

Financial Report

For the Year Ended June 30, 2024



WATER & SEWERAGE AUTHORITY

PROTECTING THE ENVIRONMENT AS WE SERVE

Ellijay-Gilmer County Water & Sewerage Authority
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**ELLIJAY-GILMER COUNTY
WATER AND SEWERAGE AUTHORITY
ELLIJAY, GEORGIA
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2024

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
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ELLIJAY GILMER COUNTY WATER AND SEWERAGE AUTHORITY
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT


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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ellijay-Gilmer County Water and Sewerage Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activity and major fund of the Ellijay-Gilmer County Water and Sewerage Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Ellijay-Gilmer County Water and Sewerage Authority'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 business-type activity and major fund of the Ellijay-Gilmer County Water and Sewerage Authority, as of June 30, 2024, and the respective changes in financial position, and 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 Ellijay-Gilmer County Water and Sewerage Authority 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 Ellijay-Gilmer County Water and Sewerage Authority'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 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 Ellijay-Gilmer County Water and Sewerage Authority'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 Ellijay-Gilmer County Water and Sewerage Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and pension information on pages 6-10 and 29-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ellijay-Gilmer County Water and Sewerage Authority's basic financial statements. The accompanying schedule of revenues, expenses, and changes in fund net position – budget and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses, and changes in fund net position – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of the Ellijay-Gilmer County Water and Sewerage Authority'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 Ellijay-Gilmer County Water and Sewerage Authority'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 Ellijay-Gilmer County Water and Sewerage Authority's internal control over financial reporting and compliance.

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

Welch, Walker & Associates, P.C., CPAs
East Ellijay, Georgia
December 17, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

The Ellijay Gilmer Water and Sewerage Authority (the “Authority”) was created in 1987 by the State of Georgia legislature as a body corporate and politic which is deemed to be a political subdivision of the State of Georgia (the “State”) and is the reporting entity for financial reporting purposes. The Authority is authorized to acquire, construct, add to, extend, improve, equip, operate and maintain projects embracing sources of water supply and the distribution and sale of water and related facilities to individuals, private concerns, municipal corporations, the State of Georgia, and its political subdivisions, and to acquire, construct, add to, extend, improve, equip, operate and maintain sewerage systems, both sanitary, sewage disposal and sewage treatment plants, and any and all other related facilities. The Authority operates under the supervision of a five-member Board.

The discussion and analysis of the Authority’s financial activities for the year ended June 30, 2024, is designed to assist the reader in focusing on significant financial issues and activities of the Authority and to identify significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements which begin on page 8.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Fund Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows report the Authority’s net position and changes in them. The Authority’s net position (the difference between assets plus deferred outflow and liabilities plus deferred inflows) is one way to measure the Authority’s financial health or financial position.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflow of resources of the Authority increased \$3.4 million or more than 5% due to investment in capital assets. There was a decrease in total liabilities and deferred inflow of resources of \$446 thousand or almost 6%. Total net position increased \$3.8 million or 7%.
- Total revenues had a net increase of \$2 million or 20%. This was due to increased collections for water and sewer services because of increased volume, the customary increase in water and sewer rates plus an increase in the minimum for each service.
- Total expenses increased \$845 thousand or almost 12% due to increased operating costs.

THE AUTHORITY AS A WHOLE

The analysis below focuses on Fund Net Position (Table 1) and Changes in Fund Net Position (Table 2):

Table 1
Fund Net Position (Condensed)

	2024	2023, <i>as restated</i>	Increase (Decrease)
Assets and Deferred Outflows of Resources:			
Current assets	\$ 18,288,527	\$ 19,953,949	\$ (1,665,422)
Capital assets, net	49,094,010	44,115,469	4,978,541
Noncurrent assets	213,495	169,519	43,976
Deferred outflow of resources	246,479	202,432	44,047
Total	67,842,511	64,441,369	3,401,142
Liabilities and Deferred Inflows of Resources:			
Current liabilities	2,157,463	1,977,913	179,550
Noncurrent liabilities	3,921,727	4,540,924	(619,197)
Deferred inflow of resources	1,000,000	1,006,025	(6,025)
Total	7,079,190	7,524,862	(445,672)
Net Position:			
Net investment in capital assets	44,554,244	38,736,046	5,818,198
Restricted	388,576	257,192	131,384
Unrestricted	15,820,501	17,923,269	(2,102,768)
Total fund net position	<u>\$ 60,763,321</u>	<u>\$ 56,916,507</u>	<u>\$ 3,846,814</u>

Total Assets and Deferred Outflows of Resources increased \$3.4 million or more than 5%. The decrease in current assets was attributable to a decrease in inventory and investments, both of which were used for projects and attributes to the increase in capital assets of almost \$5 million. See the capital assets section of this analysis for further discussion.

Total Liabilities and Deferred Inflows of Resources decreased \$446 thousand or 6% because of a decrease in noncurrent liabilities from debt payments.

Total Net Position increased \$3.8 million or 7% due largely to the increase in capital assets previously mentioned.

Table 2
Changes in Fund Net Position (Condensed)

Revenues:	2024	2023, <i>as restated</i>	Increase (Decrease)
Operating revenues:			
Charges for services	\$ 10,281,673	\$ 9,150,634	\$ 1,131,039
Non operating revenues (losses):			
Grants, contributions, asset disposals, gains and interest	1,372,789	664,322	708,467
Contributions	225,916	75,085	150,831
Total Revenues	11,880,378	9,890,041	1,990,337
Expenses:			
Operating expenses	7,978,372	7,129,106	849,266
Non operating expenses:			
Interest expense	55,192	59,139	(3,947)
Total expenses	8,033,564	7,188,245	845,319
Change in net position	3,846,814	2,701,796	1,145,018
Beginning net position	56,916,507	54,214,711	2,701,796
Ending net position	\$ 60,763,321	\$ 56,916,507	\$ 3,846,814

Total Operating Revenues increased by almost \$1.1 million or 12%, due to increased water revenues because of increased usage, along with a 2.5% increase in billing rates and increased minimums for each billing tier.

