

CITY OF NELSON, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

CITY OF NELSON, GEORGIA
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FINANCIAL SECTION

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



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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, 2021, 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, 2021, 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 Supplementary 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 and are not a required part of the basic financial statements. The Schedule of Projects Constructed with 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, General Fund Detailed Schedule of Expenditures – Budget to Actual, and Schedule of Projects Constructed with 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 February 21, 2022, 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, P.C., CPAs

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

East Ellijay, Georgia

February 21, 2022

BASIC FINANCIAL STATEMENTS

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, 2021

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 806,947
Restricted cash	2,074,783
Accounts receivable	10,715
Franchise taxes receivable	283
Taxes receivable, net	3,025
Receivable from other governments	91,381
Prepaid items	13,260
Total Current Assets	<u>3,000,394</u>
Non-current assets:	
Capital assets, not being depreciated	276,112
Capital assets, net of accumulated depreciation and amortization	1,259,758
Total Non-current Assets	<u>1,535,870</u>
Total Assets	<u>4,536,264</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	3,619
Total Liabilities	<u>3,619</u>
 DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>2,421</u>
 NET POSITION	
Investment in capital assets	1,535,870
Restricted for capital projects	2,142,610
Unrestricted	851,744
Total Net Position	<u>\$ 4,530,224</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
General government	\$ 297,522	\$ 8,093	\$ -	\$ -	\$ (289,429)
Public safety	1,859	-	-	-	(1,859)
Public works	298,428	36,668	-	617,430	355,670
Health and welfare	507	-	-	-	(507)
Culture and recreation	25,130	600	-	-	(24,530)
Housing and development	13,297	2,055	-	-	(11,242)
Total Governmental Activities	<u>\$ 636,743</u>	<u>\$ 47,416</u>	<u>\$ -</u>	<u>\$ 617,430</u>	<u>28,103</u>
General revenues:					
Taxes:					
Property taxes, levied for a general purpose					170,709
Franchise					44,630
General sales and use					191,903
Insurance premium taxes					105,529
Unrestricted investment earnings					2,321
Miscellaneous					1,347
Contributions from other governments					34,580
Gain from sale of capital asset					1,300
Total general revenues					<u>552,319</u>
Change in net position					580,422
Net position, beginning of year					3,956,070
Prior period adjustment					(6,268)
Net position, end of year					<u>\$ 4,530,224</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	SPLOST Fund	Total Governmental Funds
ASSETS			
Cash	\$ 764,279	\$ 42,668	\$ 806,947
Restricted cash	-	2,074,783	2,074,783
Accounts receivable	10,715	-	10,715
Franchise taxes receivable	283	-	283
Taxes receivable, net	3,025	-	3,025
Receivable from other governments	23,554	67,827	91,381
Due from other funds	42,668	-	42,668
Prepaid items	13,260	-	13,260
Total Assets	<u>\$ 857,784</u>	<u>\$ 2,185,278</u>	<u>\$ 3,043,062</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Accounts payable	\$ 3,619	\$ -	\$ 3,619
Unearned revenue	2,421	-	2,421
Due to other funds	-	42,668	42,668
Total Liabilities	<u>6,040</u>	<u>42,668</u>	<u>48,708</u>
Deferred Inflows of Resources:			
Deferred revenue	15,793	-	15,793
Total Deferred Inflows of Resources	<u>15,793</u>	<u>-</u>	<u>15,793</u>
Total Liabilities and Deferred Inflows of Resources	<u>21,833</u>	<u>42,668</u>	<u>64,501</u>
FUND BALANCES			
Nonspendable	13,260	-	13,260
Restricted for:			
Capital projects	-	2,142,610	2,142,610
Unassigned	822,691	-	822,691
Total Fund Balances	<u>835,951</u>	<u>2,142,610</u>	<u>2,978,561</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 857,784</u>	<u>\$ 2,185,278</u>	<u>\$ 3,043,062</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, 2021

Total fund balance, governmental funds	\$	2,978,561
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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	\$	3,155,233	
Less accumulated depreciation		<u>(1,619,363)</u>	
			1,535,870

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>15,793</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 4,530,224</u>

