# CITY OF WALESKA, GEORGIA

## FINANCIAL REPORT

## FOR THE FISCAL YEAR ENDED JUNE 30, 2023

# CITY OF WALESKA, GEORGIA
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**CITY OF WALESKA, GEORGIA**

**FINANCIAL SECTION**

# Murphy CPA Group, P.C.

Certified Public Accountants


INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the budgetary information, and each major fund of the City of Waleska, 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 Waleska, 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, and each major fund of the City of Waleska, Georgia, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 Waleska, 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 Waleska, 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 Waleska, 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 Waleska, Georgia's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that pension information on pages 32-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 financials statements. Such missing information, although not a part of the basic financial statements, is required be the Government 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.

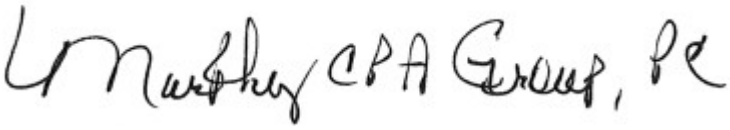
**Other Supplementary Information**

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 related 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 State 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 out report dated July 8, 2024, 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.



Murphy CPA Group, P.C.

Canton, Georgia
July 8, 2024

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**City of Waleska, Georgia**
***Statement of Net Position***
***June 30, 2023***

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 240,555 | $ 27,400 | $ 267,955 |
| Restricted assets | | | |
| Cash and cash equivalents | 1,004,210 | - | 1,004,210 |
| Receivables | | | |
| Accounts | 899 | 168,460 | 169,359 |
| Property taxes | 1,796 | - | 1,796 |
| Other taxes | 1,531 | - | 1,531 |
| Franchise taxes | 1,779 | - | 1,779 |
| Intergovernmental | 193,193 | - | 193,193 |
| Internal balances | (178,073) | 178,073 | - |
| Prepaid items | 3,266 | 39,755 | 43,021 |
| **Total Current Assets** | 1,269,156 | 413,688 | 1,682,844 |
| **Noncurrent Assets** | | | |
| Restricted assets | | | |
| Cash and cash equivalents | - | 168,980 | 168,980 |
| Investments | - | 2,488 | 2,488 |
| Investments | 10,498 | - | 10,498 |
| Right-to-use leased assets (net) | - | 1,938 | 1,938 |
| Capital assets | | | |
| Nondepreciable | 402,847 | 1,411,388 | 1,814,235 |
| Depreciable, net | 899,873 | 4,162,056 | 5,061,929 |
| **Total Noncurrent Assets** | 1,313,218 | 5,746,850 | 7,060,068 |
| **Total Assets** | 2,582,374 | 6,160,538 | 8,742,912 |
| **Deferred Outflows of Resources** | | | |
| Pension related | 4,274 | 29,919 | 34,193 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts payable | 100,106 | 95,965 | 196,071 |
| Accrued payroll liabilities | 568 | 3,438 | 4,006 |
| Accrued expenses | - | 346 | 346 |
| Accrued interest | - | 1,506 | 1,506 |
| Lease liability | - | 1,984 | 1,984 |
| Notes payable | - | 63,027 | 63,027 |
| Payable from restricted assets | | | |
| Customer deposits | - | 198,643 | 198,643 |
| **Total Current Liabilities** | 100,674 | 364,909 | 465,583 |
| **Long-Term Liabilities** (net of current portion) | | | |
| Net pension liability | 878 | 6,146 | 7,024 |
| Notes payable | - | 1,203,545 | 1,203,545 |
| **Total Long-Term Liabilities** | 878 | 1,209,691 | 1,210,569 |
| **Total Liabilities** | 101,552 | 1,574,600 | 1,676,152 |
| **Net Position** | | | |
| Net investment in capital assets | 1,302,720 | 4,306,826 | 5,609,546 |
| Restricted for | | | |
| Customer deposits | - | 27,175 | 27,175 |
| Capital projects | 891,876 | - | 891,876 |
| Unrestricted | 290,500 | 281,856 | 572,356 |
| **Total Net Position** | $ 2,485,096 | $ 4,615,857 | $ 7,100,953 |

*See accompanying notes to the basic financial statements.*

**City of Waleska, 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 | $ 162,410 | $ 6,907 | $ 155 | $ - | $ (155,348) | $ - | $ (155,348) |
| Public safety | 24,662 | - | - | - | (24,662) | - | (24,662) |
| Public works | 70,949 | 7,317 | 10,473 | 909,740 | 856,581 | - | 856,581 |
| **Total Governmental Activities** | $ 258,021 | $ 14,224 | $ 10,628 | $ 909,740 | $ 676,571 | $ - | 676,571 |
| **Business-Type Activities** | | | | | | | |
| Water system | 2,306,912 | 1,215,830 | - | - | - | (1,091,082) | (1,091,082) |
| Sewer system | 300,343 | 306,674 | - | - | - | 6,331 | 6,331 |
| **Total Business-Type Activities** | 2,607,255 | 1,522,504 | - | - | - | (1,084,751) | (1,084,751) |
| **Total - Primary Government** | $ 2,865,276 | $ 1,536,728 | $ 10,628 | $ 909,740 | 676,571 | (1,084,751) | (408,180) |
| **General Revenues** | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | | 57,427 | - | 57,427 |
| Personal property taxes | | | | | 14,665 | - | 14,665 |
| Franchise taxes | | | | | 47,940 | - | 47,940 |
| Selective sales and use taxes | | | | | 36,156 | - | 36,156 |
| Business taxes | | | | | 60,146 | - | 60,146 |
| Unrestricted investment earnings | | | | | 4,959 | 7,332 | 12,291 |
| Miscellaneous | | | | | 475 | 235 | 710 |
| Insurance proceeds | | | | | - | 1,800 | 1,800 |
| **Total General Revenues** | | | | | 221,768 | 9,367 | 231,135 |
| Transfers | | | | | (1,271,339) | 1,271,339 | - |
| **Total General Revenues and Transfers** | | | | | (1,049,571) | 1,280,706 | 231,135 |
| **Change in Net Position** | | | | | (373,000) | 195,955 | (177,045) |
| **Net Position, Beginning of Year** | | | | | 2,858,096 | 4,419,902 | 7,277,998 |
| **Net Position, End of Year** | | | | | $ 2,485,096 | $ 4,615,857 | $ 7,100,953 |

