

CITY OF NELSON, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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.



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 Audit of the Financial Statements

Opinions

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, 2022, 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.

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, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and budgetary comparison for the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Nelson, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Nelson, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Nelson, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Nelson, Georgia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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.

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. The accompanying General Fund Detailed Schedule of Revenues – Budget to Actual; General Fund Detailed Schedule of Expenditures – Budget to Actual; and Schedule of Projects Constructed with Special Local Options Sales Tax Proceeds (as required by *Official Code of Georgia Annotated* Section 48-4-121) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 23, 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 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
December 23, 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, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 917,615
Restricted cash	2,023,579
Accounts receivable	7,785
Franchise taxes receivable	283
Taxes receivable, net	5,761
Receivable from other governments	103,123
Prepaid items	16,315
Total Current Assets	<u>3,074,461</u>
Non-current assets:	
Capital assets, not being depreciated	983,222
Capital assets, net of accumulated depreciation and amortization	1,307,441
Capital assets, net	<u>2,290,663</u>
Leased assets net of accumulated amortization:	
Leased assets, net	<u>56,708</u>
Total Non-current Assets	<u>2,347,371</u>
Total Assets	<u>5,421,832</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	14,840
Retainage payable	62,134
Current portion of long-term liabilities:	
Lease liability	<u>11,162</u>
Total current liabilities	<u>88,136</u>
Non-current liabilities:	
Lease liability	<u>45,507</u>
Total non-current liabilities	<u>45,507</u>
Total Liabilities	<u>133,643</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>1,060</u>
NET POSITION	
Investment in capital assets	2,218,208
Restricted for capital projects	2,028,904
Unrestricted	1,040,017
Total Net Position	<u>\$ 5,287,129</u>

The accompanying notes are an integral part of this statement.

CITY OF NELSON, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense)
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants and</u>	Revenue and
		<u>Services</u>	<u>and Contributions</u>	<u>Contributions</u>	Changes in Net
					Position
					Total
					Governmental
					Activities
Governmental Activities:					
General government	\$ 318,916	\$ 6,840	\$ 31,332	\$ -	\$ (280,744)
Public safety	3,352	-	-	-	(3,352)
Public works	364,746	38,632	-	858,467	532,353
Health and welfare	355	-	-	-	(355)
Culture and recreation	63,200	-	-	-	(63,200)
Housing and development	8,636	6,534	-	-	(2,102)
Total Governmental Activities	<u>\$ 759,205</u>	<u>\$ 52,006</u>	<u>\$ 31,332</u>	<u>\$ 858,467</u>	<u>182,600</u>
General revenues:					
Taxes:					
Property taxes, levied for a general purpose					194,200
Franchise					42,953
General sales and use					220,676
Insurance premium taxes					108,984
Unrestricted investment earnings					2,239
Miscellaneous					3,903
Contributions and donations from private sources					1,350
Total general revenues					574,305
Transfers					-
Total general revenues and transfers					574,305
Change in net position					756,905
Net position, beginning of year					4,530,224
Net position, end of year					<u>\$ 5,287,129</u>

The accompanying notes are an integral part of this statement.

