CITY OF NELSON, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 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, 2023, 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, 2023, 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 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 Special Local Options 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 20, 2024, 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 East Ellijay, Georgia

Welch, Walker & Associates, P.C. Clas

February 20, 2024

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, 2023

	Governmental Activities	
ASSETS	Activities	
Current Assets:		
Cash	\$ 1,033,119	
Restricted cash	2,337,821	
Accounts receivable	2,598	
Franchise taxes receivable	2,023	
Property taxes receivable, net	4,009	
Other taxes receivable	4,033	
Receivable from other governments	101,330	
Prepaid items	16,453	
Total Current Assets	3,501,386	
Non-current assets:		
Capital assets, not being depreciated	267,632	
Capital assets, net of accumulated depreciation and amortization	2,253,780	
Capital assets, net	2,521,412	
Leased assets net of accumulated amortization:		
Leased assets, net	45,174	
Total Non-current Assets		
Total Assets	<u>2,566,586</u> 6,067,972	
LIABILITIES		
Current Liabilities:		
Accounts payable	11,432	
Wages payable	9,091	
Current portion of long-term liabilities:	,	
Lease liability	11,345	
Total current liabilities	31,868	
Non-current liabilities:		
Lease liability	34,162	
Total non-current liabilities	34,162	
		
Total Liabilities	66,030	
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	222,423	
NET POSITION		
Net investment in capital assets	2,521,079	
Restricted for capital projects	2,197,106	
Unrestricted	1,061,334	
Total Net Position	\$ 5,779,519	

CITY OF NELSON, GEORGIA STATEMENT OF ACTIVITIES For the Year Ended June 30, 2023

									Re	t (Expense) evenue and anges in Net
					Pro	gram Revenue				Position
										Total
			C	narges for	Opei	rating Grants	Capita	al Grants and	Go	vernmental
Functions/Programs	E	xpenses	:	Services	and C	Contributions	Con	itributions		Activities
Governmental Activities:						_				_
General government	\$	396,150	\$	4,918	\$	30,000	\$	-	\$	(361,232)
Public safety		3,590		-		-		-		(3,590)
Public works		343,211		35,954		-		689,775		382,518
Culture and recreation		112,048		-		-		-		(112,048)
Housing and development		11,524		3,595		-		-		(7,929)
Interest		838		-		-		-		(838)
Total Governmental Activities	\$	867,361	\$	44,467	\$	30,000	\$	689,775		(103,119)
General revenues: Taxes: Property taxes, levied for a general purpose Franchise General sales and use Insurance premium taxes Unrestricted investment earnings Miscellaneous Contributions and donations from private sources Total general revenues									199,277 44,158 249,471 95,381 4,212 2,947 63 595,509	
	Chang	e in net positi	on							492,390
		sition, beginn		year						5,287,129
		sition, end of		•					\$	5,779,519

CITY OF NELSON, GEORGIA BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2023

			American Rescue Plan (ARP) Act of	Total
			2021 Local Fiscal	Governmental
	General Fund	SPLOST Fund	Recovery Fund	Funds
ASSETS				
Cash	\$ 1,032,419	\$ -	\$ 700	\$ 1,033,119
Restricted cash	-	2,118,210	219,611	2,337,821
Accounts receivable	2,598	-	-	2,598
Franchise taxes receivable	2,023	-	-	2,023
Property taxes receivable, net	4,009	-	-	4,009
Other taxes receivable	4,033	-	-	4,033
Receivable from other governments	22,434	78,896	-	101,330
Due from other funds	700	-	-	700
Prepaid items	16,453			16,453
Total Assets	\$ 1,084,669	\$ 2,197,106	\$ 220,311	\$ 3,502,086
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES Liabilities:				
Accounts payable	\$ 11,432	\$ -	\$ -	\$ 11,432
Wages payable	9,091	· -	-	9,091
Unearned revenue	2,812	_	219,611	222,423
Due to other funds	-	-	700	700
Total Liabilities	23,335		220,311	243,646
Deferred Inflows of Resources:				
Deferred revenue	5,553			5,553
Total Deferred Inflows of Resources	5,553			5,553
Total Liabilities and Deferred Inflows of Resources	28,888		220,311	249,199
FUND BALANCES	16 452			16 450
Nonspendable Restricted for:	16,453	-	-	16,453
Capital projects		2,197,106		2,197,106
Unassigned	1,039,328	2,197,100	-	, ,
-		2.107.106	-	1,039,328
Total Fund Balances	1,055,781	2,197,106		3,252,887
Total Liabilities, Deferred Inflows of Resources and Fund				
Balances	\$ 1,084,669	\$ 2,197,106	\$ 220,311	\$ 3,502,086

