

**CITY OF NELSON, GEORGIA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**CITY OF NELSON, GEORGIA**  
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## **FINANCIAL SECTION**

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*The financial section includes the independent auditor's report on the financial statement audit, the basic financial statements including footnotes, and supplementary information.*



## CERTIFIED PUBLIC ACCOUNTANTS

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

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

### INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Nelson, Georgia

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Nelson, Georgia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Nelson, Georgia's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Nelson, Georgia, as of June 30, 2018, and the respective changes in financial position and respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

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

in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nelson, Georgia's basic financial statements. Other supplementary information, which includes the General Fund Detailed Schedule of Revenues – Budget to Actual and the General Fund Detailed Schedule of Expenditures – Budget to Actual, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds is presented for purposes of additional analysis as required by OCGA 48-4-121, and is also not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Detailed Schedule of Revenues – Budget to Actual, the General Fund Detailed Schedule of Expenditures – Budget to Actual, and the Schedule of Projects Constructed with Special Local Option Sales Tax Proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the City of Nelson, 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 Nelson, 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 Nelson, Georgia's internal control over financial reporting and compliance.

*Welch, Walker & Associates, PC, CPAs*

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

East Ellijay, Georgia

December 7, 2018

## **BASIC FINANCIAL STATEMENTS**

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*The basic financial statements include the government-wide statement of net position and government-wide statement of activities which include all of the primary government's governmental activities. In addition, the basic financial statements include the fund financial statements and the notes to the financial statements.*

**CITY OF NELSON, GEORGIA**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 391,830
Cash equivalents	54,940
Restricted cash	1,012,354
Restricted cash equivalents	100,000
Accounts receivable	5,489
Taxes receivable, net	13,009
Receivable from other governments	59,785
Other receivables	1,050
Prepaid items	7,165
Total Current Assets	<u>1,645,622</u>
Non-current assets:	
Capital assets, not being depreciated	228,278
Capital assets, net of accumulated depreciation	<u>1,449,673</u>
Total Non-current Assets	<u>1,677,951</u>
Total Assets	<u>3,323,573</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	<u>46,904</u>
Total Liabilities	<u>46,904</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	<u>4,255</u>
<b>NET POSITION</b>	
Investment in capital assets	1,677,951
Restricted for capital projects	1,130,765
Unrestricted	<u>463,698</u>
Total Net Position	<u>\$ 3,272,414</u>

The accompanying notes are an integral part of this statement.

**CITY OF NELSON, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Program Revenue</u>				Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Revenue and
					Changes in Net Assets
					Total Governmental Activities
Governmental Activities:					
General government	\$ 256,162	\$ -	\$ -	\$ -	\$ (256,162)
Judicial	707	-	-	-	(707)
Public safety	14,181	-	-	-	(14,181)
Public works	182,092	27,558	-	288,083	133,549
Culture and recreation	23,545	790	-	-	(22,755)
Housing and development	5,244	1,949	-	-	(3,295)
Total Governmental Activities	<u>\$ 481,931</u>	<u>\$ 30,297</u>	<u>\$ -</u>	<u>\$ 288,083</u>	<u>(163,551)</u>
General revenues:					
Taxes:					
Property					172,823
General sales and use					133,122
Franchise					35,291
Business					91,332
Unrestricted investment earnings					25
Miscellaneous					<u>1,561</u>
Total general revenues					434,154
Loss on disposal of capital assets					<u>(17,399)</u>
Change in net position					253,204
Net position, beginning of year					<u>3,019,210</u>
Net position, end of year					<u>\$ 3,272,414</u>

The accompanying notes are an integral part of this statement.