CITY OF NELSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	SPLOST Fund	American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund	Total Governmental Funds
ASSETS				
Cash	\$ 917,598	\$ -	\$ 17	\$ 917,615
Restricted cash	-	2,023,579	-	2,023,579
Accounts receivable	7,785	-	-	7,785
Franchise taxes receivable	283	-	-	283
Taxes receivable, net	5,761	-	-	5,761
Receivable from other governments	25,304	77,819	-	103,123
Due from other funds	17	-	-	17
Prepaid items	16,315	-	-	16,315
Total Assets	<u>\$ 973,063</u>	<u>\$ 2,101,398</u>	<u>\$ 17</u>	<u>\$ 3,074,478</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Accounts payable	\$ 4,480	\$ 10,360	\$ -	\$ 14,840
Retainage payable	-	62,134	-	62,134
Unearned revenue	1,060	-	-	1,060
Due to other funds	-	-	17	17
Total Liabilities	<u>5,540</u>	<u>72,494</u>	<u>17</u>	<u>78,051</u>
Deferred Inflows of Resources:				
Deferred revenue	18,930	-	-	18,930
Total Deferred Inflows of Resources	<u>18,930</u>	<u>-</u>	<u>-</u>	<u>18,930</u>
Total Liabilities and Deferred Inflows of Resources	<u>24,470</u>	<u>72,494</u>	<u>17</u>	<u>96,981</u>
FUND BALANCES				
Nonspendable	16,315	-	-	16,315
Restricted for:				
Capital projects	-	2,028,904	-	2,028,904
Assigned	-	-	-	-
Unassigned	932,278	-	-	932,278
Total Fund Balances	<u>948,593</u>	<u>2,028,904</u>	<u>-</u>	<u>2,977,497</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 973,063</u>	<u>\$ 2,101,398</u>	<u>\$ 17</u>	<u>\$ 3,074,478</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, 2022

Total fund balance, governmental funds	\$	2,977,497
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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.

	\$	4,013,398	
Cost of capital assets			
Less accumulated depreciation		<u>(1,722,735)</u>	2,290,663

Leased intangible right of use 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.

	\$	57,669	
Cost of leased assets			
Less accumulated amortization		<u>(961)</u>	56,708

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.		18,930
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Liabilities not due and payable in the current period are not reported in the governmental fund financial statements, but are included in the governmental activities of the Statement of Net Position. These liabilities include the following:

	\$	(56,669)	<u>(56,669)</u>
Leases payable			

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>5,287,129</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, 2022

	General Fund	SPLOST Fund	American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 564,624	\$ -	\$ -	\$ 564,624
Licenses and permits	13,374	-	-	13,374
Intergovernmental	20,054	608,367	257,111	885,532
Charges for services	37,684	-	-	37,684
Interest	2,026	4,267	213	6,506
Contributions and donations from private sources	1,350	-	-	1,350
Miscellaneous	3,903	-	-	3,903
Total Revenues	<u>643,015</u>	<u>612,634</u>	<u>257,324</u>	<u>1,512,973</u>
Expenditures:				
Current:				
General government	169,383	-	-	169,383
Public works	519,412	79,388	-	598,800
Health and welfare	355	-	-	355
Culture and recreation	4,864	39,582	-	44,446
Housing and development	8,636	-	-	8,636
Capital Outlay:				
Public safety	-	10,681	-	10,681
Public works	-	570,721	-	570,721
Culture and recreation	-	25,968	-	25,968
Intergovernmental	116,716	-	-	116,716
Other costs:				
Payments to others	-	-	25,000	25,000
Debt Service:				
Principal retirement	1,000	-	-	1,000
Total Expenditures	<u>820,366</u>	<u>726,340</u>	<u>25,000</u>	<u>1,571,706</u>
Excess of revenues over expenditures	(177,351)	(113,706)	232,324	(58,733)
Other financing sources (uses)				
Capital lease inception	57,669	-	-	57,669
Transfers in (out)	232,324	-	(232,324)	-
Total other financing sources (uses)	<u>289,993</u>	<u>-</u>	<u>(232,324)</u>	<u>57,669</u>
Net change in fund balances	112,642	(113,706)	-	(1,064)
Fund balances, beginning of year	835,951	2,142,610	-	2,978,561
Fund balances, end of year	<u>\$ 948,593</u>	<u>\$ 2,028,904</u>	<u>\$ -</u>	<u>\$ 2,977,497</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, 2022

Net change in fund balances - total governmental funds:	\$	(1,064)
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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 \$849,546 is offset by \$101,412 of depreciation.		748,134
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Governmental funds report outlays for intangible 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 is offset by \$3,352 of amortization.		7,329
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Governmental funds report outlays for leased intangible right of use 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 \$57,669 is offset by \$961 of amortization.		56,708
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Leases are reported as other financing at the fund level, but are reported as a liability on the government-wide statement of activities.		(57,669)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the government-wide statement of activities.		1,000
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Governmental funds do not report the gain on the disposal of a capital asset, as only the proceeds from the sale, if applicable, are recognized. In the current fiscal year, an asset was disposed of with a book value of \$670.		(670)
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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, 2021	\$ (5,723)	
Deferred, as of June 30, 2022	7,912	2,189

