Activities on the Statement of Net Position.

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

Budget:

During the fiscal year ending June 30, 2021, the City materially exceeded budgeted appropriations for the following departments, as depicted on page 9 of the financial statements.

Public Safety:	
Fire	$ 27,765
Public Works:	
Highways and streets	$ 2,668

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALESKA, GEORGIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	**2014 -2010
Total pension liability								
Service cost	$ 7,027	$ 7,639	$ 3,061	$ 5,404	$ 4,985	$ 5,244	$ 5,622	*
Interest	7,375	6,191	4,485	3,874	4,162	4,726	3,653	*
Differences between expected and actual experience	(2,733)	2,741	11,555	(3,308)	(11,923)	(16,311)	1,972	*
Changes in assumptions	-	2,435	-	1,728	-	-	3,544	*
Changes of benefit terms	-	-	-	-	-	-	-	*
Benefit payments, including refunds of employee contributions	(940)	(940)	(940)	(940)	(940)	(940)	(940)	*
Net change in total pension liability	10,729	18,066	18,161	6,758	(3,716)	(7,281)	13,851	
Total pension liability – beginning	93,440	75,374	57,213	50,455	54,171	61,452	47,601	
Total pension liability – ending (a)	$ 104,169	$ 93,440	$ 75,374	$ 57,213	$ 50,455	$ 54,171	$ 61,452	
Plan fiduciary net position								
Contributions – employer	$ 9,826	$ 5,033	$ 6,385	$ 7,765	$ 7,291	$ 6,894	$ 6,334	*
Contributions – employee	-	-	-	-	-	-	-	
Net investment income	10,718	3,041	9,172	11,700	7,381	488	5,793	*
Benefit payments, including refunds of employee contributions	(940)	(940)	(940)	(940)	(940)	(940)	(940)	*
Administrative expense	(2,967)	(2,937)	(3,219)	(3,525)	(1,816)	(1,950)	(1,610)	*
Other	-	-	-	-	-	-	-	
Net change in fiduciary net position	16,637	4,197	11,398	15,000	11,916	4,492	9,577	
Plan fiduciary net position – beginning	106,646	102,449	91,051	76,051	64,135	59,643	50,066	
Plan fiduciary net position – ending (b)	$ 123,283	$ 106,646	$ 102,449	$ 91,051	$ 76,051	$ 64,135	$ 59,643	
Net pension liability – ending: (a)-(b)	$(19,114)	$(13,206)	$(27,075)	$(33,838)	$(25,596)	$ (9,964)	$ 1,809	
Plan's fiduciary net position as a percentage of the total pension liability	118.35%	114.13%	135.92%	159.14%	150.73%	118.39%	97.06%	
Covered employee payroll	$151,238	$162,042	$149,344	$62,755	$101,762	$ 92,920	$110,361	
Net pension liability as a percentage of covered employee payroll	(12.64%)	(8.15%)	(18.13%)	(53.92%)	(25.15%)	(10.72%)	1.64%	

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

CITY OF WALESKA, GEORGIA
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES
For the Fiscal Year Ended June 30, 2021

	Schedule of City's Contributions							
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	***2014 -2010**
Actuarially determined contribution	--[1]	$ 9,761	$ 3,111	$ 7,822	$ 7,746	$7,139	$ 6,812	
Contributions in relation to the actuarially determined contribution	--[1]	1,020[2]	3,504	7,170	7,746	6,571	7,894	
Contribution deficiency (excess)	--[1]	(259)	(393)	652	--	568	(1,082)	
Covered-employee payroll	--[1]	162,042[3]	149,344	62,755	101,762	92,920	110,361	
Contributions as a percentage of covered employee payroll	--[1]	6.18%	2.35%	11.43%	7.61%	7.07%	7.15%	

[1]2021 information will be determined after fiscal year end and will be included in 2022 valuation report.
*Historical information prior to implementation of GASB 67/68 is not required.