CITY OF NELSON, GEORGIA RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2023

Total fund balance, governmental funds		\$ 3,252,887
Amounts reported for governmental activities in the Statement of Net Position at because:		
Capital assets used in governmental activities are not current financial resortherefore are not reported in this fund financial statement, but are report governmental activities of the Statement of Net Position.		
Cost of capital assets \$	4,218,106	
Less accumulated depreciation (1,696,694)	2,521,412
Leased intangible right of use assets used in governmental activities are not curre resources and therefore are not reported in this fund financial statement, but are the governmental activities of the Statement of Net Position. Cost of leased assets \$ Less accumulated amortization	57,669 (12,495)	45,174
Some of the City's revenues will be collected after the fiscal year end, but are no soon enough to pay for the current period's expenditures and therefore are defer fund financial statements.		5,553
Liabilities not due and payable in the current period are not reported in the governmental activities of the Standard Position. These liabilities include the following:	ntement of	(45.505)
Lease liabilities \$	(45,507)	 (45,507)
Net Position of Governmental Activities in the Statement of Net Position		\$ 5,779,519

CITY OF NELSON GEORGIA STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2023

						can Rescue ARP) Act of		Total
					•	Local Fiscal	Go	
	Gen	neral Fund	S	PLOST Fund		very Fund	uo	Funds
Revenues:								
Taxes	\$	591,360	\$	-	\$	-	\$	591,360
Licenses and permits	•	8,513		-	·	-		8,513
Intergovernmental		20,532		655,433		37,500		713,465
Charges for services		46,258		-		-		46,258
Interest		4,212		6,310		-		10,522
Contributions and donations from private sources		63		-		-		63
Miscellaneous		2,947		-		-		2,947
Total Revenues		673,885	_	661,743		37,500		1,373,128
Expenditures:								
Current:								
General government		189,057		37,160		-		226,217
Public works		239,912		9,079		-		248,991
Culture and recreation		4,419		2,004		-		6,423
Housing and development		11,524		-		-		11,524
Capital Outlay:								
Public works		-		309,678		-		309,678
Culture and recreation		-		135,620		-		135,620
Intergovernmental		124,785		-		-		124,785
Other costs:								
Payments to others		-		-		30,000		30,000
Debt Service:								
Principal retirement		11,162		-		-		11,162
Interest charges		838	_		-			838
Total Expenditures		581,697		493,541		30,000		1,105,238
Excess of revenues over expenditures		92,188		168,202		7,500		267,890
Other financing sources (uses)								
Proceeds from sale of assets		7,500		-		-		7,500
Transfers in (out)		7,500				(7,500)		
Total other financing sources (uses)		22,500	_	-		(7,500)		15,000
Net change in fund balances		114,688		168,202		-		282,890
Fund balances, beginning of year		948,593	_	2,028,904			_	2,977,497
Fund balances, end of year	\$	1,063,281	\$	<u></u>	\$	-	\$	3,260,387

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, 2023

Net change in fund balances - total governmental funds:	\$ 282,890
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. This is the amount by which capital outlay of \$498,548 exceeded depreciation expense of \$137,509 in the current period.	
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. This is the amount by which amortization expense of \$3,590 exceeded capital outlay in the current period.	
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. This is the amount by which amortization expense of \$11,534 exceeded capital outlay in the current period.	
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.	
The cost of capital assets that are disposed of or sold, net of accumulated depreciation, are reported in the government-wide statement of activities but not reported at the fund financial reporting level. Capital assets sold (293,840) Accumulated depreciation 167,140	(126,700)
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, 2022 \$ (7,912) Deferred, as of June 30, 2023 4,839 Sanitation fees:	(3,073)
Deferred, as of June 30, 2022 \$ (11,018) Deferred, as of June 30, 2023 714	(10,304)
Change in net position of governmental activities in the Statement of Activities	\$ 499,890