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, 2021

	General Fund	SPLOST Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 517,360	\$ -	\$ 517,360
Licenses and permits	10,098	-	10,098
Intergovernmental	75,059	537,284	612,343
Charges for services	33,727	-	33,727
Interest	2,321	5,087	7,408
Miscellaneous	1,347	-	1,347
Total Revenues	<u>639,912</u>	<u>542,371</u>	<u>1,182,283</u>
Expenditures:			
Current:			
General government	192,354	-	192,354
Public works	211,632	15,894	227,526
Health and welfare	507	-	507
Culture and recreation	4,666	1,100	5,766
Housing and development	13,297	-	13,297
Capital Outlay:			
Public safety	-	10,681	10,681
Public works	-	30,495	30,495
Intergovernmental	<u>109,736</u>	<u>-</u>	<u>109,736</u>
Total Expenditures	<u>532,192</u>	<u>58,170</u>	<u>590,362</u>
Excess of revenues over expenditures	107,720	484,201	591,921
Other financing sources:			
Proceeds from sale of capital asset	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Total other financing sources	<u>1,300</u>	<u>-</u>	<u>1,300</u>
Net change in fund balances	109,020	484,201	593,221
Fund balances, beginning of year	733,199	1,658,409	2,391,608
Prior period adjustment	<u>(6,268)</u>	<u>-</u>	<u>(6,268)</u>
Fund balances, end of year	<u>\$ 835,951</u>	<u>\$ 2,142,610</u>	<u>\$ 2,978,561</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, 2021

Net change in fund balances - total governmental funds:	\$	593,221
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 outlay of \$44,263 is offset by \$99,466 of depreciation.		(55,203)
Contributions of capital assets are reported in the government-wide statement of activities but not reported at the fund financial reporting level.		34,580
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 amortization expense for the period. Capital outlay of \$10,681 are offset by \$1,859 of amortization.		8,822
Governmental funds do not report the gain on the disposal of a capital asset, as only the proceeds from the sale are recognized. In the current fiscal year, the asset was disposed of with a book value of zero. Therefore, gross proceeds equal the gain on the sale of the asset.		-
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, 2020	\$ (10,312)	
Deferred, as of June 30, 2021	<u>5,723</u>	(4,589)
Sanitation fees:		
Deferred, as of June 30, 2020	\$ (6,479)	
Deferred, as of June 30, 2021	<u>10,070</u>	<u>3,591</u>
Change in net position of governmental activities in the Statement of Activities	\$	<u>580,422</u>

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, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final	(See Note 1. M.)	Final Budget
Budgetary fund balance, beginning of year, restated	\$ 726,931	\$ 726,931	\$ 726,931	\$ -
Revenues (inflows):				
Property	124,180	180,000	132,713	(47,287)
Motor vehicle	150	150	294	144
Title ad valorem tax	42,000	42,000	37,816	(4,184)
Intangible	1,000	1,000	4,025	3,025
Railroad Tax	85	85	-	(85)
Franchise taxes	38,300	38,300	44,630	6,330
General sales and use taxes	131,000	131,000	191,903	60,903
Insurance premium taxes	89,000	90,224	105,529	15,305
Penalties and interest on delinquent taxes	200	200	450	250
Licenses and permits	6,830	6,830	10,098	3,268
Intergovernmental	20,948	39,811	75,059	35,248
Charges for services	29,250	33,250	33,727	477
Interest	1,100	1,100	2,321	1,221
Contributions and donations from private sources	50	50	-	(50)
Miscellaneous	-	-	1,347	1,347
Proceeds from sale of capital assets	-	-	1,300	1,300
Contingencies	23,000	23,000	-	(23,000)
Total Revenues	507,093	587,000	641,212	54,212
Changes to appropriations (outflows):				
General Government:				
Legislative/Executive	55,900	55,900	54,055	1,845
General administration	95,663	137,830	125,347	12,483
General government buildings	18,700	15,497	12,952	2,545
Judicial:				
Municipal court	1,075	1,075	-	1,075
Public Works:				
Maintenance	130,336	149,507	114,890	34,617
Highways and streets	25,500	25,500	22,031	3,469
Solid waste collection	65,054	68,390	74,711	(6,321)
Health and Welfare:				
Community center	665	665	507	158
Culture and Recreation:				
Parks and recreation	4,500	4,500	4,666	(166)
Housing and Development:				
Building inspection	13,700	18,400	13,297	5,103
Intergovernmental	96,000	109,736	109,736	-
Total Expenditures	507,093	587,000	532,192	54,808
Net change	-	-	109,020	109,020
Fund balance, end of year	\$ 726,931	\$ 726,931	\$ 835,951	\$ 109,020