[2]Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

[3]2020 covered payroll is based on data collected as of September 30, 2019 for the 2020 actuarial valuation.

Notes to Schedule of Contributions

Valuation date:

The actuarially determined contribution rate was determined as of January 1, 2021, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending June 30, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	N/A
Asset Valuation Method	Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net Investment Rate of Return	7.375% on-going basis based on long term expected rate of return on pension plan investments.
Projected Salary Increase	2.25% plus age and service-based merit increases
Cost of Living Adjustments	0.00%
Inflation	2.25%
Retirement age	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.
Mortality	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25, sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25, sex-distinct Pri-2012 head-count weighted Employee Mortality Table.

Changes in Assumptions

Amounts reported for the fiscal year ending 2020 and later reflect the following assumption changes based on the results of an actuarial study in November and December 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 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 sexdistinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females to the sexdistinct Pri-2012 head-count weighted Employee Mortality Table.
- Future mortality improvement is based on projecting generationally from 2012 using 60% of the sex-distinct rates under the 2019 OASDI Trustees Report used for the intermediate alternative. 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.
- Where normal retirement is available to a given participant at age 62, 63, or 64, the new retirement rates are 3% when first eligible for early retirement through age 60, 10% at 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%.

Benefit Changes

There have been no changes in benefit provisions in the last two fiscal years.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WALESKA, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
For the Fiscal Year Ended June 30, 2021

	Estimated Cost		Expenditures			
Project	Original	Current	Prior Years	Current Year	Total	Estimated % of Completion
SPLOST 2018						
Utility systems infrastructure, facilities, improvements, equipment, and related debt service for such projects	$ 1,779,367	$ 1,779,367	$ 149,384	$ 562,860	$ 712,244	
General government buildings, public buildings and improvements	500,000	500,000	-	-	-	
Emergency communications system improvements and equipment	38,214	38,217	-	-	-	
Transportation facilities, equipment and improvements	150,000	150,000	-	-	-	
Fleet vehicles and equipment	40,000	40,000	-	-	-	
	2,507,581	2,507,584	149,384	562,860	712,244	28.40%
GRAND TOTAL	**$ 2,507,581**	**$ 2,507,584**	**$ 149,384**	**$ 562,860**	**$ 712,244**	

***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 Waleska, 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, and each major fund of the City of Waleska, Georgia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Waleska, Georgia's basic financial statements and have issued our report thereon dated May 2, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Waleska, 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 the City of Waleska, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waleska, 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify 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 2018-001 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 accompany schedule of findings and responses as item 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Waleska, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Waleska, Georgia's Response to Findings

City of Waleska, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Waleska, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 2, 2022

CITY OF WALESKA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2021

Material Weakness:

2018-001 – Material Adjustments and Maintenance of General Ledger

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

Condition/Context: Although the year-end financial statements are prepared on the appropriate modified accrual basis, the City maintains its general ledger on a cash basis throughout the year. The reconciliation of cash account activity on the general ledger to the bank statements is being performed monthly. However, entries required to convert the financial information to the modified accrual or accrual basis of accounting, where applicable, are not being performed at fiscal year end.

Cause: Entries to convert the financial information from cash to modified accrual or accrual basis, where applicable, are not prepared when closing the books at the end of the fiscal year.

Effect: Material entries are required to present the financial information under the applicable financial reporting framework at fiscal year end.

Recommendation: We recommend that the year-end closing entries be included in financial information.

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

Significant Deficiencies:

2018-002 – 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 certain duties.

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.

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

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

Recommendation: We recommend the City continue their efforts in the design of their internal controls in order to operate with effective segregation of duties. Having adequate segregation of duties will ensure the proper recording and recognition of accounting transactions and will lessen the potential for misappropriation of City assets. It would be beneficial for the City to consider outsourcing some of the

accounting functions as an additional mitigating risk.

Response: This is a recurring item. Due to the size of the City's administration, total segregation of duties is not practical at this time. 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.

Instance of Noncompliance with State Law:

None noted.