Total Non-Operating Revenues increased \$400 thousand due to investments that generated unrealized gains and increased interest revenue. The Authority also recognized \$270 thousand in grant revenue in the current year.

Total Expenses increased almost \$849 thousand due to an increase in operating expenses. This is attributable to the increased cost of goods and personnel services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, net of accumulated depreciation totaled \$49 million, an increase of \$5 million. Major capital asset additions to infrastructure were completed including a waterline extension on Hwy 5/ 382 for over \$2 million along with a waterline rehab on South Main Street for \$1.5 million. Phase II of a line extension totaling over \$1 million was also completed on Roundtop Road and Phase III started, accumulating costs for construction in progress of almost \$300 thousand. A multiple- year meter change out project was also completed to replace all meters with radio read meters that transmit a continuous meter reading to the administration office. The raw water pump VFD project at the water plant was added to machinery and equipment for nearly \$1 million. The increase in land was the result of a land purchase for a future water tank for the Roundtop Road project. Engineering for the development of a water model and a potential new water source

increased intangible assets. The table below focuses on the changes in non-depreciable and depreciable assets from the previous year. See note 5 for additional information about changes in capital assets during the fiscal year.

Table 3
Capital Assets (net of accumulated depreciation)
(dollars are in thousands)

	2024	2023	Change
Non-Depreciable Assets:			
Land	\$ 505	\$ 420	\$ 85
Construction in progress	2,107	1,623	484
Total	2,612	2,043	569
Depreciable Assets:			
Intangibles	94	8	86
Land improvements	13	14	(1)
Infrastructure	43,689	40,376	3,313
Buildings & improvements	652	645	7
Vehicles	98	84	14
Machinery & Equipment	1,936	945	991
Total	46,482	42,072	4,410
Total	<u><u>\$ 49,094</u></u>	<u><u>\$ 44,115</u></u>	<u><u>\$ 4,979</u></u>

Long Term Debt at the end of the fiscal year totaled \$4.21 million in bonded debt outstanding. The debt is backed by the full faith and credit of the Authority. A debt coverage ratio of 1.20 is required per the bond resolution. Additional information on the Authority's debt can be found at note 7. The debt coverage is calculated by dividing the current year change in net position (increased for depreciation and amortization) by the current year total debt payments. The table below focuses on the change in outstanding debt from the previous year.

Outstanding Debt
(dollars are in thousands)

	2024	2023	Change
Bonds Payable	\$ 4,210	\$ 4,885	\$ (675)
Debt Coverage	5.62	5.05	0.57

ECONOMIC FACTORS THAT MAY AFFECT THE AUTHORITY

There are several unknown factors that may affect the Authority, including changes in existing federal or state legislation, additional responsibilities for new environmental or drinking water demands, and market conditions that could affect the viability of future revenues and impact earnings. Because of these unknown factors, the Authority keeps in contact with other agencies and authorities and stays current with all proposed legislation to allow for an expeditious decision-making process. The Authority also maintains and monitors the monthly budget for the purpose of controlling costs associated with its projected revenues in order for it to take corrective measures

in a timely manner. With positive signs of economic growth in the County, water main capital projects have been expanded to offer service to a larger area of the County.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives as well as its ability to pay debt service. If you have questions about this report or need additional information, contact the Controller, at 1023 Progress Rd., Ellijay, Ga. 30540, or call 706-276-2202.

BASIC FINANCIAL STATEMENTS

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:	
Cash and cash equivalents	\$ 4,871,262
Investments	9,955,348
Restricted Assets	
Cash	390,310
Investments	855,760
Accrued interest receivable	5,997
Receivables, net of allowance	592,368
Grants receivable	271,213
Miscellaneous receivables	181,222
Inventory	1,121,298
Prepaid items	43,749
Total Current Assets	<u>18,288,527</u>
Noncurrent Assets:	
Cash	213,495
Capital Assets	
Non depreciable	2,611,629
Depreciable, net	46,482,381
Total Noncurrent Assets	<u>49,307,505</u>
Total Assets	67,596,032
Deferred Outflow of Resources:	
Bond defeasance cost, net of amortization	23,335
Pension costs	223,144
Total Deferred Outflow of Resources	<u>246,479</u>
Total Assets and Deferred Outflows of Resources	<u>67,842,511</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:	
Accounts payable	355,621
Construction contracts payable	166,207
Accrued expenses	35,537
Current portion of long term liabilities	
Compensated absences	56,253
Revenue bonds payable, net	686,351
Total Current Liabilities	<u>1,299,969</u>
Current Liabilities Payable From Restricted Assets:	
Customer deposits	857,494
NonCurrent Liabilities:	
Compensated absences	18,751
Net pension liability	341,325
Revenue bonds payable, net	3,561,651
Total Noncurrent Liabilities	<u>3,921,727</u>
Total Liabilities	6,079,190
Deferred Inflows of Resources:	
Unearned revenue	1,000,000
Total Liabilities and Deferred Inflows of Resources	<u>7,079,190</u>

NET POSITION

Net investment in capital assets	44,554,244
Restricted for:	
Capital projects	388,576
Unrestricted	15,820,501
Total Net Position	<u>\$ 60,763,321</u>

The accompanying notes are an integral part of this statement.