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, 2023

				Actual Amounts (Budgetary Basis) Variance wit			ion oo with
	Original	eu Ai	Final	(See Note 1. M.)			al Budget
				(00	<u> </u>		ur Daugee
Budgetary fund balance, beginning of year	\$ 948,59	<u>3</u> \$	948,593	\$	948,593	\$	-
Revenues (inflows):							
Property	186,00	0	155,000		160,055		5,055
Motor vehicle	3,00	0	1,000		268		(732)
Title ad valorem tax	51,00		36,000		37,722		1,722
Mobile home	-		-		123		123
Intangible	6,90	0	6,900		3,649		(3,251)
Railroad Tax	·	5	85		145		60
Franchise taxes	40,70	0	40,700		44,158		3,458
General sales and use taxes	141,84		198,377		249,471		51,094
Insurance premium taxes	117,76		117,760		95,381		(22,379)
Penalties and interest on delinquent taxes	20		200		388		188
Licenses and permits	7,83		7,830		8,513		683
Intergovernmental	20,94		20,948		20,532		(416)
Charges for services	38,00		38,000		46,258		8,258
Interest	1,10		1,100		4,212		3,112
	·		50				
Contributions and donations from private sources		0			63		13
Miscellaneous	3,50		3,500		2,947		(553)
Total Revenues	618,91	9	627,450		673,885		46,435
Changes to appropriations (outflows):							
Expenditures:							
General Government:							
Legislative/Executive	70,46	4	82,100		79,934		2,166
General administration	139,10	3	121,761		98,384		23,377
General government buildings	17,20		12,400		10,739		1,661
Judicial:	•		,		ŕ		,
Municipal court	1,07	5	250		-		250
Public Works:	•						
Maintenance	147,40	4	157,539		143,811		13,728
Highways and streets	26,50		20,000		27,670		(7,670)
Solid waste collection	78,17		87,300		68,431		18,869
Culture and Recreation:	, 0,17		07,500		00,101		10,007
Parks and recreation	4,50	0	4,500		4,419		81
Housing and Development:	4,50	U	4,500		7,717		01
Building inspection	17,50	Λ	19,000		11,524		7,476
Intergovernmental	117,00		122,600		124,785		(2,185)
Debt Service:	117,00	U	122,000		124,703		(2,103)
					11 162		(11 1 (2)
Principal retirement	-		-		11,162		(11,162)
Interest charges					838		(838)
Total Expenditures	618,91	9	627,450		581,697		45,753
Excess of Revenues Over Expenditures					92,188		92,188
Other financing sources (uses)							
Proceeds from sale of assets	_		-		7,500		7,500
Transfers in (out)					•		
				_	7,500	_	7,500
Total other financing sources (uses)			-		15,000	_	15,000
Net change in fund balances					107,188	_	107,188
Fund balance, end of year	\$ 948,59	3 \$	948,593	\$	1,055,781	\$	107,188
	Ψ 710,57	<u> </u>	, 10,070	<u> </u>	1,000,701	4	10.,100

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, 2023

					Actual Amounts			
		Budgeted	Amo		(Budgetary Basis)			
		Original		Final	(See Note 1. M.)	Final Budget		
Dedoctors for the large haringing of some	¢.		ф		dr.	φ		
Budgetary fund balance, beginning of year	<u>\$</u>	<u> </u>	\$	-	\$ -	\$ -		
Revenues (inflows):		055444		255 444	25.500	(040 (44)		
Intergovernmental		257,111		257,111	37,500	(219,611)		
Interest		250		500	-	(500)		
Contingencies		(257,361)				-		
Total Revenues		-		257,611	37,500	(220,111)		
Changes to appropriations (outflows):								
Expenditures:								
Other costs:								
Payments to others		-		25,000	30,000	(5,000)		
Total Expenditures		-		25,000	30,000	(5,000)		
						(00= 4.4.)		
Excess of Revenues Over Expenditures		-		232,611	7,500	(225,111)		
Other financing sources (uses)								
Transfers in (out)		-		(232,611)	(7,500)	225,111		
Total other financing sources (uses)		-		(232,611)	(7,500)	225,111		
Net change in fund balances								
Fund balance, end of year	\$		\$		\$ -	\$ -		

NOTES TO THE FINANCIAL STATEMENTS	
The notes to the financial statements are a required component of the basic financial statemer notes present required and essential information for the fair presentation of the statements the disclosed on the face of the financial statements.	

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.

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.

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. BUDGETARY INFORMATION

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.

The budgetary data reflected in the financial statements are established and adopted by the City Council and Mayor at the department level. Any change to the original budget for a department must be approved by the Council.

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Because the City adopts each of its operating budgets at the department level, the applicable statutes require that total expenditures not exceed the total amount of appropriations at the departmental level. This constitutes the legal level of control. Unspent appropriations lapse at year-end.

An annual budget was adopted for the General Fund, the special revenue fund, and the capital projects fund. Each budget was 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. Budgets for governmental funds are established in a legally permissible manner. The City considers expenditures in excess of appropriations by 10% or greater to be a material violation.