**CITY OF NELSON, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	General Fund	SPLOST Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 446,770	\$ -	\$ 446,770
Restricted cash and cash equivalents	-	1,112,354	1,112,354
Taxes receivable, net	13,009	-	13,009
Accounts receivable	2,916	2,573	5,489
Receivable from other governments	21,675	38,110	59,785
Other receivables	1,050	-	1,050
Prepaid items	7,165	-	7,165
Total Assets	<u>\$ 492,585</u>	<u>\$ 1,153,037</u>	<u>\$ 1,645,622</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Liabilities:			
Accounts payable	\$ 24,632	\$ 22,272	\$ 46,904
Unearned revenue	4,255	-	4,255
Total Liabilities	<u>28,887</u>	<u>22,272</u>	<u>51,159</u>
Deferred Inflows of Resources:			
Deferred revenue	<u>18,154</u>	<u>-</u>	<u>18,154</u>
Total Deferred Inflows of Resources	<u>18,154</u>	<u>-</u>	<u>18,154</u>
Total Liabilities and Deferred Inflows of Resources	<u>47,041</u>	<u>22,272</u>	<u>69,313</u>
<b>FUND BALANCES</b>			
Nonspendable	7,165	-	7,165
Restricted for:			
Capital projects funds	-	1,130,765	1,130,765
Unassigned	<u>438,379</u>	<u>-</u>	<u>438,379</u>
Total Fund Balances	<u>445,544</u>	<u>1,130,765</u>	<u>1,576,309</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 492,585</u>	<u>\$ 1,153,037</u>	<u>\$ 1,645,622</u>

The accompanying notes are an integral part of this statement.

**CITY OF NELSON, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

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Total fund balance, governmental funds	\$	1,576,309
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of capital assets	\$	3,050,730	
Less accumulated depreciation		<u>(1,372,779)</u>	
			1,677,951

Some of the City's revenues will be collected after the fiscal year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred on the fund financial statements.

<u>18,154</u>
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Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>3,272,414</u></u>
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The accompanying notes are an integral part of this statement.

**CITY OF NELSON GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	SPLOST Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 237,259	\$ -	\$ 237,259
Licenses and permits	1,949	-	1,949
Intergovernmental	210,975	268,919	479,894
Charges for services	27,740	-	27,740
Investment earnings	25	304	329
Miscellaneous	2,351	-	2,351
Penalties and interest on delinquent taxes	391	-	391
Total Revenues	<u>480,690</u>	<u>269,223</u>	<u>749,913</u>
Expenditures:			
Current:			
General government	157,087	1,339	158,426
Judicial	707	-	707
Public safety	1,343	4,250	5,593
Public works	142,748	-	142,748
Culture and recreation	986	-	986
Housing and development	5,244	-	5,244
Capital Outlay:			
Public works	-	82,518	82,518
Intergovernmental	<u>88,124</u>	<u>-</u>	<u>88,124</u>
Total Expenditures	<u>396,239</u>	<u>88,107</u>	<u>484,346</u>
Net changes in fund balances	84,451	181,116	265,567
Fund balances, beginning of year	<u>361,093</u>	<u>949,649</u>	<u>1,310,742</u>
Fund balances, end of year	<u>\$ 445,544</u>	<u>\$ 1,130,765</u>	<u>\$ 1,576,309</u>

The accompanying notes are an integral part of this statement.

**CITY OF NELSON, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**

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Net change in fund balances - total governmental funds: \$ 265,567

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Capital expenditures of \$108,103 are offset by \$105,688 of depreciation.

2,415

Governmental funds do not report the loss on the disposal of a capital asset, as only the proceeds from the sale are recognized. The proceeds of \$1,050 are shown net of the net cost of the assets disposed of \$18,449.

(18,449)

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.

Property taxes:

Deferred, as of June 30, 2017 \$ (12,434)

Deferred, as of June 30, 2018 15,238

2,804

Sanitation fees:

Deferred, as of June 30, 2017 \$ (2,049)

Deferred, as of June 30, 2018 2,916

867

Change in net position of governmental activities in the Statement of Activities \$ 253,204

The accompanying notes are an integral part of this statement.