Sanitation fees:		
Deferred, as of June 30, 2021	\$ (10,070)	
Deferred, as of June 30, 2022	11,018	948

Change in net position of governmental activities in the Statement of Activities	\$	756,905
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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 BALANCE--BUDGET TO ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final	(See Note 1. M.)	Final Budget
Budgetary fund balance, beginning of year, restated	\$ 835,951	\$ 835,951	\$ 835,951	\$ -
Revenues (inflows):				
Property	178,200	178,200	143,483	(34,717)
Motor vehicle	3,000	3,000	656	(2,344)
Title ad valorem tax	42,000	42,000	38,935	(3,065)
Mobile home	-	-	156	156
Intangible	2,800	2,800	8,187	5,387
Railroad Tax	85	85	-	(85)
Franchise taxes	38,500	38,500	42,953	4,453
General sales and use taxes	131,000	131,000	220,676	89,676
Insurance premium taxes	96,000	96,000	108,984	12,984
Penalties and interest on delinquent taxes	200	200	594	394
Licenses and permits	6,830	6,830	13,374	6,544
Intergovernmental	20,948	20,948	20,054	(894)
Charges for services	32,000	32,000	37,684	5,684
Interest	1,100	1,100	2,026	926
Contributions and donations from private sources	50	50	1,350	1,300
Miscellaneous	250	250	3,903	3,653
Total Revenues	552,963	552,963	643,015	90,052
Changes to appropriations (outflows):				
Expenditures:				
General Government:				
Legislative/Executive	62,610	62,610	63,575	(965)
General administration	100,483	100,483	91,405	9,078
General government buildings	18,700	18,700	14,403	4,297
Judicial:				
Municipal court	1,075	1,075	-	1,075
Public Works:				
Maintenance	146,168	146,168	158,088	(11,920)
Highways and streets	26,500	26,500	246,611	(220,111)
Solid waste collection	64,762	64,762	114,713	(49,951)
Health and Welfare:				
Community center	665	665	355	310
Culture and Recreation:				
Parks and recreation	4,500	4,500	4,864	(364)
Housing and Development:				
Building inspection	17,500	17,500	8,636	8,864
Intergovernmental	110,000	110,000	116,716	(6,716)
Debt Service:				
Principal retirement	-	-	1,000	(1,000)
Total Expenditures	552,963	552,963	820,366	(267,403)
Excess of Revenues Over Expenditures	-	-	(177,351)	(177,351)
Other financing sources (uses)				
Capital lease inception	-	-	57,669	57,669
Transfers in (out)	-	-	232,324	232,324
Total other financing sources (uses)	-	-	289,993	289,993
Net change in fund balances	-	-	112,642	112,642
Fund balance, end of year	\$ 835,951	\$ 835,951	\$ 948,593	\$ 112,642

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
American Rescue Plan (ARP) Act of 2022 Local Fiscal Recovery Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final	(See Note 1. M.)	Final Budget
Budgetary fund balance, beginning of year, restated	\$ -	\$ -	\$ -	\$ -
Revenues (inflows):				
Intergovernmental	-	-	257,111	257,111
Interest	-	-	213	213
Total Revenues	-	-	257,324	257,324
Changes to appropriations (outflows):				
Expenditures:				
Other costs:				
Payments to others	-	-	25,000	(25,000)
Total Expenditures	-	-	25,000	(25,000)
Excess of Revenues Over Expenditures	-	-	232,324	232,324
Other financing sources (uses)				
Transfers in (out)	-	-	(232,324)	(232,324)
Total other financing sources (uses)	-	-	(232,324)	(232,324)
Net change in fund balances	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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, 2022