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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, 2021

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, 2021, 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, 2021

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 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 a capital projects fund 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, 2021

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 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 of Nelson, Georgia's property tax calendar for the 2020 levy applicable to fiscal year 2021 was as follows:

Lien date:	No lien date established
Levy date:	November 20, 2020
Due date:	February 13, 2021
Delinquent date:	February 14, 2021

The city is compliant with HB960, which was established July 1, 2016. According to the interest provision of HB960, interest is added monthly at an annual rate equal to the Federal Prime Rate plus 3% after the delinquent date. A penalty of 5% is assessed 120 days after the delinquent date, with an additional 5% assessed after each successive 120 days to a maximum of 20% of the principal amount due. FIFAs can be filed for uncollected taxes.

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

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

Building improvements	20 years
Land improvements	10 to 15 years
Machinery and equipment	3 to 15 years
Vehicles	2 to 15 years

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items. Prepaid insurance and prepaid dues were \$9,683 and \$3,577, respectively, for total prepaid assets of \$13,260 as of June 30, 2021.

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 on June 30, 2021.

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*

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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 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 always maintain 20% of the upcoming year's budget in fund balance, with provisions for replenishing fund balance in the event that this threshold is not met in any given year. At the end of fiscal year 2021, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

K. 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.

There were no departments that materially exceeded budgeted appropriations on June 30, 2021.

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

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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, 2021, the carrying value of cash was \$2,881,730, and the cash amount held at the financial institution is \$2,885,807. The City's bank balances were fully collateralized in all material respects in compliance with State requirements for balances exceeding FDIC coverage.

3. INTERFUND BALANCES AND ACTIVITY

A. OPERATING TRANSFERS

There were no transfers between General and SPLOST Fund in fiscal year 2021.

B. DUE TO/FROM OTHER FUNDS

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

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>	<u>Purpose</u>
SPLOST Fund (SPLOST 2)	General Fund	42,668	The repayment interfund balances from prior years was duplicated by management in fiscal year 2020.
		<u>\$ 42,668</u>	

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

4. ACCOUNTS RECEIVABLE

A. ACCOUNTS RECEIVABLE

Accounts receivable is stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. Sanitation receivable for the fiscal year ended 2021 totaled \$10,715. This receivable balance is likely to be collected and no allowance for uncollectible sanitation has, therefore, been recorded.

On June 30, 2021, the City estimated that a small portion of taxes receivable was unlikely to be collected. Therefore, an allowance for uncollected taxes of \$1,183 was established, which resulted in a net tax receivable of \$3,025.

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	\$ 3,918
Georgia Department of Revenue	17,127
Pickens County	<u>2,509</u>
	<u>\$ 23,554</u>
<u>SPLOST Fund:</u>	
Cherokee County	\$ 40,569
Pickens County	<u>27,258</u>
	<u>\$ 67,827</u>

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

5. CAPITAL ASSETS

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

	Beginning Balances	Additions	Disposals	Ending Balances
<i>Governmental Activities:</i>				
<i>Non-depreciable capital assets:</i>				
Land	\$ 215,574	\$ 48,038	\$ -	\$ 263,612
Construction in progress	-	12,500	-	12,500
<i>Total non-depreciable capital assets</i>	<u>215,574</u>	<u>60,538</u>	<u>-</u>	<u>276,112</u>
<i>Capital assets, being depreciated or amortized:</i>				
Intangibles	10,681	10,681	-	21,362
Infrastructure	1,669,893	-	-	1,669,893
Buildings and improvements	518,604	-	-	518,604
Land improvements	202,393	-	-	202,393
Machinery and equipment	237,651	18,305	-	255,956
Vehicles	218,663	-	(7,750)	210,913
<i>Total depreciable or amortizable capital assets</i>	<u>2,857,885</u>	<u>28,986</u>	<u>(7,750)</u>	<u>2,879,121</u>
<i>Less accumulated depreciation or amortization:</i>				
Intangibles	(712)	(1,859)	-	(2,571)
Infrastructure	(891,590)	(63,559)	-	(955,149)
Buildings and improvements	(158,898)	(10,981)	-	(169,879)
Land improvements	(117,725)	(10,247)	-	(127,972)
Machinery and equipment	(142,158)	(12,179)	-	(154,337)
Vehicles	(214,705)	(2,500)	7,750	(209,455)
<i>Total accumulated depreciation and amortization</i>	<u>(1,525,788)</u>	<u>(101,325)</u>	<u>-</u>	<u>(1,619,363)</u>
<i>capital assets, being depreciated or amortized, net</i>	<u>1,332,097</u>	<u>(72,339)</u>	<u>-</u>	<u>1,259,758</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,547,671</u>	<u>\$ (11,801)</u>	<u>\$ -</u>	<u>\$ 1,535,870</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>	
General government	\$ 8,890
Public works	71,212
Culture and recreation	19,364
Total	<u>\$ 99,466</u>