*See accompanying notes to the basic financial statements.*

# FUND FINANCIAL STATEMENTS

*City of Waleska, Georgia*
*Balance Sheet*
*Governmental Funds*
*June 30, 2023*

| | General Fund | SPLOST | American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | $ 240,555 | $ - | $ - | $ 240,555 |
| Cash, restricted | - | 872,710 | 131,500 | 1,004,210 |
| Receivables | | | | |
| Accounts receivable (net) | 899 | - | - | 899 |
| Property taxes | 1,796 | - | - | 1,796 |
| Other taxes | 1,531 | - | - | 1,531 |
| Franchise taxes | 1,779 | - | - | 1,779 |
| Intergovernmental | | | | |
| Federal | - | - | 78,616 | 78,616 |
| County | 1,188 | 113,389 | - | 114,577 |
| Interfund | 32,043 | - | - | 32,043 |
| Prepaid items | 3,266 | - | - | 3,266 |
| **Non-current** | | | | |
| Investments | 10,498 | - | - | 10,498 |
| **Total Assets** | $ 293,555 | $ 986,099 | $ 210,116 | $ 1,489,770 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 5,883 | $ 94,223 | $ - | $ 100,106 |
| Accrued payroll liabilities | 568 | - | - | 568 |
| Restricted liabilities: | | | | |
| Interfund payable | - | - | 210,116 | 210,116 |
| **Total Liabilities** | 6,451 | 94,223 | 210,116 | 310,790 |
| **Deferred Inflows of Resources** | | | | |
| Deferred fine revenue | 1,927 | - | - | 1,927 |
| **Total Deferred Inflows of Resources** | 1,927 | - | - | 1,927 |
| **Fund Balances** | | | | |
| Nonspendable | | | | |
| Prepaid items | 3,266 | - | - | 3,266 |
| Restricted for | | | | |
| Capital projects | - | 891,876 | - | 891,876 |
| Unassigned | 281,911 | - | - | 281,911 |
| **Total Fund Balances** | 285,177 | 891,876 | - | 1,177,053 |
| **Total Liabilities, Deferred Inflows of Resources and Fund Balances** | $ 293,555 | $ 986,099 | $ 210,116 | $ 1,489,770 |

*See accompanying notes to the basic financial statements.*

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

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | $ | 1,177,053 |
| **Amounts reported for governmental activities in the Statement of Net Position are different because:** | | |
| Capital assets of $2,088,021 net of accumulated depreciation of $785,301 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. | | 1,302,720 |
| 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: | | |
| Deferred outflows - pension costs | | 4,274 |
| 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: | | |
| Net pension liability | | (878) |
| Other long term assets reported are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements. | | |
| Deferred fine revenue | | 1,927 |
| **Net Position of Governmental Activities** | $ | 2,485,096 |

*See accompanying notes to the basic financial statements.*

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

| | General Fund | SPLOST | American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 57,275 | $ - | $ - | $ 57,275 |
| Personal property taxes | 14,665 | - | - | 14,665 |
| Franchise taxes | 47,940 | - | - | 47,940 |
| Selective sales and use taxes | 36,156 | - | - | 36,156 |
| Business taxes | 60,146 | - | - | 60,146 |
| Licenses and permits | 6,907 | - | - | 6,907 |
| Intergovernmental | 9,710 | 667,601 | 221,339 | 898,650 |
| Charges for services | 7,317 | - | - | 7,317 |
| Investment earnings | 4,660 | 21,718 | 299 | 26,677 |
| Miscellaneous | 475 | - | - | 475 |
| **Total Revenues** | 245,251 | 689,319 | 221,638 | 1,156,208 |
| | | | | |
| **Expenditures** | | | | |
| **Current** | | | | |
| General government | 151,397 | 3,014 | - | 154,411 |
| Public safety | 24,662 | - | - | 24,662 |
| Public works | 24,779 | - | - | 24,779 |
| **Capital outlay** | | | | |
| General government | - | 100,710 | - | 100,710 |
| Public works | - | 229,612 | - | 229,612 |
| **Total Expenditures** | 200,838 | 333,336 | - | 534,174 |
| | | | | |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 44,413 | 355,983 | 221,638 | 622,034 |
| | | | | |
| **Other Financing Sources (Uses)** | | | | |
| Transfers | 1,218 | (821,307) | (221,638) | (1,041,727) |
| **Total Other Financing Sources (Uses)** | 1,218 | (821,307) | (221,638) | (1,041,727) |
| | | | | |
| **Net Change in Fund Balance** | 45,631 | (465,324) | - | (419,693) |
| | | | | |
| **Fund Balance, Beginning of Year** | 239,546 | 1,357,200 | - | 1,596,746 |
| | | | | |
| **Fund Balance, End of Year** | $ 285,177 | $ 891,876 | $ - | $ 1,177,053 |

*See accompanying notes to the basic financial statements.*

*City of Waleska, 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** | | $ (419,693) |
| **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 of $330,322 exceeded depreciation expense of $53,512 in the current period. | | 276,810 |
| 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 $229,612 to the enterprise fund in the government-wide statement of activities. | | (229,612) |
| Governmental funds report pension expense as expenditures. However, in the government-wide financial statements, the associated asset related to the pension is reported. This is the amount by which pension costs are not related to current financial expenditures. | | (657) |
| Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level. | | |
| Fines and forfeitures: | | |
| Deferred June 30, 2023 | (1,775) | |
| Deferred June 30, 2024 | 1,927 | 152 |
| **Change In Net Position of Governmental Activities** | | $ (373,000) |