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, 2022, 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, 2022

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, 2022

American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund: This fund is a special revenue fund used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

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. NEW ACCOUNTING PRONOUNCEMENT

In June 2017, the Government Accounting Standards Board issued Statement No. 87, Leases, with an effective date for fiscal year beginning after June 15, 2021. The objective of the statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Leased assets are amortized over the term of the lease. The initial inclusion of leases upon adoption of the standard is presented as the balances on the first day of the fiscal year of implementation; therefore, no restatement of prior periods is required. Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

F. 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.

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

G. PROPERTY TAX CALENDAR

The City of Nelson, Georgia's property tax calendar for the 2021 levy applicable to fiscal year 2022 was as follows:

Lien date:	No lien date established
Levy date:	November 20, 2021
Due date:	February 13, 2022
Delinquent date:	February 14, 2022

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. FIFA's can be filed for uncollected taxes.

H. 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

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

I. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2022 are recorded as prepaid items. Prepaid insurance and prepaid dues were \$11,143 and \$5,172, respectively, for total prepaid assets of \$16,315 as of June 30, 2022.

J. 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, 2022.

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

K. 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.
- **Assigned** - The assigned fund balance classification reflects amounts that are constrained by the government’s intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint.
- **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 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 2022, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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.

M. 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.

N. 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.

An annual budget was adopted for the General Fund and capital projects fund. A budget was not adopted the special revenue fund (see note 15). The General Fund and SPLOST budgets were adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. The 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.

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, 2022, the carrying value of cash was \$2,941,194, and the cash amount held at the financial institution is \$2,971,283. 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

Balances exist between the following funds in order to transfer cash to the appropriate fund from various transactions and correction of immaterial noncompliant expenditures. Repayment of internal balances will occur within one year of the date of the financials.

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

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

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
	American Rescue Plan (ARP) Act of 2021	
General Fund	Local Fiscal Recovery Fund	\$ 17
<i>Net interfund receivable for unrestricted cash remaining in the ARP Fund.</i>		<u>\$ 17</u>

The City deposited the ARP grant funds into an interest-bearing cash account. All grant funds were utilized in fiscal year 2022. The remaining cash balance consists of unrestricted interest and may be utilized in the General Fund. All balances are expected to be repaid within one year from the date of the financial statements.

A summary of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
	American Rescue Plan (ARP) Act of 2021	
General Fund	Local Fiscal Recovery Fund	<u>\$ 232,324</u>

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets and the related accumulated depreciation between funds.

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 2022 totaled \$7,785. This receivable balance is likely to be collected and no allowance for uncollectible sanitation has, therefore, been recorded.

On June 30, 2022, 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 is included in the net tax receivable balance.

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	\$ 3,394
Georgia Department of Revenue	19,915
Pickens County	<u>1,995</u>
	<u>\$ 25,304</u>
 <u>SPLOST Fund:</u>	
Cherokee County	\$ 46,133
Pickens County	<u>31,686</u>
	<u>\$ 77,819</u>