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Water charges	\$ 4,698,443
Sewer charges	3,637,337
Waste hauler fees	1,463,990
Customer tap fees	178,598
Industrial monitoring fees	55,216
Penalties and interest	87,669
Miscellaneous	64,201
Service charges	78,619
Reconnect fees	17,600
Total Operating Revenues	<u>10,281,673</u>

OPERATING EXPENSES

Wastewater treatment plant	2,427,480
Water treatment plant	1,429,112
Maintenance and distribution	1,443,336
Administration	865,460
Depreciation and amortization	1,812,984
Total Operating Expenses	<u>7,978,372</u>

OPERATING INCOME

2,303,301

NON-OPERATING REVENUES (EXPENSES)

Grant revenue	271,213
Special district fee	90,218
Impact fees	179,837
Interest revenue	724,121
Gain on disposal of capital assets	12,995
Unrealized gain on investments	90,308
Reimbursement for damaged property	4,097
Interest expense	(55,192)
Total Non-Operating Revenues (Expenses)	<u>1,317,597</u>

Income Before Capital Asset Contributions

3,620,898

CONTRIBUTIONS

Contributions from private sources	7,916
Capital asset contributions from private sources	<u>218,000</u>

Total Contributions

225,916

Change in Net Position

3,846,814

Net Position, beginning of year

57,045,266

Correction of an error

(128,759)

Net Position, end of year

\$ 60,763,321

The accompanying notes are an integral part of this statement.

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 10,241,502
Cash payments for goods and services	(2,874,338)
Cash payments for personal services	(1,994,574)
Net cash provided by operating activities	<u>5,372,590</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(6,355,412)
Impact fees received	179,837
Special district fees received	84,193
Contributions from private sources	7,916
Proceeds from disposal of equipment	1,000
Proceeds from reimbursement for damaged property	4,097
Interest paid on capital debt	(57,643)
Principal paid on capital debt	(675,000)
Net cash (used in) financing activities	<u>(6,811,012)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(2,720,519)
Sale of investments	3,873,520
Interest revenue	258,054
Net cash provided by investing activities	<u>1,411,055</u>

Net (Decrease) in Cash (27,367)

Cash and cash equivalents, beginning of year	5,502,434
Cash and cash equivalents, end of year	<u><u>\$ 5,475,067</u></u>

Cash and cash equivalents, as shown on the Statements of Net Position:

Cash and cash equivalents, unrestricted (current)	\$ 4,871,262
Cash, restricted (current)	390,310
Cash, restricted (noncurrent)	213,495
Total cash and cash equivalents	<u><u>\$ 5,475,067</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating income	\$ 2,303,301
Adjustment to reconcile operating income to net cash provided by(used in) operating activities:	
Depreciation and amortization	1,812,984
(Increase) in accounts receivable, net	(157,299)
Decrease in miscellaneous receivables	88,275
Decrease in prepaid expenses	81,809
Decrease in inventories	1,255,881
(Decrease) in accounts payable	(60,985)
Increase in accrued payroll expenses	1,277
Increase in pension liability	66,441
Increase in deferred pension	(47,947)
Increase in customer deposits	28,853
Net cash provided by operating activities	<u><u>\$ 5,372,590</u></u>

Noncash activity:

Non-cash investing activities:	
Unrealized gain on investments	\$ 90,308
Noncash capital and related financing activities:	
Capital contributions from private entities	218,000
Trade-in of capital assets	14,000
Total noncash activity	<u><u>\$ 322,308</u></u>

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ellijay-Gilmer County Water and Sewerage Authority (hereafter referred to as the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Authority's accounting policies are described below.

A. THE REPORTING ENTITY

The Authority operates public utilities for water and sewer for the incorporated and immediate surrounding areas. The Authority is a political subdivision of the State of Georgia and is governed by a five-member board. The five members represent Gilmer County, the City of Ellijay, and the City of East Ellijay. In past years, the criteria for including the Authority as a component unit with the Gilmer County, Georgia governmental reporting entity as set forth in the Governmental Accounting Standards Boards Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61 was financial accountability. Financial accountability is defined as the appointment of a voting majority on the component unit's board and either the ability of the primary government to impose its will or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Although Gilmer County has a voting majority on the Authority Board, it has been determined by management that Gilmer County's ability to impose its will or incur a financial benefit or burden no longer exists. The Authority operates autonomously and needs no approval from any other entity or official to act and no other entity directly or indirectly guarantees the Authority's debt obligations. All board members serve a five-year term. In the event of a vacancy by reason of death, disqualification, resignation, or other reason, the commissioner or the governing authority originally appointing the member whose position is vacant shall select and appoint a qualified person to fill the unexpired term. Based upon the application of these criteria, the Authority has no component units.

B. BASIS OF PRESENTATION

The activities of the Authority are reported in accordance with generally accepted accounting principles as applicable to enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is necessary for management accountability. Because the Authority is a special purpose government engaged only in business type activities, it is not required to present a statement of activities to comply with the provisions of GASB Statement 34.

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by an entity's measurement focus. Enterprise funds are accounted for by the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current), associated with the operation of the entity are included in the statement of net position. Enterprise fund statements of activities present increases (revenues) and decreases (expenses) in total net position. The accrual basis of accounting is followed by the Authority. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for water and wastewater services. Operating expenses include

the costs associated with the conveyance of water and wastewater, treatment of wastewater, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB 34 (as amended by GASB 63) requires the classification of net position into three components as described below:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the government’s policy to use the restricted resources first, and then unrestricted resources, as they are needed.

D. BUDGETS

The Authority is not legally required to adopt a budget. However, an annual operating budget for planning, control, and evaluation purposes is prepared and approved by the Authority Board.

E. NEW ACCOUNTING PRONOUNCEMENT

In June 2022, the Government Accounting Standards Board issued Statement No. 100, Accounting Changes and Error Corrections, with an effective date for the fiscal year beginning after June 15, 2023.

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections.

F. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash includes amounts in demand deposits. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities, bonds, or certificates of indebtedness of this state and of its agencies and instrumentalities, and certificates of deposits of banks insured by FDIC.

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

G. INVENTORIES

Inventories consist of supplies and materials and are stated at cost. Inventories are accounted for by the first-in, first-out (FIFO) method. The Authority uses the consumption method of accounting for inventories, under which materials and supplies are recorded as inventory when purchased and are recorded as an expense when used.

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items.

I. CAPITAL ASSETS

The Authority has established the following capitalization thresholds for capitalizing individual assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. No capitalization threshold has been established for right-of-use assets, as the Authority generally deems these necessary to record along with the related lease liability.

Land	\$	1
Land improvements		12,500
Water and sewerage infrastructure		5,000
Buildings and improvements		25,000
Machinery and equipment		2,500
Vehicles		2,500
Intangibles		1

Major outlays for capital assets and improvements are capitalized as projects are constructed. When the project is completed, depreciation will be provided for in amounts sufficient to relate the cost of the depreciable assets to operations over its estimated service life.

Intangible assets consist of feasibility studies, geological studies, and water model development. The intangible costs are amortized over the estimated term of their usefulness.

Amortization of right-to-use assets is calculated on the straight-line basis over the life of the related lease term. Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Water and sewerage infrastructure	25-50 years
Buildings	30-50 years
Machinery and equipment	5-25 years
Vehicles	5 years
Intangibles	5 years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources until then. The Authority has one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the unamortized balance of bond insurance purchased for the 2015A refunding revenue bond issue, which, in accordance with GASB 65, will continue to be amortized over the life of the new 2020 Bond issue (see item 7).

For the year ended June 30, 2024, the amount of bond insurance included in interest expenses in accordance with GASB Statement 65 was \$3,900.

In addition to liabilities, The Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unearned revenue, is reported as a deferred inflow of resources on the Statement of Net Position and will be recognized as an inflow of resources in the period in which the amounts become available. Also qualifying for reporting in this category is the premium associated with the 2015A refunding revenue bond issue, which, in accordance with GASB 65, will continue to be amortized over the life of the new 2020 Bond issue (see item 7).

For the year ended June 30, 2024, the amount of bond premium amortization netted against interest expense in accordance with GASB Statement 65 was \$6,351.

Deferred outflows of resources and deferred inflows of resources related to pensions are discussed at item 9, *Pension expense and deferred outflows of resources and deferred inflows of resources*.

Lease-related amounts are recognized at the inception of leases in which the Authority 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. The Authority does not have any leased assets or liabilities to report for the fiscal year 2024.

K. COMPENSATED ABSENCES

Vested or accumulated vacation is recorded as an expense and liability up to the maximum allowable amount as the benefit accrues to employees. Vacation leave can be accrued up to a maximum of 20 days. Amounts over the maximum are paid to employees after the end of the fiscal year.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Defined Benefit Pension Plan (EGCWSARP)) and additions to/deductions from EGCWSARP's fiduciary net position have been determined on the same basis as they are

reported by EGCWSARP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DEPOSITS AND INVESTMENTS

A. INVESTMENTS

The following is a reconciliation of the Authority's cash and cash equivalent and investment balances as of June 30, 2024:

	Business-Type Activities Statement of Fund Net Position
Cash and cash equivalents, unrestricted	\$ 5,084,757
Cash and cash equivalents, restricted	390,310
Investments, unrestricted	9,955,348
Investments, restricted	855,760
	<u>\$ 16,286,175</u>

The Authority had \$475 in cash on hand on June 30, 2024.

B. CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. All bank balances are insured or collateralized in accordance with State statutes that require that they be collateralized by depository insurance, obligation of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia or bonds of public or development authorities, counties, or municipalities of the State of Georgia. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

At year-end, the carrying amount of the Authority's deposits was \$16,286,175 and the bank balances were \$16,888,513. Of the bank balances, \$500,000 was covered by federal depository insurance and \$5,412,887 of the balance was collateralized with pooled securities held by the financial institutions trust departments. These securities are held in the name of the financial institution and not the Authority. The remaining balance of \$11,467,706 is not covered by FDIC insurance or collateralized but was invested in United States Treasury Bills.

C. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is currently the Authority's policy to not invest in securities in such amounts that cash flow will be impacted resulting in the need to sell prior to maturity, nor invest in a term that is would be considered longer than prudent. Currently, the Authority is investing in securities that have a term of no longer than 12 months.

D. CREDIT QUALITY RISK

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. There is negligible credit risk associated with the Authority's investments primarily since it is the Authority's policy to invest in certificates of deposit, GA Fund One and securities of the U.S. government and its agencies.

As of June 30, 2024, the Authority's credit and interest rate risk related to the Authority's cash equivalents and investments were as follows:

Investment	Fair Value	Segmented Time Distribution	Credit Quality
Negotiable certificates of deposit	\$ 2,298,957	Less than 12 months	n/a
Federal agency securities	11,467,706	Less than 12 months	Aaa
	<u>\$ 13,766,663</u>		

E. CONCENTRATION RISK

On June 30, 2024, the Authority did not have debt or equity investment in any one organization, other than those issued by the U.S. Government, which represented more than 5 percent of investments.

F. FOREIGN CURRENCY RISK

The risk that changes in foreign currency exchange rates will adversely affect cash flows or the fair value of hedging derivative instruments or the associated hedge item. The Authority has not adopted a policy regarding foreign currency risk, but currently does not have any foreign investments.

G. FAIR VALUE

The Authority's investments were all valued at fair value measurements using quoted prices (Level 1) and significant other observable inputs (Level 2) and using the market approach as of June 30, 2024. The nonrecurring fair value measurement method was not used and there was no change in the valuation method. The Authority receives an account statement from the brokerage firm with market values of all investments in federal agency securities. There are no restrictions on when any of the investments may be redeemed or sold. The Authority currently has no plans to sell any investments prior to maturity. The following table summarizes the assets and liabilities of the Authority for which fair values are determined on a recurring basis as of June 30, 2024.