*See accompanying notes to the basic financial statements.*

**City of Waleska, 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 | $ 214,000 | $ 214,000 | $ 216,182 | $ 2,182 |
| Licenses and permits | 3,500 | 3,500 | 6,907 | 3,407 |
| Intergovernmental | - | - | 9,710 | 9,710 |
| Charges for services | 7,000 | 7,000 | 7,317 | 317 |
| Investment earnings | 150 | 150 | 4,660 | 4,510 |
| Miscellaneous | 1,000 | 1,000 | 475 | (525) |
| **Total Revenues** | 225,650 | 225,650 | 245,251 | 19,601 |
| | | | | |
| **Expenditures** | | | | |
| **Current** | | | | |
| General government: | | | | |
| Legislative | 16,150 | 16,150 | 13,855 | 2,295 |
| Executive | 27,957 | 27,957 | 38,386 | (10,429) |
| General administration | 125,060 | 125,060 | 95,817 | 29,243 |
| General government buildings | 4,300 | 4,300 | 3,339 | 961 |
| Public safety | | | | |
| Fire | 28,000 | 28,000 | 24,662 | 3,338 |
| Public works | | | | |
| Highways and streets | 22,000 | 22,000 | 24,779 | (2,779) |
| **Total Expenditures** | 223,467 | 223,467 | 200,838 | 22,629 |
| | | | | |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 2,183 | 2,183 | 44,413 | 42,230 |
| | | | | |
| **Other Financing Sources (Uses)** | | | | |
| Transfers | - | - | 1,218 | 1,218 |
| Reserve for future years | (2,183) | (2,183) | - | 2,183 |
| **Total Other Financing Sources (Uses)** | (2,183) | (2,183) | 1,218 | 3,401 |
| | | | | |
| **Net Change in Fund Balance** | - | - | 45,631 | 45,631 |
| | | | | |
| **Fund Balance, Beginning of Year** | 239,546 | 239,546 | 239,546 | - |
| | | | | |
| **Fund Balance, End of Year** | $ 239,546 | $ 239,546 | $ 285,177 | $ 45,631 |

*See accompanying notes to the basic financial statements.*

**City of Waleska, Georgia**
***Statement of Revenues, Expenditures and***
***Changes in Fund Balances - Budget and Actual***
***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 | $ 179,997 | $ 179,997 | $ 221,339 | $ 41,342 |
| Investment earnings | - | - | 299 | 299 |
| **Total Revenues** | 179,997 | 179,997 | 221,638 | 41,641 |
| **Expenditures** | | | | |
| **Total Expenditures** | - | - | - | - |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | 179,997 | 179,997 | 221,638 | 41,641 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers | - | - | (221,638) | (221,638) |
| Reserve for future years | - | - | - | - |
| **Total Other Financing Sources (Uses)** | - | - | (221,638) | (221,638) |
| **Net Change in Fund Balance** | 179,997 | 179,997 | - | (179,997) |
| **Fund Balance, Beginning of Year** | - | - | - | - |
| **Fund Balance, End of Year** | $ 179,997 | $ 179,997 | $ - | $ (179,997) |

*See accompanying notes to the basic financial statements.*

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

| | Enterprise Funds | | |
|---|---|---|---|
| | **Water Fund** | **Sanitation Fund** | **Total** |
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | $ - | $ 27,400 | $ 27,400 |
| Receivables | | | |
| Accounts receivable (net) | 139,445 | 29,015 | 168,460 |
| Interfund | 210,116 | 17,842 | 227,958 |
| Prepaid items | 37,864 | 1,891 | 39,755 |
| **Non-current** | | | |
| Cash, restricted | 166,005 | 2,975 | 168,980 |
| Investments, restricted | 2,488 | - | 2,488 |
| Leased assets, net of amortization | 1,938 | - | 1,938 |
| Capital assets not being depreciated | 1,411,388 | - | 1,411,388 |
| Capital assets, net of depreciation | 4,162,056 | - | 4,162,056 |
| **Total Assets** | 6,131,300 | 79,123 | 6,210,423 |
| **Deferred Outflows of Resources** | | | |
| Pension related | 25,645 | 4,274 | 29,919 |
| **Total Assets and Deferred Outflows of Resources** | $ 6,156,945 | $ 83,397 | $ 6,240,342 |
| **Liabilities** | | | |
| **Current** | | | |
| Accounts payable | $ 73,785 | $ 22,180 | $ 95,965 |
| Accrued payroll liabilities | 3,056 | 382 | 3,438 |
| Accrued expenses | 346 | - | 346 |
| Accrued interest | 1,506 | - | 1,506 |
| Interfund payable | 47,228 | 2,657 | 49,885 |
| Lease liability | 1,984 | - | 1,984 |
| Notes payable | 63,027 | - | 63,027 |
| Restricted liabilities: | | | |
| Customer deposits | 195,668 | 2,975 | 198,643 |
| **Total Current Liabilities** | 386,600 | 28,194 | 414,794 |
| **Long-Term Liabilities** | | | |
| Net pension liability | 5,268 | 878 | 6,146 |
| Notes payable (net of current portion) | 1,203,545 | - | 1,203,545 |
| **Total Long-Term Liabilities** | 1,208,813 | 878 | 1,209,691 |
| **Total Liabilities** | 1,595,413 | 29,072 | 1,624,485 |
| **Fund Net Position** | | | |
| Net investment in capital assets | 4,306,826 | - | 4,306,826 |
| Restricted for customer deposits | 27,175 | - | 27,175 |
| Unrestricted | 227,531 | 54,325 | 281,856 |
| **Total Fund Net Position** | 4,561,532 | 54,325 | 4,615,857 |
| **Total Liabilities and Deferred Inflows of Resources, and Fund Net Position** | $ 6,156,945 | $ 83,397 | $ 6,240,342 |