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
<i><u>Governmental Activities:</u></i>				
<i>Non-depreciable capital assets:</i>				
Land	\$ 263,612	\$ -	\$ -	\$ 263,612
Construction in progress	12,500	707,110	-	719,610
<i>Total non-depreciable capital assets</i>	<u>276,112</u>	<u>707,110</u>	<u>-</u>	<u>983,222</u>
<i>Capital assets, being depreciated or amortized:</i>				
Intangibles	21,362	10,681	-	32,043
Infrastructure	1,669,893	127,936	-	1,797,829
Buildings and improvements	518,604	-	(2,062)	516,542
Land improvements	202,393	-	-	202,393
Machinery and equipment	255,956	14,500	-	270,456
Vehicles	210,913	-	-	210,913
<i>Total depreciable or amortizable capital assets</i>	<u>2,879,121</u>	<u>153,117</u>	<u>(2,062)</u>	<u>3,030,176</u>
<i>Less accumulated depreciation or amortization:</i>				
Intangibles	(2,571)	(3,352)		(5,923)
Infrastructure	(955,149)	(66,279)	-	(1,021,428)
Buildings and improvements	(169,879)	(10,947)	1,392	(179,434)
Land improvements	(127,972)	(9,637)	-	(137,609)
Machinery and equipment	(154,337)	(13,091)	-	(167,428)
Vehicles	(209,455)	(1,458)	-	(210,913)
<i>Total accumulated depreciation and amortization capital assets, being depreciated or amortized, net</i>	<u>(1,619,363)</u>	<u>(104,764)</u>	<u>1,392</u>	<u>(1,722,735)</u>
<i>Governmental activities capital assets, net excluding lease assets</i>	<u>\$ 1,535,870</u>	<u>\$ 755,463</u>	<u>\$ (670)</u>	<u>\$ 2,290,663</u>
Lease assets, net (Note 6)				<u>56,708</u>
Total Governmental activities capital assets, net as reported in the statement of net position				<u>\$ 2,347,371</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>	
General government	\$ 7,817
Public works	74,841
Culture and recreation	<u>18,754</u>
Total	<u>\$ 101,412</u>

Amortization expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>	
Public safety	\$ 3,352
Total	<u>\$ 3,352</u>

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

6. INTANGIBLE RIGHT TO USE LEASES

A summary of leased asset activity during the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leased assets:				
Equipment	\$ -	\$ 57,669	\$ -	\$ 57,669
Less accumulated amortization:				
Lease assets:				
Total accumulated amortization	-	961	-	961
Total lease assets, net	<u>\$ -</u>	<u>\$ 56,708</u>	<u>\$ -</u>	<u>\$ 56,708</u>

Amortization expense was charged to public works in the amount of \$961 for the fiscal year ending June 30, 2022.

7. LEASE LIABILITIES

The City, as a lessee, has entered into one lease agreement for the use of land to store public works equipment. The total of the City's leased asset is recorded at a cost of \$57,669, less accumulated amortization of \$961.

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due in One Year
Lease liabilities	<u>\$ -</u>	<u>\$ 57,669</u>	<u>\$ (1,000)</u>	<u>\$ 56,669</u>	<u>\$ 11,162</u>

The future lease payments under lease agreements are as follows:

	Leases		
	Principal	Interest	Total
2023	\$ 11,162	\$ 838	\$ 12,000
2024	11,345	655	12,000
2025	11,531	469	12,000
2026	11,719	281	12,000
2027	10,912	88	11,000
Total	<u>\$ 56,669</u>	<u>\$ 2,331</u>	<u>\$ 59,000</u>

No interest expense was incurred in relation to the lease in fiscal year 2022. In future fiscal years, interest expense will be shown on the Statement of Revenues, Expenses, and Changes in Fund Balances, General Fund.

8. 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:

Sanitation fees paid in advance of service	<u>\$ 1,060</u>
Total unearned revenue	<u>\$ 1,060</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:

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

Property taxes	\$ 7,912
Sanitation fees	11,018
Total deferred revenue	<u>\$ 18,930</u>

9. RESTRICTED ASSETS AND NET POSITION

Cash of \$2,023,579 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. Net position totaling \$2,028,904 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:

Prepaid items \$ 16,315

- **Restricted** -

Capital Projects Fund:

Special Purpose Local Option Sales Tax Fund (SPLOST) –
Used to account for capital projects financed with
SPLOST

\$ 2,028,904

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, 2022. No provisions have been made in the financial statements for the year ended June 30, 2022 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

CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

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 2022 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.

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 December 23, 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, 2022.

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 2023.

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.

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

Budget:

Budgetary controls are established by the Mayor and Council through the adoption of annual budgets, with the legal level of control being department level. The following departments had expenditures which exceeded appropriations by 10% or more at June 30, 2022 in the amounts are as follows:

Public Works:

Highways and streets	\$ 220,111
Solid waste collection	\$ 49,951

Debt Service:

Principal retirement	\$ 1,000
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CITY OF NELSON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

OCGA 36-81-3(b) requires an annual balanced budget for each special revenue fund. In fiscal year 2022, there were no budgeted amounts established for the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund.