Revenues are budgeted by source. Expenditures are budgeted by department and may not exceed appropriations at this level. Budget revisions are subject to review and approval by the City Council.

E. ENCUMBRANCES

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

F. CASH AND INVESTMENTS

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.

G. PROPERTY TAX CALENDAR

The City of Nelson, Georgia's property tax calendar for the 2022 levy applicable to fiscal year 2023 was as follows:

Lien date: No lien date established
Levy date: November 20, 2022
Due date: February 13, 2023
Delinquent date: February 14, 2023

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>	Estimated Useful				
	<u>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, 2023 are recorded as prepaid items. Prepaid insurance and prepaid dues were \$11,958 and \$4,495, respectively, for total prepaid assets of \$16,453 as of June 30, 2023.

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 accumulated at the end of a calendar year expires in the first quarter of the subsequent calendar year. No liability existed on June 30, 2023.

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types recognize the face amount of debt issued in the current period as other financing sources.

L. UNEARNED REVENUE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as unearned revenue (i.e., they are measurable but not available) rather than as revenue.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, if applicable. This element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Fines and other receivables not collected within sixty days of year-end have been recorded as deferred revenue at the fund reporting level.

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.

M. 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 minimum fund balance 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 2023, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

N. 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.

O. 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 activity column of the statement of net position.

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, 2023, the carrying value of cash was \$3,370,940, and the cash amount held at the financial institution is \$3,171,806. 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.

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

Interfund Receivable	nterfund Receivable Interfund Payable		nount
	American Rescue Plan (ARP) Act of 2021		
General Fund	Local Fiscal Recovery Fund	\$	700
Net interfund receivable	for unrestricted cash remaining in the ARP Fund.	\$	700

The City deposited the ARP grant funds into an interest-bearing cash account. Interest earned on the account is unrestricted 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, 2023 is as follows:

Transfers In	Transfers Out	 Am	ount
General Fund	American Rescue Plan (ARP) Act of 2021		
	Local Fiscal Recovery Fund	\$	7,500

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. \$7,500 was transferred from the ARPA Fund to the General Fund for the acquisition of infrastructure.

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 2023 totaled \$2,598. This receivable balance is likely to be collected and no allowance for uncollectible sanitation has, therefore, been recorded.

On June 30, 2023, 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. The net property taxes receivable balance is \$4,009 at June 30, 2023.

B. RECEIVABLE FROM OTHER GOVERNMENTS

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

General Fund:	<u>A</u>	<u>mount</u>
Cherokee County	\$	157
Georgia Department of Revenue		22,197
Pickens County		80
	\$	22,434
SPLOST Fund:		
Cherokee County	\$	46,442
Pickens County		32,454
	\$	78,896

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balances	Additions	Disposals	Ending Balances
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 263,612	\$ -	\$ (16,289)	\$ 247,323
Construction in progress	719,610	17,028	(716,329)	20,309
Total non-depreciable capital assets	983,222	17,028	(732,618)	267,632
Capital assets, being depreciated or amortized:				
Intangibles	32,043	10,102	-	42,145
Infrastructure	1,797,829	765,108	-	2,562,937
Buildings and improvements	516,542	-	(125,100)	391,442
Land improvements	202,393	7,600	(4,217)	205,776
Machinery and equipment	270,456	251,455	(101,794)	420,117
Vehicles	210,913	163,584	(46,440)	328,057
Total depreciable or amortizable capital assets	3,030,176	1,197,849	(277,551)	3,950,474
Less accumulated depreciation or amortization:				
Intangibles	(5,923)	(4,188)		(10,111)
Infrastructure	(1,021,428)	(84,527)	-	(1,105,955)
Buildings and improvements	(179,434)	(8,280)	38,579	(149,135)
Land improvements	(137,609)	(9,321)	4,217	(142,713)
Machinery and equipment	(167,428)	(18,072)	77,904	(107,596)
Vehicles	(210,913)	(16,711)	46,440	(181,184)
Total accumulated depreciation and amortization	(1,722,735)	(141,099)	167,140	(1,696,694)
capital assets, being depreciated or amortized, net	1,307,441	1,056,750	(110,411)	2,253,780
Governmental activities capital assets, net		· <u> </u>		
excluding lease assets	\$ 2,290,663	\$ 1,073,778	\$ (843,029)	\$ 2,521,412
Lease assets, net (Note 6)				45,174
				43,1/4
Total Governmental activities capital assets, net as reported in the statement of net position				\$ 2,566,586

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 6,359
Public works	112,046
Culture and recreation	19,104
Total	\$ 137,509

Amortization expense was charged to functions/programs as follows:

Governmental Activities:

Public safety	\$ 3,590
Total	\$ 3,590

6. INTANGIBLE RIGHT TO USE LEASES

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

	ginning alance	A	dditions_	Dedu	ctions	Ending Salance
Leased assets:						
Equipment	\$ 57,669	\$		\$	-	\$ 57,669
Less accumulated amortization:						
Lease assets:						
Total accumulated amortization	 961		11,534			 12,495
Total lease assets, net	\$ 56,708	\$	11,534	\$		\$ 45,174

Amortization expense was charged to public works in the amount of \$11,534 for the fiscal year ending June 30, 2023.