**CITY OF NELSON, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE--BUDGET TO ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis) (See Note 1. M.)	Final Budget
Budgetary fund balance, beginning of year	\$ 361,093	\$ 361,093	\$ 361,093	\$ -
Revenues (inflows):				
Property taxes	111,660	111,660	110,636	(1,024)
Franchise taxes	37,050	37,050	35,291	(1,759)
Business taxes	91,800	91,800	91,332	(468)
Licenses and permits	1,000	1,000	1,949	949
Intergovernmental	180,000	180,000	210,975	30,975
Charges for services	26,000	26,000	27,740	1,740
Fines and forfeitures	5,500	5,500	-	(5,500)
Investment earnings	30	30	25	(5)
Miscellaneous	1,800	1,800	2,351	551
Penalties and interest on delinquent taxes	200	200	391	191
Total Revenues	455,040	455,040	480,690	25,650
Changes to appropriations (outflows):				
General Government:				
Legislative/Executive	57,850	75,600	70,346	5,254
Elections	6,100	6,793	6,793	-
General administration	78,320	76,416	65,065	11,351
General government buildings	15,000	15,000	14,883	117
Judicial:				
Municipal court	4,825	4,825	707	4,118
Public Safety:				
Patrol	26,625	8,355	823	7,532
Fire	-	520	520	-
Public Works:				
Maintenance	99,720	99,720	92,538	7,182
Highways and streets	22,000	22,000	20,724	1,276
Solid waste collection	36,000	36,000	29,486	6,514
Culture and Recreation:				
Parks and recreation	2,200	2,200	986	1,214
Housing and Development:				
Building inspection	14,400	14,400	5,244	9,156
Intergovernmental	92,000	92,000	88,124	3,876
Contingencies	-	7,754	-	7,754
Total Expenditures	455,040	461,583	396,239	65,344
Net change	-	(6,543)	84,451	90,994
Fund balance, end of year	\$ 361,093	\$ 354,550	\$ 445,544	\$ 90,994

The accompanying notes are an integral part of this statement.

## NOTES TO THE FINANCIAL STATEMENTS

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*The notes to the financial statements are a required component of the basic financial statements of the City. The notes present required and essential information for the fair presentation of the statements that have not been disclosed on the face of the financial statements.*

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**1. SUMMARY OF ACCOUNTING POLICIES:**

The financial statements of the City of Nelson, Georgia ("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 City's 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 to or impose a financial burden on the primary government. As of June 30, 2018, there are no component units included in the financial statements of the City.

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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 and capital projects funds.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements report on all non-fiduciary activities of the primary government. There are no component units to be considered at this time. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Transfers between funds reported in the governmental activities column are eliminated. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each governmental program of the City. 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 expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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. It is the City's policy to utilize restricted resources, when available for use, before utilizing unrestricted resources.

*Fund Financial Statements*

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

*Governmental Funds*

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

*Revenue Recognition*

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, fines and forfeitures, sanitation fees and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes, though measurable, are not always available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and the portion not received in the first 60 days of the subsequent fiscal year are deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

*Expenditure Recognition*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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:* The SPLOST Fund is used to account for the revenues and expenditures relating to the special purpose local option sales tax as approved in voter referendums that are restricted to expenditures for specified capital projects.



**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**D. ENCUMBRANCES**

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

**E. CASH AND INVESTMENTS**

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.

**F. PROPERTY TAX CALENDAR**

The City is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the City. The City geographically lies on the boundary lines for Pickens County, Georgia and Cherokee County, Georgia and property taxes are collected based on each county's digest. For both Pickens County and Cherokee County, the City levied property taxes in November 2017 for values that were assessed on January 1, 2017. Secured property tax payments are due on February 1, 2018; penalties and interest are applied on April 1, 2018. The City has not established a lien date for either county at June 30, 2018.

**G. CAPITAL ASSETS**

All assets over the capitalization threshold of \$5,000 with a useful life extending beyond three years are capitalized and depreciated over time using the straight-line method. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include all roads and bridges and other infrastructure assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	50 years
Building improvements	20 years
Land improvements	10 to 15 years
Machinery and equipment	3 to 15 years
Vehicles	2 to 15 years

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**H. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items. Prepaid insurance and prepaid dues were \$1,477 and \$5,688, respectively, for total prepaid assets of \$7,165 as of June 30, 2018.

**I. COMPENSATED ABSENCES**

The payment for compensated absences is recorded in the year such absences are taken by employees. It is the policy of the City that unused leave expires at the end of the year, and the unused time cannot carryforward to future periods. Therefore, no liability is recorded at June 30, 2018.

**J. FUND EQUITY**

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

**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 the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- **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 funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- *Restricted*
- *Unassigned*

**Net position** – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the 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

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

***Minimum Fund Balance Policy*** – The Mayor and Council of the City of Nelson established a financial policy. This policy requires the City to maintain 20% 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 2018, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

**K. USE OF 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, 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.