Investment	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificates of deposit	\$ 2,298,957	\$ -	\$ -
Federal agency securities	-	11,467,706	-
	<u>\$ 2,298,957</u>	<u>\$ 11,467,706</u>	<u>\$ -</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable is shown net of the allowance for doubtful accounts of \$10,763. This allowance for possible credit losses reduces the carrying value of the trade receivables to its net realizable value. The amount of the reserve is based upon management's estimates of currently uncollectible accounts, historical trends, and other factors. Included in accounts receivable are unbilled water and sewer charges of \$81,659.

4. RESTRICTED ASSETS AND NET POSITION

Certain assets of the Authority have been restricted for the following purposes:

	Cash
Customer deposits	\$ 857,494
Capital asset projects	388,576
	<u>\$ 1,246,070</u>

Assets restricted by enabling legislation are included in current restricted cash in the amount of \$388,576 and are shown as a component of restricted net position for capital projects.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

<i>Business-type activities:</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 1,622,980	\$5,248,080	\$4,764,282	\$ 2,106,778
Land	420,761	84,090	-	504,851
Total capital assets, not being depreciated	<u>2,043,741</u>	<u>5,332,170</u>	<u>4,764,282</u>	<u>2,611,629</u>
Capital assets, being depreciated:				
Intangible Assets	195,059	91,651	-	286,710
Land improvements	69,702	-	-	69,702
Infrastructure	64,286,652	4,741,637	-	69,028,289
Buildings	492,959	-	-	492,959
Building Improvements	1,134,311	92,590	-	1,226,901
Vehicles	553,936	42,921	37,087	559,770
Machinery and equipment	3,607,773	1,256,844	274,877	4,589,740
Total assets, being depreciated	<u>70,340,392</u>	<u>6,225,643</u>	<u>311,964</u>	<u>76,254,071</u>
Less accumulated depreciation for:				
Intangible Assets	(187,304)	(4,989)	-	(192,293)
Land improvements	(55,603)	(1,175)	-	(56,778)
Infrastructure	(23,911,095)	(1,427,599)	-	(25,338,694)
Buildings	(240,641)	(11,388)	-	(252,029)
Building Improvements	(741,292)	(74,802)	-	(816,094)
Vehicles	(469,848)	(28,354)	35,981	(462,221)
Machinery and equipment	(2,662,881)	(264,677)	273,977	(2,653,581)
Total accumulated depreciation	<u>(28,268,664)</u>	<u>(1,812,984)</u>	<u>309,958</u>	<u>(29,771,690)</u>
Total capital assets, being depreciated, net	<u>42,071,728</u>	<u>4,412,659</u>	<u>2,006</u>	<u>46,482,381</u>
Business-type activities capital assets, net	<u>\$44,115,469</u>	<u>\$9,744,829</u>	<u>\$4,766,288</u>	<u>\$ 49,094,010</u>

Depreciation and amortization expense were charged to water and sewer functions in the amount of \$1,812,984 for the fiscal year ended June 30, 2024.

6. LONG-TERM DEBT

The 2015A Bonds were issued at a premium of \$95,266 which will be amortized over the life of the Series 2020 bonds and is presented in the Statement of Net Position as a deferred inflow of resources.

Revenue Refunding Bonds, Series 2020 in the original amount of \$6,850,000; with a fixed interest rate of 1.18%; and with varying annual principal and interest installments; maturity in 2030; with restrictive covenants.

	\$ 4,210,000
Less current portion of revenue bonds payable	(680,000)
	<u>\$ 3,530,000</u>

The total amount of interest charged to expense for the year ending June 30, 2024, was \$55,192.

Changes in Long-Term Debt

Changes in long-term debt for the fiscal year ended June 30, 2024, are shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Business-type activities:</i>					
Bonds payable:					
Revenue Bonds	\$ 4,885,000	\$ -	\$ 675,000	\$ 4,210,000	\$ 680,000
Compensated absences	<u>72,153</u>	<u>75,004</u>	<u>72,153</u>	<u>75,004</u>	<u>56,253</u>
Total Long-Term Debt	<u>\$ 4,957,153</u>	<u>\$ 75,004</u>	<u>\$ 747,153</u>	<u>\$ 4,285,004</u>	<u>\$ 736,253</u>

Payments of principal and interest related to the 2020 Series Revenue Bonds for the next five years and until maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 680,000	\$ 49,678	\$ 729,678
2026	690,000	41,654	731,654
2027	695,000	33,512	728,512
2028	705,000	25,311	730,311
2029	715,000	16,992	731,992
2030	<u>725,000</u>	<u>8,555</u>	<u>733,555</u>
	<u>\$ 4,210,000</u>	<u>\$ 175,702</u>	<u>\$ 4,385,702</u>

The following reconciles long-term bond obligations to the net amounts presented on the Statement of Fund Net Position.

	<u>Revenue Bonds Outstanding June 30, 2024</u>	<u>Premium on Bond Issuance, Net</u>	<u>Revenue Bonds Outstanding, Net June 30, 2024</u>	<u>Amounts Due In One Year, Net</u>	<u>Noncurrent Revenue Bonds, Net</u>
2020 Revenue Bonds	<u>\$ 4,210,000</u>	<u>\$ 38,002</u>	<u>\$ 4,248,002</u>	<u>\$ 686,351</u>	<u>\$ 3,561,651</u>

7. RISK MANAGEMENT

The Authority carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles, and crime to cover torts, theft of and damage to assets injuries, errors and omissions and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

8. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description. The Authority's defined benefit pension plan, Ellijay-Gilmer County Water and Sewerage Authority Retirement Plan (EGCWSARP), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. EGCWSARP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. 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 EGCWSARP that authority rests with the Ellijay-Gilmer County Water and Sewerage Authority. The Georgia Municipal Association issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association or by calling (404) 688-0472.