Amortization expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>	
Public safety	1,859
Total	<u>\$ 1,859</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	\$ 501
Sanitation fees paid in advance of service	1,920
Total unearned revenue	<u>\$ 2,421</u>

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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	\$10,070
Sanitation fees	<u>5,723</u>
Total deferred revenue	<u>\$15,793</u>

7. OPERATING LEASE

In January of 2020, the City entered into a 36-month maintenance agreement with Repro Products for maintenance support and supplies for the City's multi-function Xerox machine. Monthly minimum payments are \$10, with additional cost for copies. Printing fees, including the minimum payments, in association for this lease totaled \$2,084 in fiscal year 2021. The remaining lease term minimum obligation is as follows:

<u>Year</u>	<u>Amount</u>
2022	120
2023	<u>120</u>
Total	<u>\$ 240</u>

8. FEDERAL GRANT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic. In fiscal year 2021, the City of Nelson, Georgia, received CRF funds in the amount of \$56,873. The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. Each city in the state was provided the opportunity to request funds equal to the amount of payroll for the eligible time period as well as cleaning supplies & protective measures taken to ensure the safety of their employees during the pandemic. CRF funds are considered one-time funds and were not to be used for ongoing services or base operations.

9. RESTRICTED ASSETS AND NET POSITION

Cash of \$2,074,783 in the SPLOST Fund is 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. An additional amount of \$42,668 is shown as unrestricted in relation to monies transferred from the General Fund to the SPLOST Fund in error. Net position totaling \$2,142,610 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.

10. CLASSIFICATION OF EQUITY

Fund balances are classified as follows:

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

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

Prepaid items \$ 13,260

• **Restricted -**

Capital Projects Fund:

Special Purpose Local Option Sales Tax Fund (SPLOST) –

Used to account for capital projects financed with
SPLOST

\$ 2,142,610

11. 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 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 on June 30, 2021. No provisions have been made in the financial statements for the year ended June 30, 2021 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association 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.

12. 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 (NWGRC). Membership in a Regional Commission (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 City paid annual dues to the NWGRC during the fiscal year 2021 in the amount of \$1,377. 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.

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021

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.*

13. SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 21, 2022, the date which the financial statements were available to be issued. There were no items noted that required modification to the financial statements on June 30, 2021.

The City was awarded funds through the America Rescue Plan Act (ARPA) in the amount of \$257,111 subsequent to fiscal year end. This grant will be reflected in fiscal year 2022.

14. COMMITMENTS AND CONTINGENCIES

The City, from time to time, may be involved in litigation, disputes and claims arising in the ordinary course of business. These matters arise from a 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.

On May 26, 2021, the City entered into a construction agreement with Ohmshiv Construction, LLC in the amount of \$710,441 for work relating to the Kennesaw Avenue Sidewalk and Drainage Improvements Project. This project is part of an intergovernmental agreement with Cherokee County for the administration of the project. In September 2021, the City entered into an intergovernmental agreement with Cherokee County for the resurfacing of three roads inside the City limits. Estimated project costs total \$98,735.

15. RESTATEMENT OF NET POSITION

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

For the General Fund and Governmental Activities, the following restatement was necessary:

<u>\$ 6,268</u>	Motor vehicle taxes remitted to the City of Nelson in error in prior fiscal years and reimbursed to the County in fiscal year 2021.
<u>\$ 6,268</u>	Total restatement presented for fund balance on the Governmental Funds Balance Sheet, and the net position of the Governmental Activities on the Statement of Net Position.