*See accompanying notes to the basic financial statements.*

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

| | Enterprise Funds | | |
|---|---|---|---|
| | **Water Fund** | **Sanitation Fund** | **Total** |
| **Operating Revenues** | | | |
| Charges for services | | | |
| Water revenues | $ 1,096,990 | $ - | $ 1,096,990 |
| Solid waste revenues | - | 303,016 | 303,016 |
| Service charges | 32,095 | 3,658 | 35,753 |
| Tap fees | 68,500 | - | 68,500 |
| Connection fees | 1,995 | - | 1,995 |
| Penalties | 16,250 | - | 16,250 |
| Miscellaneous | 235 | - | 235 |
| **Total Operating Revenues** | 1,216,065 | 306,674 | 1,522,739 |
| **Operating Expenses** | | | |
| Water administration | 395,907 | - | 395,907 |
| Water supply | 1,069,611 | - | 1,069,611 |
| Water distribution | 672,596 | - | 672,596 |
| Solid waste administration | - | 32,323 | 32,323 |
| Solid waste collection | - | 268,020 | 268,020 |
| **Total Operating Expenses** | 2,138,114 | 300,343 | 2,438,457 |
| **Operating Income before Amortization and Depreciation** | (922,049) | 6,331 | (915,718) |
| Amortization | 3,322 | - | 3,322 |
| Depreciation | 143,922 | - | 143,922 |
| **Operating Income** | (1,069,293) | 6,331 | (1,062,962) |
| **Non-Operating Revenues (Expenses)** | | | |
| Interest income | 6,663 | 669 | 7,332 |
| Interest on leases | (99) | - | (99) |
| Interest notes payable | (21,455) | - | (21,455) |
| Insurance proceeds | 1,800 | - | 1,800 |
| **Total Non-Operating Revenues (Expenses)** | (13,091) | 669 | (12,422) |
| **Income (Loss) before Contributions and Transfers** | (1,082,384) | 7,000 | (1,075,384) |
| Contributions of capital assets | 229,612 | - | 229,612 |
| Transfers | 1,041,727 | - | 1,041,727 |
| | 1,271,339 | - | 1,271,339 |
| **Change in Fund Net Position** | 188,955 | 7,000 | 195,955 |
| **Net Position, Beginning of Year** | 4,372,577 | 47,325 | 4,419,902 |
| **Net Position, End of Year** | $ 4,561,532 | $ 54,325 | $ 4,615,857 |

*See accompanying notes to the basic financial statements.*

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

| | Enterprise Funds | | |
|---|---|---|---|
| | **Water Fund** | **Sanitation Fund** | **Total** |
| **Cash Flows from Operating Activities** | | | |
| Cash received from customers | $ 1,225,512 | $ 301,554 | $ 1,527,066 |
| Cash payments for goods and services | (2,132,707) | (262,658) | (2,395,365) |
| Cash payments for personal services | (240,599) | (27,778) | (268,377) |
| **Net Cash Provided by (Used in) Operating Activities** | (1,147,794) | 11,118 | (1,136,676) |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Proceeds from insurance recovery | 1,800 | - | 1,800 |
| Transfer from SPLOST for water infrastructure below capitalization threshold | 831,611 | - | 831,611 |
| **Net Cash Provided by (Used in) Noncapital Financing Activities** | 833,411 | - | 833,411 |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Principal paid on leases | (3,333) | - | (3,333) |
| Interest paid on leases | (99) | - | (99) |
| Proceeds from issuance of debt | 306,861 | - | 306,861 |
| Principal paid on notes | (126,807) | - | (126,807) |
| Interest paid on notes | (21,697) | - | (21,697) |
| Payments for capital acquisitions and construction | (18,428) | - | (18,428) |
| **Net Cash Provided by (Used in) Capital and Related Financing Activities** | 136,497 | - | 136,497 |
| **Cash Flows from Investing Activities** | | | |
| Conversion of certificate of deposit | (2,488) | - | (2,488) |
| Investments earnings | 6,662 | 669 | 7,331 |
| **Net Cash Provided by (Used in) Investing Activities** | 4,174 | 669 | 7,331 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (173,712) | 11,787 | (161,925) |
| **Cash and Cash Equivalents Beginning of Year** | 339,717 | 18,588 | 358,305 |
| **Cash and Cash Equivalents End of Year** | $ 166,005 | $ 30,375 | $ 196,380 |
| **Reconciliation of Total Cash:** | | | |
| Cash and cash equivalents | $ - | $ 27,400 | $ 27,400 |
| Restricted cash | 166,005 | 2,975 | 168,980 |
| | $ 166,005 | $ 30,375 | $ 196,380 |
| **Noncash Transactions** | | | |
| Contribution of capital assets | $ 229,612 | $ - | $ 229,612 |

*See accompanying notes to the basic financial statements.*

**City of Waleska, 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)** | $ (1,069,293) | $ 6,331 | $ (1,062,962) |
| **Adjustments** | | | |
| Amortization | 3,322 | - | 3,322 |
| Depreciation | 143,922 | - | 143,922 |
| **(Increase) Decrease in Assets** | | | |
| Accounts receivable | 5,134 | (5,095) | 39 |
| Interfund receivable | (210,116) | 12,179 | (197,937) |
| Prepaid expenses | (9,790) | 319 | (9,471) |
| Net pension asset | 24,841 | 9,936 | 34,777 |
| Deferred outflows of resources- pension related | (19,061) | (1,639) | (20,700) |
| **Increase (Decrease) in Liabilities** | | | |
| Accounts payable | (25,916) | 401 | (25,515) |
| Accrued payroll liabilities | 1,061 | (188) | 873 |
| Accrued expenses | 50 | - | 50 |
| Interfund payable | 9,622 | (7,517) | 2,105 |
| Customer deposits | 4,313 | (25) | 4,288 |
| Net pension liability | 5,268 | 878 | 6,146 |
| Deferred inflow of resources- pension related | (11,151) | (4,462) | (15,613) |
| | (78,501) | 4,787 | (73,714) |
| **Net Cash Provided by (Used in) Operating Activities** | $ (1,147,794) | $ 11,118 | $ (1,136,676) |

*See accompanying notes to the basic financial statements.*

# 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 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. Those revenues susceptible to accrual are property taxes, sales taxes, 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, which are not financed by another source of governmental funds.