On January 1, 2024, the most recent date of the actuarial valuation, Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	12
Terminated employees entitled to benefits not yet receiving them	<u>6</u>
Total participants	18

The Defined Benefit Pension Plan is closed to new entrants.

Funding Policy. The Authority is required to contribute at an actuarially determined rate; the current rate is 0% of annual covered payroll. The most current valuation date of the plan was January 1, 2024, with an interest adjustment to the fiscal year. Participating employees became eligible after the first full calendar year of employment and become vested in the plan after ten years of service. Employees initially employed or re-employed on or after November 1, 2004, are not eligible to participate. Only the Ellijay-Gilmer County Water and Sewerage Authority, the employer, makes contributions to the plan. Total contributions to the plan totaled \$47,025. Contributions and interest forfeited by employees who leave employment before ten years of service are used to reduce the Authority's current contribution requirement. The contribution requirements of plan members and the Authority are established and may be amended by the GMEBS Board of Trustees.

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability 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 as of January 1, 2024.

The assumptions used on the January 1, 2024, actuarial valuation are as follows:

Actuarial Cost Method	Projected Unit Credit Cost Method. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.
Amortization Method	Closed level dollar for remaining unfunded liability.
Remaining Amortization Period	The remaining amortization period varies for the bases, with a net effective amortization period of 10 years. The amortization period for the unfunded actuarial accrued liability is closed.

Asset Valuation Method	Sum of actuarial value at beginning of the 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. The actuarial value of assets was reset to market value as of January 1, 2023.
Net Investment Rate of Return	7.375% on-going basis based on long term expected rate of return on pension plan investments.
Projected Salary Increases	2.25% plus service-based merit increases.
Cost of Living Adjustments	1.70% for participants terminated on or after February 1, 2000.

Mortality rates for healthy retirees and beneficiaries are determined by sex-distinct Pri-2012 head count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 Disabled participants rates determined by Sex-distinct Pri-2012 head count weighted Disabled Retiree Mortality table with rates multiplied by 1.25. Active participants terminated vested participants, and deferred beneficiaries are determined by Sex-distinct Pri-2012 head counted weighted Employee mortality Table. Mortality tables are projected generationally from 2012 to future years using 60% of the sex-distinct improvement rates under the 2019 OASDI trustees report used for the intermediate alternative.

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 weighing 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.91%
International equity	20%	7.21%
Global fixed income	5%	1.67%
Domestic fixed income	20%	1.61%
Real estate	10%	3.61%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Authority 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

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at September 30, 2022	\$ 1,346,149	\$ 1,071,265	\$ 274,884
Service cost	-	-	-
Interest	94,564	-	94,564
Difference between expected and actual experience	29,883	-	29,883
Contributions- employer	-	59,055	(59,055)
Contributions- employee	-	-	-
Net investment income	-	144,187	(144,187)
Benefit payments, including refunds of employee contributions	(127,841)	(127,841)	-
Administrative expense	-	(7,964)	7,964
Other	-	-	-
Net changes	(3,394)	67,437	(70,831)
Balances at September 30, 2023	<u>\$ 1,342,755</u>	<u>\$ 1,138,702</u>	<u>\$ 204,053</u>

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

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Authority's net pension liability	\$ 309,905	\$ 204,053	\$ 111,320

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

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

For the year ended June 30, 2024, the Authority recognized pension expense of \$71,567. At June 30, 2024, the Authority 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	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	49,589	-
Contributions made after the measurement date	36,283	-
Total	<u>\$ 85,872</u>	<u>\$ -</u>

Deferred outflows related to contributions made after the measurement date of \$36,283 will be recognized as a reduction of the net pension liability.

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,

2025	\$ 4,879
2026	9,627
2027	48,685
2028	(13,602)
2029	-
2030 and Thereafter	-
Total	<u>\$ 49,589</u>

Defined Contribution Pension Plan

Effective July 1, 2004, the Authority adopted a prototype pension plan sponsored by The Variable Annuity Life Insurance Company (VALIC). The pension plan, Ellijay-Gilmer County Water & Sewerage Authority Defined Contribution Plan, is a defined contribution plan, covering substantially all employees; the plan is qualified under Section 401(k) of the Internal Revenue Code. The plan provisions are established and may be amended by the Authority as plan administrator. Under the provisions of the plan, eligible participating employees may elect to contribute up to the maximum allowable percentage of their salary to the plan. The Authority's matching contribution to the plan is 50% of the participant's elective deferral, with the exception that deferrals in excess of 8% of a participant's compensation shall not be matched. Employee contributions to the plan for the fiscal year ending June 30, 2024, were \$115,895. Contribution and matching contributions to the plan were made by the Authority for the fiscal year ending June 30, 2024, in the amount of \$104,529.

9. JOINT VENTURE

The Authority is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interests in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities of federal, state, and local entities. Separate financial statements may be obtained from Northwest Georgia Regional Water Resources Partnership, P.O. Box 1793, Rome, Georgia 30162.

10. COMMITMENTS AND CONTINGENCIES

The Authority, from time to time, maybe 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 Authority and contracts/agreements related to its services and vendors.

11. ECONOMIC DEPENDENCY

During the year ending June 30, 2024, charges for water and sewer services provided by the Authority to one commercial customer were approximately \$3.3 million representing 32% of total operating revenues. If the operations of this commercial customer's local facility were to be discontinued, it will have a significant impact on the Authority's operating revenues.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 17, 2024, the date which the financial statements were available to be issued. The following events require disclosure, but not modifications to the financial statements.