OTHER SUPPLEMENTARY INFORMATION

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, 2021

	Final Budget	Actual	Variance Over (Under)
TAXES			
General property taxes:			
Property	\$ 180,000	\$ 132,713	\$ (47,287)
Motor vehicle	150	294	144
Title ad valorem tax	42,000	37,816	(4,184)
Intangible	1,000	4,025	3,025
Railroad tax	85	-	(85)
Franchise taxes			
Electric	29,000	29,420	420
Natural gas	3,500	5,090	1,590
Telephone	3,800	5,700	1,900
Television cable	2,000	4,420	2,420
	<u>261,535</u>	<u>219,478</u>	<u>(42,057)</u>
General sales and use taxes:			
Local sales and use taxes	<u>131,000</u>	<u>191,903</u>	<u>60,903</u>
Business taxes:			
Insurance premium	<u>90,224</u>	<u>105,529</u>	<u>15,305</u>
Penalties and interest:			
Penalties and interest on delinquent taxes	<u>200</u>	<u>450</u>	<u>250</u>
LICENSES AND PERMITS			
Business licenses	4,130	5,453	1,323
Building permits and fees	1,500	1,725	225
Regulatory fees	1,200	2,590	1,390
Zoning and land use fees	-	330	330
	<u>6,830</u>	<u>10,098</u>	<u>3,268</u>
INTERGOVERNMENTAL REVENUE			
Federal grants	-	56,873	56,873
State grants	<u>39,811</u>	<u>18,186</u>	<u>(21,625)</u>
	<u>39,811</u>	<u>75,059</u>	<u>35,248</u>
CHARGES FOR SERVICES			
Culture and recreation fees and charges	250	600	350
Election qualifying fee	-	50	50
Sanitation	<u>33,000</u>	<u>33,077</u>	<u>77</u>
	<u>33,250</u>	<u>33,727</u>	<u>477</u>
INVESTMENT EARNINGS			
Interest income	<u>1,100</u>	<u>2,321</u>	<u>1,221</u>
CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES			
Contributions and donations	<u>50</u>	<u>-</u>	<u>(50)</u>
MISCELLANEOUS REVENUE			
Miscellaneous revenue	<u>-</u>	<u>1,347</u>	<u>1,347</u>
PROCEEDS FROM SALE OF CAPITAL ASSETS			
Proceeds from sale of capital assets	<u>-</u>	<u>1,300</u>	<u>1,300</u>
CONTINGENCIES			
Contingencies	<u>23,000</u>	<u>-</u>	<u>(23,000)</u>
Total Revenue	<u><u>\$ 587,000</u></u>	<u><u>\$ 641,212</u></u>	<u><u>\$ 54,212</u></u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT			
Legislative/Executive:			
Personal Services and Employee Benefits:			
Salaries and wages	\$ 44,050	\$ 41,900	\$ 2,150
FICA	3,600	3,209	391
Workers compensation	400	235	165
Purchased/Contracted Services:			
Council pay	1,400	4,700	(3,300)
Dues and fees	200	85	115
Education and training	3,450	1,435	2,015
Travel	2,300	2,491	(191)
Supplies:			
Supplies and materials	500	-	500
	<u>55,900</u>	<u>54,055</u>	<u>1,845</u>
General Administration:			
Personal Services and Employee Benefits:			
Salaries and wages	16,250	16,550	(300)
FICA	1,300	1,268	32
Workers compensation	300	142	158
Purchased/Contracted Services:			
Advertising	2,500	2,281	219
Audit fees	15,530	15,550	(20)
Bank charges	100	-	100
Communications	500	16	484
Dues and fees	4,500	4,313	187
Education and training	2,500	1,754	746
Food	500	1,278	(778)
Insurance	9,800	9,524	276
Legal fees	6,500	8,864	(2,364)
Payroll service fees	2,300	2,884	(584)
Printing and Binding	2,300	2,084	216
Rental of equipment	4,300	-	4,300