**M. BUDGETS AND BUDGETARY CONTROL**

The Finance Committee prepares a rough draft of the annual budgets from which the Mayor and City Council prepare proposed budgets. The City advertises in the local newspaper to give notice regarding a public hearing in which local citizens may give their input relating to the proposed budgets. The City also places a copy of the proposed budget on file for public inspection prior to the actual approval. Once these steps have been completed, the City Council then formally adopts the annual balanced budgets in a legally permissible manner.

Budgets have been adopted for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. The legal level of control of the City’s budget is at the department level. All appropriations lapse at year end.

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. See note 14 for information on noncompliance with state law regarding the General Fund budget.

**2. SUMMARY OF DEPOSIT BALANCES**

Custodial 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 and state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties or municipalities. As of June 30, 2018, the cash amount held at the financial institution is \$1,559,422. The City’s bank balances were fully collateralized in all material respects in compliance with State requirements for balances exceeding FDIC coverage.

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**3. INTERFUND BALANCES AND ACTIVITY**

**A. OPERATING TRANSFERS**

There were no transfers between General and SPLOST Fund in fiscal year 2018.

**B. DUE TO/FROM OTHER FUNDS**

The City had no amounts due from other funds at year end. All prior year balances were repaid in full in fiscal year 2018.

**4. ACCOUNTS RECEIVABLE**

**A. ACCOUNTS RECEIVABLE**

Accounts receivable are stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. Sanitation receivable for the fiscal year ended 2018 totaled \$2,916. This receivable balance is likely to be collected and no allowance for uncollectible sanitation has, therefore, been recorded.

In fiscal year 2018, the City sold assets from its police department for a total of \$1,050. These funds were received subsequent to the fiscal year end and are included in the other receivable balance shown on page 5 of the financial statements.

At June 30, 2018, the City estimated that a small portion of taxes receivable was unlikely to be collected. Therefore, an allowance for uncollected taxes of \$357 was established, which resulted in a net tax receivable of \$13,009.

**B. RECEIVABLE FROM OTHER GOVERNMENTS**

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

<u>General Fund:</u>	<u>Amount</u>
Cherokee County	\$ 5,610
Georgia Department of Revenue	12,137
Pickens County	<u>3,928</u>
	<u>\$ 21,675</u>
<u>SPLOST Fund:</u>	
Cherokee County	\$ 27,577
Pickens County	<u>10,533</u>
	<u>\$ 38,110</u>

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**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
<i><u>Governmental Activities:</u></i>				
<i>Non-depreciable capital assets:</i>				
Land	\$ 159,003	\$ 39,071	\$ -	\$ 198,074
Construction in progress	<u>57,372</u>	<u>-</u>	<u>(27,168)</u>	<u>30,204</u>
<i>Total non-depreciable capital assets</i>	<u>216,375</u>	<u>39,071</u>	<u>(27,168)</u>	<u>228,278</u>
<i>Depreciable capital assets:</i>				
Infrastructure	1,493,544	84,281	-	1,577,825
Buildings and improvements	580,887	-	-	580,887
Land improvements	183,961	-	-	183,961
Machinery and equipment	296,988	11,919	(47,791)	261,116
Vehicles	<u>281,514</u>	<u>-</u>	<u>(62,851)</u>	<u>218,663</u>
<i>Total depreciable capital assets</i>	<u>2,836,894</u>	<u>96,200</u>	<u>(110,642)</u>	<u>2,822,452</u>
<i>Less accumulated depreciation:</i>				
Infrastructure	(713,494)	(56,430)	-	(769,924)
Buildings and improvements	(132,468)	(13,540)	-	(146,008)
Land improvements	(85,762)	(10,909)	-	(96,671)
Machinery and equipment	(175,320)	(13,094)	37,251	(151,163)
Vehicles	<u>(252,240)</u>	<u>(11,715)</u>	<u>54,942</u>	<u>(209,013)</u>
<i>Total accumulated depreciation</i>	<u>(1,359,284)</u>	<u>(105,688)</u>	<u>92,193</u>	<u>(1,372,779)</u>
<i>Total depreciable capital assets, net</i>	<u>1,477,610</u>	<u>(9,488)</u>	<u>(18,449)</u>	<u>1,449,673</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,693,985</u>	<u>\$ 29,583</u>	<u>\$ (45,617)</u>	<u>\$ 1,667,951</u>