*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 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. 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 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. The special revenue budget adopted was not a balanced budget as required by OCGA 36-81-3(b). See note 15 regarding budget noncompliance. 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. 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 reported on the City's financial statements at June 30, 2023, consist of a non-negotiable certificate of deposit.

**G. 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. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

**H. CAPITAL ASSETS, RIGHT-OF-USE ASSETS, AND RELATED DEPRECIATION AND AMORTIZATION**

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. Amortization of right-to-use assets is calculated on the straight-line basis over the life of the related lease term. Deprecation on capital assets is calculated on the straight-line basis 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 |

**I. 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 allows for vacation pay to carry forward to subsequent fiscal years if unused. All vacation hours had been used by fiscal year end; therefore, no liability is 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.

**J. 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.

**K. 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.

The City also has deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's

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

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

**L. PENSIONS**

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

**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.

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 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 2024, 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. 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 deposits was $1,463,422 and the carrying amount was $1,452,383. 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 current and non-current investments consisted of marketable certificates of deposit. All investment balances are covered by Federal Depository Insurance.

## 3. 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 2022 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, 2023, amounted to $7,459. Accounts receivable includes unbilled receivables totaling $41,104 at June 30, 2023. This resulted in a net receivable balance of $139,445, as shown in the Statement of Fund Net Position on page 11.

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, 2023, amounted to $2,504. This resulted in a net receivable balance of $29,015, as shown in the Statement of Fund Net Position on page 11.

### B. RECEIVABLE FROM OTHER GOVERNMENTS

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

| Government | General Fund | SPLOST Fund | ARPA Fund | Total |
|---|---|---|---|---|
| Cherokee County | $ 1,188 | $113,389 | - | $ 114,577 |
| Federal | | | $78,616 | $78,616 |
| | $ 1,188 | $113,389 | $78,616 | $193,193 |

## 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 | $ 402,847 | $ 191,824 | $ 191,824 | $ 402,847 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 402,847 | 191,824 | 191,824 | 402,847 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 210,350 | 94,534 | - | 304,884 |
| Infrastructure | 1,343,258 | - | - | 1,343,258 |
| Machinery and equipment | 30,856 | 43,964 | 37,788 | 37,032 |

| | | | | |
|---|---|---|---|---|
| Total capital assets being depreciated | 1,584,464 | 138,498 | 37,788 | 1,685,174 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 99,653 | 6,092 | - | 105,745 |
| Infrastructure | 605,731 | 45,040 | - | 650,771 |
| Machinery and equipment | 26,405 | 2,380 | - | 28,785 |
| Total accumulated depreciation | 731,789 | 53,512 | - | 785,301 |
| Total capital assets being depreciated, net | 852,675 | 84,986 | 37,788 | 899,873 |
| Governmental activities capital assets, net | $ 1,255,522 | $ 276,810 | $ 229,612 | $ 1,302,720 |
| *Business-type activities:* | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 41,219 | $ - | $ - | $ 41,219 |
| Construction in progress | 1,095,674 | 332,696 | 58,201 | 1,370,169 |
| Total capital assets not being depreciated | 1,136,893 | 332,696 | 58,201 | 1,411,388 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 15,103 | 58,201 | - | 73,304 |
| Equipment and vehicles | 258,487 | 37,788 | - | 296,275 |
| Water infrastructure | 6,601,824 | - | - | 6,601,824 |
| Total capital assets being depreciated | 6,875,414 | 95,989 | - | 6,971,403 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 15,103 | 10 | - | 15,113 |
| Equipment and vehicles | 197,941 | 13,438 | - | 211,379 |
| Water infrastructure | 2,452,381 | 130,474 | - | 2,582,855 |
| Total accumulated depreciation | 2,665,425 | 143,922 | - | 2,809,347 |
| Total capital assets being depreciated, net | 4,209,989 | (47,933) | - | 4,209,989 |
| Business-type activities capital assets, net excluding lease assets | $ 5,346,882 | $ 284,763 | $ 58,201 | $ 5,573,444 |
| Lease assets, net (Note 6) | | | | 1,938 |
| Total Business-type activities capital assets, net as reported in the statement of net position | | | | $ 5,575,382 |

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

| | |
|---|---|
| *Governmental activities:* | |
| General government | $ 7,342 |
| Public works | 46,170 |
| | 53,512 |
| *Business-type activities:* | |
| Water | $ 143,922 |

## 5. INTANGIBLE RIGHT TO USE LEASES

A summary of leased asset activity during the year ended June 30, 2023 is as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---|---|---|---|---|
| Leased assets: | | | | |
| Equipment | $ 8,582 | $ - | $ - | $ 8,582 |
| Less accumulated amortization: | | | | |
| Lease assets: | | | | |
| Total accumulated amortization | 3,322 | 3,322 | - | 6,644 |

| | | | | |
|---|---|---|---|---|
| Total lease assets, net | $ 5,260 | $ 3,322 | $ - | $ 1,938 |

Amortization expense was charged to water functions in the amount of $3,322 for the fiscal year ending June 30, 2023.