The Authority was awarded funds in the amount of \$500,000 through the OneGeorgia Equity Grant administered by the Georgia Department of Community Affairs. Grant revenue of \$271,213 was recognized during fiscal year 2024, with additional costs incurred but a grant receivable could not be estimated at this time. This grant will be closed out in fiscal year 2025 with recognition of a final draw to be determined.

The Authority was awarded funds through the American Rescue Plan Act (ARPA) in the amount of \$1,000,000 as a subrecipient of Gilmer County. This grant was received and deferred during fiscal year 2023 because the Authority does not plan to use these proceeds for project construction until fiscal 2025.

No other events which require disclosure or modifications to the financial statements were noted.

13. RELATED PARTIES

A related party transaction occurred between the Authority and a member of the Board who conveyed 0.03 acres of property on Highway 382 to the Authority for the construction of a pump station. No dollar amount was ascribed to this transaction as the land was deemed to be of insignificant value.

14. CORRECTION OF AN ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During fiscal year 2024, the Authority determined that inventory valuation on June 30, 2023 was misstated due to an overstatement in the count of 8" pipe and an overstatement in the unit value of threaded rods and casing spacers. The change resulted in a decrease in fund net position as follows:

Net Position	
6/30/2023, as previously reported	\$ 57,045,266
Error correction	(128,759)
6/30/2023, as restated	<u>\$ 56,916,507</u>

REQUIRED SUPPLEMENTARY INFORMATION

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2024

	Fiscal Year End									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<i>Total pension liability</i>										
Service cost	\$ -	\$ -	\$ 1,520	\$ 1,472	\$ 3,866	\$ 4,167	\$ 4,133	\$ 3,841	\$ 3,607	\$ 3,461
Interest	94,564	107,574	107,725	107,704	107,257	107,216	106,532	105,207	103,595	101,992
Difference between expected and actual experience	29,883	(154,274)	21,624	20,450	15,337	995	13,508	6,191	10,876	10,652
Changes in assumptions	-	-	-	-	28,371	-	29,152	-	-	1,021
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(127,841)	(131,570)	(131,214)	(127,560)	(116,721)	(106,350)	(98,730)	(97,566)	(96,983)	(95,917)
Net change in total pension liability	(3,394)	(178,270)	(345)	2,066	38,110	6,028	54,595	17,673	21,095	21,209
Total pension liability- ending (a)	<u>1,346,149</u>	<u>1,524,419</u>	<u>1,524,764</u>	<u>1,522,698</u>	<u>1,484,588</u>	<u>1,478,560</u>	<u>1,423,965</u>	<u>1,406,292</u>	<u>1,385,197</u>	<u>1,363,988</u>
	<u>\$ 1,342,755</u>	<u>\$ 1,346,149</u>	<u>\$ 1,524,419</u>	<u>\$ 1,524,764</u>	<u>\$ 1,522,698</u>	<u>\$ 1,484,588</u>	<u>\$ 1,478,560</u>	<u>\$ 1,423,965</u>	<u>\$ 1,406,292</u>	<u>\$ 1,385,197</u>
<i>Plan fiduciary net position</i>										
Contributions- employer	\$ 59,055	\$ 55,779	\$ 62,555	\$ 64,421	\$ 68,269	\$ 71,998	\$ 61,281	\$ 66,088	\$ 66,943	\$ 65,585
Contributions- employee	-	-	-	-	-	-	-	-	-	-
Net investment income	144,187	(213,578)	278,541	104,742	32,472	107,142	146,729	102,087	12,115	100,463
Benefit payments, including refunds of employee contributions	(127,841)	(131,570)	(131,214)	(127,560)	(116,721)	(106,350)	(98,730)	(97,566)	(96,983)	(95,917)
Administrative expense	(7,964)	(8,204)	(8,405)	(8,272)	(8,161)	(8,882)	(9,714)	(5,564)	(6,289)	(5,161)
Other	-	-	-	-	-	-	-	-	-	-
Net change in fiduciary net position	67,437	(297,573)	201,477	33,331	(24,141)	63,908	99,566	65,045	(24,214)	64,970
Plan fiduciary net position- beginning	<u>1,071,265</u>	<u>1,368,838</u>	<u>1,167,361</u>	<u>1,134,030</u>	<u>1,158,171</u>	<u>1,094,263</u>	<u>994,697</u>	<u>929,652</u>	<u>956,866</u>	<u>888,896</u>
Plan fiduciary net position- ending (b)	<u>\$ 1,138,702</u>	<u>\$ 1,071,265</u>	<u>\$ 1,368,838</u>	<u>\$ 1,167,361</u>	<u>\$ 1,134,030</u>	<u>\$ 1,158,171</u>	<u>\$ 1,094,263</u>	<u>\$ 994,697</u>	<u>\$ 932,652</u>	<u>\$ 953,866</u>
Net pension liability- ending (a-b)	<u>\$ 204,053</u>	<u>\$ 274,884</u>	<u>\$ 155,581</u>	<u>\$ 357,403</u>	<u>\$ 388,668</u>	<u>\$ 326,417</u>	<u>\$ 384,297</u>	<u>\$ 429,268</u>	<u>\$ 473,640</u>	<u>\$ 431,331</u>
Plan's fiduciary net position as a percentage of the total pension liability	84.80%	79.58%	89.79%	76.56%	74.48%	78.01%	74.01%	69.85%	66.32%	68.86%
Covered employee payroll	-	-	-	41,409	40,273	78,720	80,575	79,726	74,806	72,340
Net pension liability as a percentage of covered-employee payroll	-	-	-	863.10%	965.08%	414.66%	476.94%	538.43%	633.16%	596.26%

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
JUNE 30, 2024

	Fiscal Year End									
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ - ¹	\$ 56,353	\$ 61,849	\$ 69,791	\$ 64,964	\$ 69,370	\$ 65,586	\$ 67,133	\$ 65,739	\$ 67,345
Contributions in relation to the actuarially determined contribution	- ¹	56,353 ²	61,849	68,205	59,550	69,370	65,586	67,133	65,739	67,345
Contribution deficiency (excess)	- ¹	-	-	1,586	5,414	-	-	-	-	-
Covered-employee payroll	- ¹	-	-	41,409	40,273	78,720	80,575	79,726	74,806	72,340
Contributions as a percentage of covered-employee payroll	- ¹	N/A	N/A	164.71%	147.87%	88.12%	81.40%	84.20%	87.88%	93.10%

¹ 2024 information will be determined after fiscal year end and will be included in the 2025 valuation report.