Depreciation expense was charged to functions/programs as follows:

<i><u>Governmental Activities:</u></i>	
General government	\$ 9,612
Public safety	8,588
Public works	64,929
Culture and recreation	<u>22,559</u>
Total	<u>\$105,688</u>

**6. DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE**

Revenue received in advance for services not yet rendered or taxes not yet levied are depicted as unearned revenue on the fund-level and government-wide financial statements for the following revenue sources:

Property taxes paid, but not yet levied	\$ 2,227
Sanitation fees paid in advance of service	<u>2,028</u>
Total unearned revenue	<u>\$ 4,255</u>

Receivables recorded at the end of the fiscal year that will not be available within 60 days subsequent to year end for the payment of related current expenditures are shown as deferred inflows of resources in the fund financial statements:

Property taxes	\$15,238
Sanitation fees	<u>2,916</u>
Total deferred revenue	<u>\$18,154</u>

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**7. NONCANCELABLE OPERATING LEASE**

In September 2014, the City entered into a lease agreement for the use of a multi-function Xerox machine. The total term of the lease is 63 months, with minimum monthly lease payments of \$203. The lease is contingent on budget appropriations each year, and the contract has provisions for release from liability in the event the City cannot include the appropriation and has exhausted all options for payment. The total of lease payments included in the General Fund expenditures for fiscal year 2018 is \$2,442. Future payments for subsequent years through the expiration of the contract are as follows:

<u>Fiscal Year</u>	<u>Minimum Rental Payment</u>
2019	\$2,442
2020	\$1,218

**8. RESTRICTED ASSETS AND NET POSITION**

Cash of \$1,012,354 and short-term certificates of deposit of \$100,000 totaling \$1,112,354 in the SPLOST Fund are restricted for the purposes specified in voter approved referendums. The source of these funds consists of proceeds from special one percent local option sales taxes levied by Cherokee and Pickens Counties. Net position totaling \$1,130,765 in the government-wide financial statements is restricted by enabling legislation related to SPLOST funds. A corresponding amount of fund balance is also shown as restricted in the fund statements.

**9. CLASSIFICATION OF EQUITY**

Fund balances are classified as follows:

- ***Nonspendable*** – The following fund balances are nonspendable because they are allocated to:

*General Fund:*

Prepaid items	<u>\$ 7,165</u>
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- ***Restricted -***

*Capital Projects Fund:*

Special Purpose Local Option Sales Tax Fund (SPLOST) –

Used to account for capital projects financed with

SPLOST	<u>\$ 1,130,765</u>
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**10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation for which the City carries the following 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 fiscal years.

*RISK POOLS*

The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on the 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 OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims that the City is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2018. No provisions have been made in the financial statements for the year ended June 30, 2018 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' 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 workers' 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 workers' 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 or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

#### **11. JOINT VENTURE**

The City, in conjunction with cities and counties in a fifteen (15) county area, is a member of the Northwest Georgia Regional Commission (RC). Membership in an RC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989 and House Bill 1216) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC Board membership includes the chief elected official of each County and the chief elected official of each municipality. The County board members and municipal board members from the same County 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 RCs as public agencies and instrumentalities of their members. Georgia law also provides that the member governments are liable for any debts or obligations of an RC beyond its resource. (OCGA 50-8-39.1). Separate financial statements may be obtained from the Northwest Georgia Regional Commission at the following address: *Northwest Georgia Regional Commission, 1 Jackson Hill Drive, Rome, Georgia 30162-1798.*

#### **12. SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 7, 2018, the date which the financial statements were available to be issued. There were no items noted that required modification to or disclosure in the financial statements at June 30, 2018.

#### **13. 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 variety of sources, including the day to day operations of the City and contracts/agreements related to its services and vendors. At the close of fieldwork, the City had no pending litigation claims.

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**14. VIOLATION OF FINANCE-RELATED LEGAL PROVISIONS AND STEWARDSHIP**

Municipalities must establish by ordinance a balanced budget for the General Fund. In fiscal year 2018, the amended final budget was not balanced, i.e., inflows did not equal outflows. This is depicted on page 9. This is in violation of O.C.G.A. 36-81-3(b).