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, 2022

	Final Budget	Actual	Variance Over (Under)
TAXES			
General property taxes:			
Property	\$ 178,200	\$ 143,483	\$ (34,717)
Motor vehicle	3,000	656	(2,344)
Title ad valorem tax	42,000	38,935	(3,065)
Mobile home	-	156	156
Intangible	2,800	8,187	5,387
Railroad tax	85	-	(85)
Franchise taxes			
Electric	29,000	29,695	695
Natural gas	3,500	6,406	2,906
Telephone	4,000	2,654	(1,346)
Television cable	2,000	4,198	2,198
	<u>264,585</u>	<u>234,370</u>	<u>(30,215)</u>
General sales and use taxes:			
Local sales and use taxes	<u>131,000</u>	<u>220,676</u>	<u>89,676</u>
Business taxes:			
Insurance premium	<u>96,000</u>	<u>108,984</u>	<u>12,984</u>
Penalties and interest:			
Penalties and interest on delinquent taxes	<u>200</u>	<u>594</u>	<u>394</u>
LICENSES AND PERMITS			
Business licenses	4,130	5,040	910
Building permits and fees	1,500	6,534	5,034
Regulatory fees	1,200	1,800	600
	<u>6,830</u>	<u>13,374</u>	<u>6,544</u>
INTERGOVERNMENTAL REVENUE			
State grants	20,948	20,054	(894)
	<u>20,948</u>	<u>20,054</u>	<u>(894)</u>
CHARGES FOR SERVICES			
Sanitation	32,000	37,684	5,684
	<u>32,000</u>	<u>37,684</u>	<u>5,684</u>
INVESTMENT EARNINGS			
Interest income	1,100	2,026	926
CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES			
Contributions and donations	50	1,350	1,300
MISCELLANEOUS REVENUE			
Miscellaneous revenue	250	3,903	3,653
Total Revenue	<u><u>\$ 552,963</u></u>	<u><u>\$ 643,015</u></u>	<u><u>\$ 90,052</u></u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT			
Legislative/Executive:			
Personal Services and Employee Benefits:			
Salaries and wages	\$ 45,760	\$ 47,100	\$ (1,340)
FICA	3,700	3,817	(117)
Health insurance	3,000	2,884	116
Workers compensation	400	286	114
Purchased/Contracted Services:			
Council pay	4,800	4,200	600
Dues and fees	200	45	155
Education and training	2,240	650	1,590
Travel	2,260	4,593	(2,333)
Supplies:			
Supplies and materials	250	-	250
	<u>62,610</u>	<u>63,575</u>	<u>(965)</u>
General Administration:			
Personal Services and Employee Benefits:			
Salaries and wages	16,250	17,750	(1,500)
FICA	1,300	1,385	(85)
Workers compensation	300	192	108
Purchased/Contracted Services:			
Advertising	2,500	3,388	(888)
Audit fees	15,550	16,500	(950)
Bank charges	100	-	100
Communications	500	314	186
Dues and fees	8,300	10,565	(2,265)
Education and training	1,200	-	1,200
Food	1,900	1,649	251
Books and periodicals	400	-	400
Insurance	11,000	10,197	803
Legal fees	6,500	9,638	(3,138)
Payroll service fees	2,300	3,289	(989)
Printing and Binding	2,300	3,070	(770)
Rental of equipment	4,300	300	4,000
Repairs and maintenance	1,000	-	1,000
Subscriptions	550	488	62
Technical services	2,200	3,376	(1,176)
Travel	-	583	(583)
Supplies:			
Computer equipment and maintenance	4,000	420	3,580
Supplies and materials	7,933	8,301	(368)
Miscellaneous	2,100	-	2,100
Contingencies:			
Contingencies	8,000	-	8,000
	<u>100,483</u>	<u>91,405</u>	<u>9,078</u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Over (Under)
General Government Buildings:			
Purchased/Contracted Services:			
Communications	4,100	3,449	651
Custodial services	800	1,500	(700)
Repairs and maintenance	4,000	5,963	(1,963)
Supplies:			
Electricity	2,500	2,115	385
Natural gas	1,100	1,027	73
Water and sewer	500	349	151
Property:			
Furniture and fixtures	700	-	700
Site improvements	5,000	-	5,000
	<u>18,700</u>	<u>14,403</u>	<u>4,297</u>
<i>Total General Government</i>	<u>181,793</u>	<u>169,383</u>	<u>12,410</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	75,600	69,563	6,037
FICA	6,110	5,760	350
Workers compensation	2,020	1,040	980
Purchased/Contracted Services:			
Contract labor	5,000	-	5,000
Repairs and maintenance	12,500	7,096	5,404
Road and street maintenance	20,948	59,188	(38,240)
Supplies:			
Insurance	6,000	5,654	346
Electricity	1,650	675	975
Gasoline	3,400	3,124	276
Natural gas	1,200	1,306	(106)
Small equipment	1,500	547	953
Street signs	2,500	1,361	1,139
Supplies and materials	5,000	2,167	2,833
Water	740	607	133
Property:			
Equipment	2,000	-	2,000
	<u>146,168</u>	<u>158,088</u>	<u>(11,920)</u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2022