## 6. LEASE LIABILITIES

The City, as a lessee, has entered into two lease agreements for the use of two copier machines. The total of the City's leased assets are recorded at a cost of $8,582, less accumulated amortization of $6,644.

| | Beginning Balance | Additions | Deductions | Ending Balance | Amounts Due in One Year |
|---|---|---|---|---|---|
| Lease liabilities | $ 5,317 | $ - | $ (3,333) | $ 1,984 | $ 1,984 |

The future lease payments under lease agreements are as follows:

| | Leases | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2024 | 1,984 | 17 | 2,001 |
| Total | $ 1,984 | 17 | 2,001 |

Interest expense related to lease liabilities in the amount of $99 is shown on the Statement of Revenues, Expenses, and Changes in Fund Net Position, Proprietary Fund.

## 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 |
|---|---|---|
| General Fund | Water Fund | 29,386 |
| General Fund | Sanitation Fund | 2,657 |
| *Net interfund receivable for General Fund for payroll-related and infrastructure costs* | | 32,043 |
| ARPA Fund | Water Fund | 210,116 |
| *Net interfund receivable for Water Fund for infrastructure costs* | | 210,116 |
| Sanitation Fund | Water Fund | 17,842 |
| *Net interfund receivable for Sanitation Fund payroll-related costs* | | 17,842 |

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

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

| Transfers In | Transfers Out | Amount |
|---|---|---|
| General Fund | ARPA Fund | $ 1,218 |
| SPLOST Fund | ARPA Fund | 10,304 |
| Water Fund | ARPA Fund | 210,116 |
| | | 221,638 |
| Water Fund | SPLOST Fund | 831,611 |

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. $831,611 was transferred from the SPLOST Fund to the Water Fund for the purchase of water infrastructure not meeting the City's capitalization threshold. $210,116 was transferred from the ARPA Fund to the Water Fund and $10,304 to the SPLOST Fund for the acquisition of infrastructure and government buildings. $1,218 was transferred from the ARPA Fund to the General Fund for a retention bonus.

## 8. CLASSIFICATIONS OF EQUITY

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

| General Fund: | |
|---|---|
| Prepaid Items | $ 3,266 |

***Restricted*** – The following fund balance is restricted:

| Capital Projects Fund: | |
|---|---|
| SPLOST Fund – used to account for capital projects with SPLOST tax revenues. | $ 891,876 |

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.

## 9. LONG-TERM OBLIGATIONS

*BUSINESS TYPE ACTIVITIES*

*Notes Payable:*

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

| | |
|---|---|
| Georgia Environmental Facilities Authority, infrastructure construction, payable in monthly installments of $10,119, including interest at 5.56%. Original balance $1,464,000; the loan matured in May 2023 and was paid in full by fiscal year end. | $ - |
| Georgia Environmental Facilities Authority, infrastructure construction, monthly installments of $2,047, including interest rate of 3%. Original balance $369,000, matures in February 2032. | 186,572 |
| Georgia Environmental Facilities Authority, infrastructure construction, monthly installments of $5,088, including interest rate of 1.250%. Original balance $1,080,000, matures in July 2043. Repayments begin August, 2023. | 1,080,000 |
| | 1,266,572 |
| Less current portion of debt | (63,027) |
| | $1,203,545 |

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 |
|---|---|---|---|
| 2024 | $ 63,027 | $ 17,501 | $ 80,528 |
| 2025 | 68,171 | 17,445 | 85,616 |
| 2026 | 69,382 | 16,235 | 85,617 |
| 2027 | 70,618 | 14,999 | 85,617 |
| 2028 | 71,880 | 13,736 | 85,616 |
| 2029 – 2033 | 345,318 | 50,019 | 395,337 |

| | | | |
|---|---|---|---|
| 2034 – 2038 | 277,599 | 27,696 | 305,295 |
| 2039 – 2043 | 295,493 | 9,802 | 305,295 |
| 2044 | 5,084 | 480 | 5,564 |
| | $1,266,572 | $ 167,913 | $ 1,434,485 |

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 | $1,086,518 | $ 306,861 | $ 126,807 | $ 1,266,572 | $ 63,027 |

Total interest expense on notes payable for the fiscal year ended June 30, 2023 was $21,455 as shown in the Statement of Revenues, Expenses, and Changes in Fund Net Position on page 12. This was also included in the direct expense of the water business-type activities in the Statement of Activities on page 4.

## 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, 2023. No provisions have been made in the financial statements for the year ended June 30, 2023 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, 2023.

## 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, 2023 (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 | 3 |
| Active plan members | 4 |
| Total Participants | 8 |

*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 6.68% 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 $11,496. 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 Liability*

The City's net pension asset was measured as of September 30, 2022, 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, 2023. The assumptions used in the January 1, 2023 actuarial valuation are as follows:

| | |
|---|---|
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Closed level dollar for remaining unfunded liability |
| Remaining Amortization Period | N/A |
| Asset Valuation Method | Sum of actuarial value at the beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at 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 January 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 March 31, 2022, 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% | 6.80% |
| Domestic fixed income | 20% | 0.40% |
| Real estate | 10% | 3.90% |
| Global fixed income | 5% | 0.46% |
| Cash | 0% | |
| Total | 100% | |

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

**Changes in the Net Pension Liability**

| | Increases (Decreases) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Position (Asset) Liability (c) |
| **Balances at September 30, 2021** | $ 119,020 | $ 158,765 | $ (39,745) |
| **Changes for the year:** | | | |
| Service cost | 9,002 | - | 9,002 |
| Interest | 9,407 | - | 9,407 |
| Differences between Expected and Actual experience | 10,421 | - | 10,421 |
| Contributions – employer | - | 12,108 | (12,108) |
| Contributions – employee | - | - | - |
| Net investment income | - | (27,134) | (27,134) |

| | | | |
|---|---|---|---|
| Benefit payments, including refunds of employee contributions | (940) | (940) | - |
| Administrative expense | - | (2,913) | (2,913) |
| Other | - | - | - |
| **Net Changes** | 27,890 | (18,879) | 46,769 |
| **Balances at September 30, 2022** | $ 146,910 | $ 139,886 | $ 7,024 |

*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 liability | $ 28,531 | $ 7,024 | $ (10,759) |

*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 prior year. These changes are detailed in the Schedule of Contributions and Related Notes on pages 32-35.