## **OTHER SUPPLEMENTARY INFORMATION**

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*The other supplementary information section includes a budgetary comparison schedule for the General Fund as well as pertinent information as to the preparation of and policies pertaining to the City's annual budget*

**CITY OF NELSON, GEORGIA**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Over (Under)
<b>TAXES</b>			
General property taxes:			
Property	\$ 110,000	\$ 109,082	\$ (918)
Motor vehicle	480	382	(98)
Intangible	1,100	1,172	72
Railroad Tax	80	-	(80)
	<u>111,660</u>	<u>110,636</u>	<u>(1,024)</u>
Franchise taxes:			
Television cable	4,000	3,908	(92)
Electric	30,000	29,125	(875)
Natural gas	2,800	1,986	(814)
Telephone	250	272	22
	<u>37,050</u>	<u>35,291</u>	<u>(1,759)</u>
Business taxes:			
Business occupation	3,800	4,002	202
Insurance premium	88,000	87,330	(670)
	<u>91,800</u>	<u>91,332</u>	<u>(468)</u>
<b>LICENSES AND PERMITS</b>			
Building permits and fees	<u>1,000</u>	<u>1,949</u>	<u>949</u>
	<u>1,000</u>	<u>1,949</u>	<u>949</u>
<b>INTERGOVERNMENTAL REVENUE</b>			
Local sales and use taxes	120,000	133,122	13,122
State grants	20,000	18,860	(1,140)
Title ad valorem tax	40,000	58,993	18,993
	<u>180,000</u>	<u>210,975</u>	<u>30,975</u>
<b>CHARGES FOR SERVICES</b>			
Sanitation	<u>26,000</u>	<u>27,740</u>	<u>1,740</u>
<b>FINES AND FORFEITURES</b>			
Municipal court fines	<u>5,500</u>	<u>-</u>	<u>(5,500)</u>
<b>INVESTMENT EARNINGS</b>			
Interest income	<u>30</u>	<u>25</u>	<u>(5)</u>
<b>MISCELLANEOUS REVENUE</b>			
Miscellaneous revenue	<u>1,800</u>	<u>2,351</u>	<u>551</u>
<b>PENALTIES AND INTEREST ON DELINQUENT TAXES</b>	<u>200</u>	<u>391</u>	<u>191</u>
<b>Total Revenue</b>	<u><u>\$ 455,040</u></u>	<u><u>\$ 480,690</u></u>	<u><u>\$ 25,650</u></u>

**CITY OF NELSON, GEORGIA**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT			
Legislative/Executive:			
Personal Services and Employee Benefits:			
Salaries and wages	\$ 60,000	\$ 56,284	\$ 3,716
FICA	5,529	4,458	1,071
Purchased/Contracted Services:			
Dues and fees	250	-	250
Travel	5,276	5,019	257
Education and training	4,545	4,585	(40)
	<u>75,600</u>	<u>70,346</u>	<u>5,254</u>
Elections:			
Purchased/Contracted Services:			
Contract Services	6,543	6,543	-
Advertising	250	250	-
	<u>6,793</u>	<u>6,793</u>	<u>-</u>
General Administration:			
Purchased/Contracted Services:			
Salaries and wages	5,630	5,630	-
FICA	502	502	-
Workers compensation	2,977	2,687	290
Legal fees	15,850	8,400	7,450
Payroll service fees	2,300	2,226	74
Audit fees	15,350	15,350	-
Bank charges	800	486	314
Technical services	700	175	525
Rental of equipment and vehicles	3,176	3,379	(203)
Insurance and bonding	11,000	10,131	869
Communications	478	478	-
Advertising	2,239	1,855	384
Printing and Binding	1,000	334	666
Dues and fees	2,500	2,060	440
Other cost:			
Bad debt	200	12	188
Supplies:			
Supplies and materials	2,500	2,483	17
Books and periodicals	200	-	200
Small equipment	8,224	8,134	90
Miscellaneous	790	743	47
	<u>76,416</u>	<u>65,065</u>	<u>11,351</u>
General Government Buildings:			
Purchased/Contracted Services:			
Repairs and maintenance	3,603	3,573	30
Communications	4,397	4,672	(275)
Supplies:			
Water and sewer	500	336	164