Repairs and maintenance	1,000	2,875	(1,875)
Subscriptions	550	287	263
Technical services	5,600	3,187	2,413
Supplies:			
Computer equipment and maintenance	4,600	20,341	(15,741)
Supplies and materials	35,400	18,691	16,709
Miscellaneous	16,500	-	16,500
Property:			
Site improvements	-	13,458	(13,458)
Contingencies:			
Contingencies	5,000	-	5,000
	<u>137,830</u>	<u>125,347</u>	<u>12,483</u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Over (Under)
General Government Buildings:			
Purchased/Contracted Services:			
Communications	4,397	3,766	631
Custodial services	2,500	2,400	100
Repairs and maintenance	500	541	(41)
Supplies:			
Electricity	2,500	2,050	450
Natural gas	1,100	1,048	52
Water and sewer	500	477	23
Property:			
Furniture and fixtures	1,000	-	1,000
Site improvements	3,000	2,670	330
	<u>15,497</u>	<u>12,952</u>	<u>2,545</u>
<i>Total General Government</i>	<u>209,227</u>	<u>192,354</u>	<u>16,873</u>
JUDICIAL			
Municipal Court:			
Purchased/Contracted Services:			
Education and training	325	-	325
Professional fees	700	-	700
Supplies:			
Supplies and materials	50	-	50
<i>Total Judicial</i>	<u>1,075</u>	<u>-</u>	<u>1,075</u>
PUBLIC WORKS			
Maintenance:			
Personal Services and Employee Benefits:			
Salaries and wages	73,000	70,304	2,696
FICA	5,840	5,388	452
Workers compensation	2,020	1,295	725
Purchased/Contracted Services:			
Contract labor	13,000	-	13,000
Repairs and maintenance	16,500	7,049	9,451
Road and street maintenance	20,948	19,004	1,944
Travel	-	11	(11)
Supplies:			
Electricity	1,650	693	957
Gasoline	3,400	1,847	1,553
Natural gas	1,200	1,205	(5)
Small equipment	2,000	310	1,690
Street signs	1,000	3,048	(2,048)
Supplies and materials	8,709	4,602	4,107
Water	240	134	106
	<u>149,507</u>	<u>114,890</u>	<u>34,617</u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Over (Under)
Highways and Streets:			
Supplies:			
Electricity	25,500	22,031	3,469
Solid Waste Collection:			
Personal Services and Employee Benefits:			
Salaries and wages	18,000	16,871	1,129
FICA	1,440	1,295	145
Workers compensation	1,200	865	335
Purchased/Contracted Services:			
Landfill fees	9,500	10,448	(948)
Rental of dumpster	11,000	10,773	227
Repairs and maintenance	25,000	32,314	(7,314)
Travel	-	113	(113)
Supplies:			
Gasoline	1,500	1,542	(42)
Supplies and materials	750	490	260
	68,390	74,711	(6,321)
<i>Total Public Works</i>	243,397	211,632	31,765
HEALTH AND WELFARE			
Community Center:			
Supplies:			
Electricity	450	380	70
Natural gas	100	-	100
Water	115	127	(12)
<i>Total Health and Welfare</i>	665	507	158
CULTURE AND RECREATION			
Parks and Recreation:			
Purchased/Contracted Services:			
Professional services	-	440	(440)
Subscriptions	1,000	1,000	-
Supplies:			
Miscellaneous	500	226	274
Intergovernmental:			
Municipal services agreement	3,000	3,000	-
<i>Total Culture and Recreation</i>	4,500	4,666	(166)
HOUSING AND DEVELOPMENT			
Building Inspection:			
Advertising	200	-	200
Professional services	2,500	1,170	1,330
Repairs and maintenance	12,000	10,300	1,700