	Final Budget	Actual	Variance Over (Under)
Highways and Streets:			
Supplies:			
Electricity	26,500	20,832	5,668
Property:			
Site improvements	-	225,779	(225,779)
	<u>26,500</u>	<u>246,611</u>	<u>(220,111)</u>
Solid Waste Collection:			
Personal Services and Employee Benefits:			
Salaries and wages	26,400	24,513	1,887
FICA	2,112	1,911	201
Workers compensation	1,300	1,849	(549)
Purchased/Contracted Services:			
Landfill fees	9,200	11,737	(2,537)
Rental of land	-	3,600	(3,600)
Rental of dumpster	11,500	7,268	4,232
Repairs and maintenance	12,000	3,767	8,233
Supplies:			
Gasoline	1,500	2,009	(509)
Supplies and materials	750	390	360
Property:			
Land	-	57,669	(57,669)
	<u>64,762</u>	<u>114,713</u>	<u>(49,951)</u>
<i>Total Public Works</i>	<u>237,430</u>	<u>519,412</u>	<u>(281,982)</u>
HEALTH AND WELFARE			
Community Center:			
Supplies:			
Electricity	450	280	170
Natural gas	100	-	100
Water	115	75	40
<i>Total Health and Welfare</i>	<u>665</u>	<u>355</u>	<u>310</u>
CULTURE AND RECREATION			
Parks and Recreation:			
Purchased/Contracted Services:			
Subscriptions	1,000	1,000	-
Supplies:			
Supplies and materials	-	393	(393)
Miscellaneous	500	471	29
Intergovernmental:			
Municipal services agreement	3,000	3,000	-
<i>Total Culture and Recreation</i>	<u>4,500</u>	<u>4,864</u>	<u>(364)</u>

CITY OF NELSON, GEORGIA
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2022

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
HOUSING AND DEVELOPMENT			
Building Inspection:			
Advertising	200	-	200
Professional services	3,000	3,265	(265)
Repairs and maintenance	6,200	3,280	2,920
Purchased/Contracted Services:			
Custodial services	3,800	-	3,800
Education and training	500	-	500
Supplies:			
Electricity	2,100	1,639	461
Supplies and materials	200	-	200
Water	500	452	48
Property:			
Site improvements	1,000	-	1,000
<i>Total Housing and Development</i>	<u>17,500</u>	<u>8,636</u>	<u>8,864</u>
INTERGOVERNMENTAL			
Remittance of fire tax	<u>110,000</u>	<u>116,716</u>	<u>(6,716)</u>
DEBT SERVICE			
Principal retirement	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>
Total Expenditures	<u>\$ 552,963</u>	<u>\$ 820,366</u>	<u>\$ (267,403)</u>