**CITY OF NELSON, GEORGIA**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Over (Under)
Natural gas	1,500	964	536
Electricity	2,500	1,795	705
Other supplies	2,500	3,543	(1,043)
	15,000	14,883	117
<i>Total General Government</i>	173,809	157,087	16,722
<b>JUDICIAL</b>			
Municipal Court			
Purchased/Contracted Services:			
Education and training	650	650	-
Travel	250	-	250
Dues and fees	250	-	250
Professional fees	1,750	-	1,750
Other Costs:			
Payments to other agencies	1,850	57	1,793
Supplies:			
General supplies	75	-	75
<i>Total Judicial</i>	4,825	707	4,118
<b>PUBLIC SAFETY:</b>			
Police:			
Personal Services and Employee Benefits:			
FICA	1,100	-	1,100
Purchased/Contracted Services:			
Communications	750	342	408
Dues and fees	150	-	150
Education and training	400	-	400
Repairs and maintenance	2,615	415	2,200
Travel	400	-	400
Uniform service	1,000	-	1,000
Supplies:			
Gasoline	1,480	-	1,480
Small equipment, training aids	250	-	250
Books & Periodicals	66	66	-
Other supplies	144	-	144
	8,355	823	7,532
Fire:			
Supplies:			
Water and sewer	37	37	-
Natural gas	118	118	-
Electricity	365	365	-
	520	520	-
<i>Total Public Safety</i>	8,875	1,343	7,532

**CITY OF NELSON, GEORGIA**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Over (Under)
<b>PUBLIC WORKS</b>			
Maintenance:			
Personal Services and Employee Benefits:			
Salaries and wages	42,868	38,780	4,088
FICA	2,820	3,157	(337)
Workers compensation	-	140	(140)
Purchased/Contracted Services:			
Contract labor	6,000	3,350	2,650
Repairs and maintenance	10,000	6,092	3,908
Supplies:			
Street signs	2,546	2,546	-
Gasoline	3,086	3,736	(650)
Supplies and materials	2,000	2,723	(723)
Small equipment	2,000	3,895	(1,895)
Water	200	172	28
Natural gas	1,800	1,073	727
Electricity	1,400	1,289	111
Property:			
Equipment	25,000	25,585	(585)
	<u>99,720</u>	<u>92,538</u>	<u>7,182</u>
 Highways and Streets:			
Supplies:			
Electricity	<u>22,000</u>	<u>20,724</u>	<u>1,276</u>
 Solid Waste Collection:			
Personal Services and Employee Benefits:			
Salaries and wages	15,000	14,571	429
FICA	1,325	1,325	-
Workers compensation	156	156	-
Purchased/Contracted Services:			
Repairs and maintenance	7,122	1,859	5,263
Landfill fees	6,897	7,351	(454)
Rental of dumpster	3,000	2,208	792
Supplies:			
Supplies and materials	500	615	(115)
Gasoline	2,000	1,401	599
	<u>36,000</u>	<u>29,486</u>	<u>6,514</u>
<i>Total Public Works</i>	<u>157,720</u>	<u>142,748</u>	<u>14,972</u>
 <b>CULTURE AND RECREATION</b>			
Parks and Recreation:			
Supplies:			
Water and sewer	200	9	191
Natural gas	500	283	217
Electricity	1,000	-	1,000
Miscellaneous	500	694	(194)
<i>Total Culture and Recreation</i>	<u>2,200</u>	<u>986</u>	<u>1,214</u>

**CITY OF NELSON, GEORGIA**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2018**

	Final Budget	Actual	Variance Over (Under)
HOUSING AND DEVELOPMENT			
Building Inspection:			
Professional services	5,000	2,305	2,695
Supplies and materials	200	-	200
Economic Development and Assistance:			
Professional services (attorney)	2,000	700	1,300
Custodial services	700	-	700
Repairs and maintenance	3,954	980	2,974
Advertising	200	-	200
Education and training	500	-	500
Supplies and materials	731	232	499
Water	515	542	(27)
Electricity	600	485	115
<i>Total Housing and Development</i>	<u>14,400</u>	<u>5,244</u>	<u>9,156</u>
INTERGOVERNMENTAL			
Remittance of fire tax	<u>92,000</u>	<u>88,124</u>	<u>3,876</u>
CONTINGENCIES			
Contingencies	<u>7,754</u>	<u>-</u>	<u>7,754</u>
<b>Total Expenditures</b>	<b><u>\$ 461,583</u></b>	<b><u>\$ 396,239</u></b>	<b><u>\$ 65,344</u></b>