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 of the percentage of employee-covered payroll of the actuarially determined contributions.

Notes to Schedule of Contributions

Valuation Date The actuarially determined contribution rate was determined as of January 1, 2024, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2025.

Methods and assumptions used to be determine contribution rates:

Actuarial Cost Method Projected Unit Credit
Amortization Method Closed level dollar for reminaing unfunded liability
Remaining Amortization Period Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. The actuarial value of assets was reset to market value as of January 1, 2023.

Actuarial Assumptions:

Net Investment Rate of Return 7.375%
Projected Salary Increases 2.25% plus service-based merit increases
Cost of Living Adjustments 1.70% for participants terminated on or after February 1, 2000
Retirement Age 65 years old for vested inactive employees
Mortality Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 and Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

Changes of assumptions There were no changes in assumptions in the last two fiscal years.

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

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
WITH COMPARATIVE TOTALS FOR JUNE 30, 2023

	2024				2023
	Original Budget	Amended Budget	Actual	Variance	Actual
OPERATING REVENUES					
Water charges	\$ 4,537,657	\$ 4,537,657	\$ 4,698,443	\$ 160,786	\$ 3,900,343
Sewer charges	3,546,198	3,546,198	3,637,337	91,139	3,376,056
Waste hauler fees	1,400,000	1,400,000	1,463,990	63,990	1,482,751
Customer tap fees	144,500	159,500	178,598	19,098	187,749
Industrial monitoring fees	47,000	47,000	55,216	8,216	42,913
Penalties and interest	70,000	70,000	87,669	17,669	70,457
Miscellaneous	35,800	35,800	64,201	28,401	37,958
Service charges	63,000	63,000	78,619	15,619	40,757
Reconnect fees	16,500	16,500	17,600	1,100	11,650
Total Operating Revenues	9,860,655	9,875,655	10,281,673	406,018	9,150,634
OPERATING EXPENSES					
Wastewater treatment plant	2,315,738	2,315,738	2,427,480	(111,742)	2,286,917
Water treatment plant	1,433,798	1,433,798	1,429,112	4,686	1,180,345
Maintenance and distribution	1,479,212	1,654,212	1,443,336	210,876	1,076,234
Administration	858,862	858,862	865,460	(6,598)	786,837
Depreciation and amortization	-	-	1,812,984	(1,812,984)	1,670,014
Total Operating Expenses	6,087,610	6,262,610	7,978,372	(1,715,762)	7,000,347
OPERATING INCOME	3,773,045	3,613,045	2,303,301	(1,309,744)	2,150,287
NON-OPERATING REVENUES (EXPENSES)					
Grant revenue	500,000	500,000	271,213	(228,787)	-
Special district fee	84,000	84,000	90,218	6,218	83,874
Impact fees	127,000	127,000	179,837	52,837	157,905
Interest revenue	650,000	715,000	724,121	9,121	256,384
Gain on disposal of capital assets	1,000	1,000	12,995	11,995	8,858
Unrealized gain on investments	-	95,000	90,308	(4,692)	157,301
Reimbursement for damaged property	-	-	4,097	4,097	-
Interest expense	(57,643)	(57,643)	(55,192)	2,451	(59,139)
Total Non-Operating Revenues (Expenses)	1,304,357	1,464,357	1,317,597	(146,760)	605,183
Income Before Contributions	5,077,402	5,077,402	3,620,898	(1,456,504)	2,755,470
CONTRIBUTIONS					
Contributions from private sources	-	-	7,916	7,916	75,085
Capital asset contributions from private sources	-	-	218,000	218,000	-
Total Contributions	-	-	225,916	225,916	75,085
Change in Net Position	5,077,402	5,077,402	3,846,814	(1,230,588)	2,830,555
Total Net Position, beginning of year	57,045,266	57,045,266	57,045,266	-	54,214,711
Correction of an error	-	-	(128,759)	(128,759)	-
Total Net Position, end of year	<u>\$ 62,122,668</u>	<u>\$ 62,122,668</u>	<u>\$ 60,763,321</u>	<u>\$ (1,359,347)</u>	<u>\$ 57,045,266</u>

INTERNAL CONTROL AND COMPLIANCE

**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**


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

To the Board of Directors
Ellijay-Gilmer County Water and Sewerage Authority

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 business-type activity and major fund of Ellijay-Gilmer County Water and Sewerage Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Ellijay-Gilmer County Water and Sewerage Authority's basic financial statements, and have issued our report thereon dated December 17, 2024. Our report includes a reference to other auditors who audited the financial statements of Ellijay-Gilmer County Water and Sewerage Authority as described in our report on the Ellijay-Gilmer County Water and Sewerage Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ellijay-Gilmer County Water and Sewerage Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ellijay-Gilmer County Water and Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Ellijay-Gilmer County Water and Sewerage Authority's internal control.

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


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ellijay-Gilmer County Water and Sewerage Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Welch, Walker & Associates, P.C., CPAs
East Ellijay, Georgia
December 17, 2024