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

For the year ended June 30, 2023, the City recognized pension expense of $16,764. At June 30, 2023, 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 | $ 6,951 | $ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 18,620 | - |
| | 25,571 | - |
| Deferred pension contributions (after measurement date) | 8,622 | - |
| Total Deferred (Inflows) and Outflows | $ 34,193 | $ - |

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

| Year ending June 30: | Inflows | Outflows |
|---|---|---|
| 2023 | $ 4,720 | $ 8,766 |
| 2024 | $ 4,720 | $ 7,829 |
| 2025 | $ 4,193 | $ 7,829 |
| 2026 | $ - | $ 7,829 |

*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. SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 8, 2024, 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.

## 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 Executive and Highways and Streets departments in the General Fund, as depicted on page 9 of the financial statements. However, overall budgeted appropriations exceeded expenditures by $22,629 and overall revenues exceeded budgeted amounts by $19,601. The total excess of revenues over expenditures exceeded budgeted appropriations by $42,230. This does not include the net $3,401 variance shown for other financing sources (uses).

Budgetary controls are established by the Mayor and Council through the adoption of annual budgets, with the legal level of control being department level. The following departments had expenditures which exceeded appropriations by 10% or more at June 30, 2023 in the amounts shown below:

| | |
|---|---|
| General Government: | |
| Executive | $ 10,429 |
| Public Works: | |
| Highways and streets | $ 2,779 |

OCGA 36-81-3(b) requires an annual balanced budget for each special revenue fund. In fiscal year 2023, a budget was established for the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund. However, this budget only budgeted for revenues and did not budget for transfers out to other funds for the utilization of ARPA revenues in accordance with restrictions. This caused the budget to not balance by $179,997. Actual revenues and transfers out for the fiscal year 2023 were $221,638, resulting in a net change in fund balance of zero.

# REQUIRED SUPPLEMENTARY INFORMATION

**City of Waleska, Georgia**
***Required Supplementary Information***
***Georgia Municipal Association Defined Benefit Plan***
***Schedule of Changes in the Net Pension Liability and Related Ratios***
***For the Year Ended June 30, 2023***

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | **2014 -2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total pension liability** | | | | | | | | | | |
| Service cost | $ 9,002 | $ 7,575 | $ 7,027 | $ 7,639 | $ 3,061 | $ 5,404 | $ 4,985 | $ 5,244 | $ 5,622 | * |
| Interest | 9,407 | 8,206 | 7,375 | 6,191 | 4,485 | 3,874 | 4,162 | 4,726 | 3,653 | * |
| Differences between expected and actual experience | 10,421 | 10 | (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) | (940) | (940) | * |
| Net change in total pension liability | 27,890 | 14,851 | 10,729 | 18,066 | 18,161 | 6,758 | (3,716) | (7,281) | 13,851 | |
| Total pension liability – beginning | 119,020 | 104,169 | 93,440 | 75,374 | 57,213 | 50,455 | 54,171 | 61,452 | 47,601 | |
| Total pension liability – ending (a) | $ 146,910 | $ 119,020 | $ 104,169 | $ 93,440 | $ 75,374 | $ 57,213 | $ 50,455 | $ 54,171 | $ 61,452 | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Contributions – employer | $ 12,108 | $ 9,184 | $ 9,826 | $ 5,033 | $ 6,385 | $ 7,765 | $ 7,291 | $ 6,894 | $ 6,334 | * |
| Contributions – employee | - | - | - | - | - | - | - | - | - | |
| Net investment income | (27,134) | 30,249 | 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) | (940) | (940) | * |
| Administrative expense | (2,913) | (3,011) | (2,967) | (2,937) | (3,219) | (3,525) | (1,816) | (1,950) | (1,610) | * |
| Other | - | - | - | - | - | - | - | - | - | |
| Net change in fiduciary net position | (18,879) | 35,482 | 16,637 | 4,197 | 11,398 | 15,000 | 11,916 | 4,492 | 9,577 | |
| Plan fiduciary net position – beginning | 158,765 | 123,283 | 106,646 | 102,449 | 91,051 | 76,051 | 64,135 | 59,643 | 50,066 | |
| Plan fiduciary net position – ending (b) | $ 139,886 | $ 158,765 | $ 123,283 | $ 106,646 | $ 102,449 | $ 91,051 | $ 76,051 | $ 64,135 | $ 59,643 | |
| Net pension liability – ending: (a)-(b) | $ 7,024 | $(39,745) | $(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 | 95.22% | 133.39% | 118.35% | 114.13% | 135.92% | 159.14% | 150.73% | 118.39% | 97.06% | |
| Covered employee payroll | $171,101 | $170,143 | $151,238 | $162,042 | $149,344 | $62,755 | $101,762 | $ 92,920 | $110,361 | |
| Net pension liability as a percentage of covered employee payroll | (4.11%) | (23.36%) | (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**
***Required Supplementary Information***
***Georgia Municipal Association Defined Benefit Plan***
***Schedule of Contributions***
***For the Year Ended June 30, 2023***

**Schedule of City's Contributions**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | *2014 -2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | --[1] | $10,904 | $10,019 | $ 9,761 | $ 3,111 | $ 7,822 | $ 7,746 | $7,139 | $ 6,812 | |
| Contributions in relation to the actuarially determined contribution | --[1] | 10,904[2] | 10,019 | 1,020 | 3,504 | 7,170 | 7,746 | 6,571 | 7,894 | |
| Contribution deficiency (excess) | --[1] | -- | -- | (259) | (393) | 652 | -- | 568 | (1,082) | |
| Covered-employee payroll | --[1] | 170,143[3] | 151,238 | 162,042 | 149,344 | 62,755 | 101,762 | 92,920 | 110,361 | |
| Contributions as a percentage of covered employee payroll | --[1] | 6.41% | 6.62% | 6.18% | 2.35% | 11.43% | 7.61% | 7.07% | 7.15% | |

[1]2023 information will be determined after fiscal year end and will be included in 2024 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]2022 covered payroll is based on data collected as of September 30, 2021 for the 2022 actuarial valuation.