**CITY OF NELSON, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**For the Fiscal Year Ended June 30, 2018**

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
<b>CHEROKEE COUNTY, SPLOST #3</b>						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment	\$ 940,000	\$ 940,000				
Roads/Transportation						
Facilities	-	-	\$ 270,348	\$ -	\$ 270,348	
Equipment	-	-	137,517	-	137,517	
Parks and Recreation facilities	-	-	109,183	-	109,183	
Public Safety:					-	
Vehicles	-	-	99,864	-	99,864	
Equipment	-	-	34,182	370	34,552	
	<u>940,000</u>	<u>940,000</u>	<u>651,094</u>	<u>370</u>	<u>651,464</u>	69.30%
<b>CHEROKEE COUNTY, SPLOST #4</b>						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment	720,000	720,000				
Roads/Transportation facilities and improvements	-	-	21,047	1,371	22,418	
Parks and Recreation facilities	-	-	53,930	-	53,930	
Public Safety:					-	
Vehicles	-	-	29,657	-	29,657	
Equipment	-	-	10,543	4,250	14,793	
	<u>720,000</u>	<u>720,000</u>	<u>115,177</u>	<u>5,621</u>	<u>120,798</u>	16.78%
<b>PICKENS COUNTY, SPLOST #1</b>						
Road, street and bridge projects	<u>16,571</u>	<u>16,571</u>	<u>669</u>	<u>15,377</u>	<u>16,046</u>	96.83%
<b>PICKENS COUNTY, SPLOST #2</b>						
Road, street and bridge projects	<u>729,000</u>	<u>729,000</u>	<u>11,428</u>	<u>66,739</u>	<u>78,167</u>	10.72%
<b>GRAND TOTALS</b>	<b><u>\$ 2,405,571</u></b>	<b><u>\$ 2,405,571</u></b>	<b><u>\$ 778,368</u></b>	<b><u>\$ 88,107</u></b>	<b><u>\$ 866,475</u></b>	

**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 threshold. 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.

## **COMPLIANCE AND INTERNAL CONTROL**

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## CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

To the Mayor and City Council  
City of Nelson, 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 and each major fund of the City of Nelson, Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Nelson, Georgia's basic financial statements and have issued our report thereon dated December 7, 2018.

#### Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See finding 2012-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See finding 2014-002.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nelson, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Nelson, Georgia's Response to Findings**

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

### **Purpose of this Report**

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

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

East Ellijay, Georgia  
December 7, 2018

**CITY OF NELSON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2018**

**MATERIAL WEAKNESS:**

2012-001 – Segregation of Duties

*Criteria:* Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of certain duties.

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

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

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

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

*Response:* This is a reoccurring item. Due to the size of the City's administration, total segregation of duties is not practical at this time. In an effort to mitigate risk, an external consultant was retained to perform monthly bank reconciliations and review cash receipts. The City Council will continue to be closely involved in financial reporting and will continue to provide oversight as practical in order to mitigate risk of misappropriation of assets.

**SIGNIFICANT DEFICIENCY:**

2014-002 – Material Adjustments and Maintenance of General Ledger

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

*Condition/Context:* Although the year-end financial statements are prepared on the appropriate modified accrual basis, the City maintains its general ledger on a cash basis throughout the year. The reconciliation of cash account activity on the general ledger to the bank statements is now being performed monthly. However, reconciliation of other transaction classes, such as accounts payable and accounts receivable, are not being prepared monthly.

*Cause:* Routine reconciliation of all subsidiary ledgers within the general ledger is not being performed. Entries to convert the financial information from cash to modified accrual are not prepared when closing the books at the end of the fiscal year.

*Effect:* Failure to properly account for and reconcile revenue, receivables, expenditures, payables, cash and other general ledger transactions will distort financial information

**CITY OF NELSON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2018**

provided to management and the City Council, and could result in financial decisions being made in consideration of incomplete and inaccurate data.

*Recommendation:* We recommend that general ledger account balances be reconciled on a timely and routine basis by the external consultant in addition to the bank reconciliation and cash receipt review. These practices will enable the City to prepare accurate interim financial reports for monthly reporting to Council and for ongoing decision-making purposes.

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