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Supplies:			
Electricity	1,500	1,125	375
Supplies and materials	700	-	700
Water	500	272	228
Property:			
Site improvements	1,000	430	570
<i>Total Housing and Development</i>	<u>18,400</u>	<u>13,297</u>	<u>5,103</u>
INTERGOVERNMENTAL			
Remittance of fire tax	<u>109,736</u>	<u>109,736</u>	<u>-</u>
Total Expenditures	<u>\$ 587,000</u>	<u>\$ 532,192</u>	<u>\$ 54,808</u>

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

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
CHEROKEE COUNTY, SPLOST #3						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment	\$ 940,000	\$ 940,000				
Roads/Transportation						
Facilities	-	-	\$ 270,348	\$ 28,394	\$ 298,742	
Equipment	-	-	137,517	-	137,517	
Parks and Recreation facilities	-	-	115,018	-	115,018	
Public Safety:			-		-	
Vehicles	-	-	99,864	-	99,864	
Equipment	-	-	34,552	-	34,552	
	<u>940,000</u>	<u>940,000</u>	<u>657,299</u>	<u>28,394</u>	<u>685,693</u>	72.95%
CHEROKEE COUNTY, SPLOST #4						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment	720,000	720,000				
Roads/Transportation facilities and improvements	-	-	33,007	1,100	34,107	
Parks and Recreation facilities	-	-	69,474	-	69,474	
Public Safety:			-		-	
Vehicles	-	-	29,657	-	29,657	
Equipment	-	-	14,793	-	14,793	
	<u>720,000</u>	<u>720,000</u>	<u>146,931</u>	<u>1,100</u>	<u>148,031</u>	20.56%
CHEROKEE COUNTY, SPLOST #5						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment						
Government buildings, facilities, vehicles, equipment and improvements	500,000	500,000	-	-	-	
Emergency communications system improvements	32,043	32,043	10,681	10,681	21,362	
Transportation facilities, vehicles, equipment and improvements	450,000	450,000	-	17,995	17,995	
Parks and Recreation facilities, equipment, and improvements	52,786	52,786	-	-	-	
	<u>1,034,829</u>	<u>1,034,829</u>	<u>10,681</u>	<u>28,676</u>	<u>39,357</u>	0.00%
PICKENS COUNTY, SPLOST #1						
Road, street and bridge projects	<u>16,571</u>	<u>16,438</u>	<u>16,438</u>	<u>-</u>	<u>16,438</u>	100.00%
PICKENS COUNTY, SPLOST #2						
Road, street and bridge projects	<u>729,000</u>	<u>729,000</u>	<u>139,988</u>	<u>-</u>	<u>139,988</u>	19.20%
PICKENS COUNTY, SPLOST 2020						
Road, street and bridge projects	<u>1,650,200</u>	<u>1,650,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
GRAND TOTALS	\$ 5,090,600	\$ 5,090,467	\$ 971,337	\$ 58,170	\$ 1,029,507	

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



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, 2021, 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 February 21, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Nelson, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nelson, Georgia'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2012-001, 2014-002, 2019-001, and 2019-002 that we consider to be material weaknesses.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of 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 responses. 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.

Additional matters were communicated to management and governance in a separate letter.

Purpose of this Report

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

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

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

East Ellijay, Georgia

February 21, 2022

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

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. Utilizing a Council Member to fill the vacated position of City Clerk further limits segregation of duties and limits the mitigating factor of Council oversight.

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 has been 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.

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.

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

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

2019 -001: Reconciliation of Cash

Criteria: Cash activity for all accounts held by the City at a financial banking institution should be reconciled to cash receipts and disbursements on a consistent basis.

Condition/Context: While bank reconciliations were consistently performed for the City's main operating account, the operating account had several uncorrected errors that carried forward throughout the fiscal year.

Cause: Recording errors were not corrected by management but carried forward on the monthly bank reconciliations. A deposit in transit was used to force the bank balance to reconcile to the general ledger balance at fiscal year-end. While these errors were not material or pervasive, these errors were not resolved.

Effect: Overall cash balances for the General Fund were understated by management in the amount of \$292.98 (net). Reconciling cash activity ensures that amounts are accurate and complete. Such information is necessary to safeguard against the potential misappropriation or misuse of cash. By not evaluating and resolving reconciliation items on a consistent basis, the Organization is at risk, as timely information is not available should any loss or misuse of cash occur.

Recommendation: It is our recommendation that the Organization reconcile all inflows and outflows of cash as stated on the general ledger to the monthly bank statements on a regular and consistent basis. A discrepancy between the ledger and the bank statements should be assessed for reasonableness and addressed if differences are not attributable to timing variances.

Response: The Organization agrees with this finding and will reconcile all cash accounts on the general ledger to cash receipts and disbursements on a timely and consistent basis.

2019 -002: Repayment of Interfund Balances

Criteria: Interfund balances should be repaid on a timely basis.

Condition/Context: In fiscal year 2019, \$42,668 of special purpose local option sales tax was deposited into the General Fund operating cash account in error. In addition, two bills, totaling \$954, were paid online using the SPLOST cash account instead of the General Fund operating cash account. Management repaid these items in fiscal year 2020, but duplicated the re-payment of \$42,668, resulting in an interfund balance at June 30, 2020.

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

Cause: A journal entry was prepared by management to repay amounts owed between funds, but no cash was physically transferred. As such, an interfund balance of \$42,668 is still outstanding as of June 30, 2021.

Effect: Cash balances were understated in the General Fund by \$42,668 and overstated in the SPLOST Fund by \$42,668. As SPLOST cash is restricted by law, the repayment of these amounts on a timely basis is paramount.

Recommendation: Care must be exercised to ensure that activity related to restricted funds is handled properly and to ensure that no errors have occurred. It is our recommendation that the Organization correct all interfund errors on a timely basis as they are identified by management.

Response: The Organization agrees with this finding and will repay interfund balances on a timely and consistent basis.