**Notes to Schedule of Contributions**

Valuation date:

The actuarially determined contribution rate was determined as of January 1, 2023, 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, 2024.

*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 for Projects Constructed with***
***Special Purpose Local Option Sales Tax***
***For the Year Ended June 30, 2023***

| | 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 | $ 790,645 | $ 227,062 | $ 1,017,707 | |
| General government buildings, public buildings and improvements | 500,000 | 500,000 | 40,835 | 100,710 | 141,545 | |
| Emergency communications system improvements and equipment | 38,214 | 38,217 | - | - | - | |
| Transportation facilities, equipment and improvements | 150,000 | 150,000 | - | 2,550 | 2,550 | |
| Fleet vehicles and equipment | 40,000 | 40,000 | - | - | - | |
| | 2,507,581 | 2,507,584 | 831,480 | 330,322 | 1,161,802 | 46.33% |
| **GRAND TOTAL** | **$ 2,507,581** | **$ 2,507,584** | **$ 831,480** | **$ 330,322** | **$ 1,161,802** | |

***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

# Murphy CPA Group, P.C.

Certified Public Accountants


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, the budgetary information, and each major fund of the City of Waleska, 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 Waleska, Georgia's basic financial statements and have issued our report thereon dated July 8, 2024.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

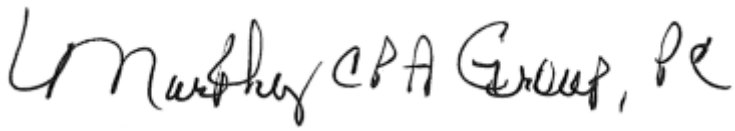
As part of obtaining reasonable assurance about whether the City of Waleska, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did result in the discovery of an instance of noncompliance required to be reported under *Government Auditing Standards*. The results of our tests disclosed an instance 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 2023-003.

**Waleska, Georgia's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Waleska, Georgia's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Waleska, Georgia's responses were not subjected to the other procedures applied in the audit of the financial statements and, according, 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murphy CPA Group, P.C.

Canton, Georgia
July 8, 2024

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

**Material Weaknesses:**

None noted.

**Significant Deficiencies:**

*2023-001 – Segregation of Duties*

*Criteria:* Segregation of employee duties is a necessary concept in an effective internal control structure. Policies and procedures should be in place that require the segregation of certain financial duties.

*Condition/Context:* Previous audits have raised this finding as the City's staff remains small enough to where full segregation of duties may be impossible. However, the City has taken steps to ensure the outsourcing of several accounting functions including accrual adjustments and reconciliation of bank accounts. These functions have been outsourced to a third-party accounting firm to ensure additional segregations. Although effective, we feel this has not been mitigated to an acceptable level considering there are still personnel handling cash that also have access to financial data.

*Effect:* Without proper segregation of duties within accounting functions, there is an increased opportunity for intentional or unintentional asset misappropriation.

*Cause:* The constrained number of employees dedicated to these functions and the ensuing overlying of functions causes segregation of duties to be challenging to maintain.

*Recommendation:* We recommend the City remain diligent in their attempts in improving the design and effectiveness of internal control in order to achieve effective segregation of duties. Hiring sufficient staff to support full segregation of duties will facilitate the proper recording and recognition of accounting data and will reduce the likelihood of misappropriation of City assets.

*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 the risk of misappropriation of assets.

*2023-002 – Significant Deficiency in Internal Control*

*Criteria:* Maintaining functional internal control is critical in ensuring proper recording of transactions and to prevent material misstatements. Additionally, proper internal control is paramount in detecting fraud and errors in reporting.

*Condition/Context:* Internal control processes that monitor payroll information transmitted between City personnel and its payroll provider neglected to detect an error in the calculation of accrued vacation and sick pay benefits, causing these accrued benefits to be overstated.

*Effect:* This overstatement of accrued benefits triggered a policy change to be considered by the City Council. The Council approved a modification to the policy to allow the payout of unused vacation and sick pay benefits. The payout of unused benefits occurred before any errors in accrued benefits were discovered. This erroneous payout received by City personnel was not required to be paid back once the error was discovered.

*Cause:* The information being transmitted to and from the payroll provider was not being recalculated or verified prior to enacting the policy change.

*Recommendation:* We recommend the City examine their processes of internal control over payroll information and the transmission thereof to the payroll provider. We also recommend the Council take the necessary steps to ensure the integrity of financial data prior to adopting any policy changes based on said data.

*Response:* The City Manager and other supporting financial staff will closely monitor information transmitted to and from the payroll provider to ensure its accuracy.

**Instances of Noncompliance with State Laws:**

*2023-003 – Material Violation of Finance-Related Legal Provisions*

*Criteria:* OCGA 36-81-3(b) requires an annual balanced budget for each special revenue fund.

*Condition/Context:* In fiscal year 2023, a budget was established for the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund. However, this budget only budgeted for revenues and did not budget for transfers out to other funds for the utilization of ARPA revenues in accordance with restrictions.

*Effect:* This caused the budget to not balance by $179,997. Actual revenues and transfers out for the fiscal year 2023 were $221,638, resulting in a net change in fund balance of zero.

*Cause:* A balanced budget was not adopted for the American Rescue Plan (ARP) Act of 2021.

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

*Response:* The City agrees with this finding and will monitor budgeting processes to be certain future adopted budgets are in balance.