CITY OF NELSON, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
For the Fiscal Year Ended June 30, 2022

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	-	-	\$ 298,742	\$ 22,418	\$ 321,160	
Equipment	-	-	137,517	-	137,517	
Parks and Recreation facilities	-	-	115,018	51,897	166,915	
Public Safety:			-		-	
Vehicles	-	-	99,864	-	99,864	
Equipment	-	-	34,552	-	34,552	
	<u>940,000</u>	<u>940,000</u>	<u>685,693</u>	<u>74,315</u>	<u>760,008</u>	80.85%
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	-	-	34,107	317,919	352,026	
Parks and Recreation facilities	-	-	69,474	13,653	83,127	
Public Safety:			-		-	
Vehicles	-	-	29,657	-	29,657	
Equipment	-	-	14,793	-	14,793	
	<u>720,000</u>	<u>720,000</u>	<u>148,031</u>	<u>331,572</u>	<u>479,603</u>	66.61%
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	21,362	10,681	32,043	
Transportation facilities, vehicles, equipment and improvements	450,000	450,000	17,995	43,497	61,492	
Parks and Recreation facilities, equipment, and improvements	52,786	52,786	-	-	-	
	<u>1,034,829</u>	<u>1,034,829</u>	<u>39,357</u>	<u>54,178</u>	<u>93,535</u>	9.04%
PICKENS COUNTY, SPLOST #2						
Road, street and bridge projects	<u>729,000</u>	<u>729,000</u>	<u>139,988</u>	<u>143,389</u>	<u>283,377</u>	38.87%
PICKENS COUNTY, SPLOST 2020						
Road, street and bridge projects	<u>1,650,200</u>	<u>1,650,200</u>	<u>-</u>	<u>122,886</u>	<u>122,886</u>	7.45%
GRAND TOTALS	<u>\$ 5,074,029</u>	<u>\$ 5,074,029</u>	<u>\$ 1,013,069</u>	<u>\$ 726,340</u>	<u>\$ 1,739,409</u>	

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 City of Nelson, Georgia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Nelson, Georgia's basic financial statements and have issued our report thereon dated December 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Nelson, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2012-001, 2014-002, and 2019-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-001.

City of Nelson, Georgia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Nelson, Georgia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Nelson, Georgia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

December 23, 2022

CITY OF NELSON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2022

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.

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.

CITY OF NELSON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2022

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. For the Special Revenue Fund and SPLOST Fund cash accounts, several checks were recorded in the incorrect reporting period and were incorrectly excluded from outstanding checks at June 30, 2022.

Cause: Recording errors were not corrected by management but carried forward on the monthly bank reconciliations for the General Fund. While these errors were not material or pervasive, these errors were not resolved. \$1,273 of these errors related to the wrong reporting period being selected when recording a sanitation bill in the General Fund. For the SPLOST Fund, two checks were recorded as of the date they cleared the bank, July 1, 2022, instead of the date the checks were issued, June 29, 2022. For the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund, one check was recorded as of the date it cleared the bank, July 14, 2022, instead of the date it was issued, June 6, 2022.

Effect: Overall cash balances for the General Fund were understated by management in the amount of \$1,223 (net). Cash balances for the SPLOST Fund were overstated by \$22,687, and cash balances for the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund were overstated by \$5,000. 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.

Instances of Noncompliance with State Law:

2022-001: Budget Adoption

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

Condition/Context: There were no budgeted appropriations for the special revenue fund in fiscal year 2022.

Cause: The American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund did not have a legally adopted budget for 2022.

Effect: The omission of budgeted appropriations for this fund caused the City to be in violation of OCGA 36-81-3(b).

Recommendation: It is our recommendation that the City include a balanced budget for General Fund and all special revenue funds. Project length budgets should also be adopted for all capital project funds.

Response: The City agrees with this finding and will adopt budgets for all funds in the future.