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 \$12,495.

					Amounts
	Beginning			Ending	Due in One
	Balance	Additions	Deductions	Balance	Year
Lease liabilities	\$ 56,669	\$ -	\$ (11,162)	\$ 45,507	\$ 11,345

The future lease payments under lease agreements are as follows:

			L	eases			
Pr	incipal		In	terest			Total
\$	11,345		\$	655		\$	12,000
	11,531			469			12,000
	11,719			281			12,000
	10,912			88			11,000
\$	45,507		\$	1,493		\$	47,000
		11,531 11,719 10,912	\$ 11,345 11,531 11,719 10,912	Principal In \$ 11,345 \$ 11,531 11,719 10,912	\$ 11,345 \$ 655 11,531 469 11,719 281 10,912 88	Principal Interest \$ 11,345 \$ 655 11,531 469 11,719 281 10,912 88	Principal Interest \$ 11,345 \$ 655 \$ 11,531 469 \$ 11,719 281 \$ 10,912 88

Interest expense related to lease liabilities in the amount of \$838 is 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	\$ 2,812
Total unearned revenue	\$ 2,812

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	\$ 4,839
Sanitation fees	714
Total deferred revenue	\$ 5,553

9. RESTRICTED ASSETS AND NET POSITION

Cash of \$ 2,118,210 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 \$2,197,106 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.

Cash of \$219,611 in the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund is restricted. Funds may be used for: 1) investments in water, sewer, and broadband, 2) assistance to mitigate public health/negative economic impacts, 3) provide premium pay, and 4) revenue loss.

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 <u>\$ 16,453</u>

• Restricted -

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

\$ 2,197,106

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, 2023. No provisions have been made in the financial statements for the year ended June 30, 2023 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association 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 2023 in the amount of \$1,164. 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 February 20, 2024, 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, 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, 2023 in the amounts are as follows:

General Fund	_	
Public Works:		
Highways and streets	\$	7,670
Debt Service:		
Principal retirement	\$	11,162
Interest charges	\$	838
ARP Act of 2021 Local		
Fiscal Recovery Fund	_	
Other costs:		
Payments to others	\$	5,000

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			rison schedule for the Ger caining to the City's annuc	

				Variance	
	Final Budget		Actual	Over (Under)	
TAXES					
General property taxes:					
Property	\$ 155,000	\$	160,055	\$ 5,055	
Motor vehicle	1,000	·	268	(732)	
Title ad valorem tax	36,000		37,722	1,722	
Mobile home	-		123	123	
Intangible	6,900		3,649	(3,251)	
Railroad tax	85		145	60	
Franchise taxes					
Electric	29,000		31,599	2,599	
Natural gas	4,500		5,537	1,037	
Telephone	4,000		2,986	(1,014)	
Television cable	3,200		4,036	836	
1 die vision easie					
	239,685		246,120	6,435	
General sales and use taxes:					
Local sales and use taxes	198,377		249,471	51,094	
Business taxes:					
Insurance premium	117,760		95,381	(22,379)	
Penalties and interest:					
Penalties and interest on delinquent taxes	200		388	188	
LICENSES AND PERMITS					
Business licenses	F 020		4.010	(112)	
	5,030		4,918	(112)	
Building permits and fees	1,500		3,595	2,095	
Regulatory fees	1,300			(1,300)	
	7,830		8,513	683	
INTERGOVERNMENTAL REVENUE					
State grants	20,948		20,532	(416)	
	20,948		20,532	(416)	
CHARGES FOR SERVICES					
Sanitation	38,000		46,258	8,258	
	38,000		46,258	8,258	
INVESTMENT EARNINGS					
Interest income	1,100		4,212	3,112	
			<u> </u>		
CONTRIBUTIONS AND DONATIONS FROM PRIVATE SOURCES Contributions and donations	50		63	13	
Containations and donations				13	
MISCELLANEOUS REVENUE					
Miscellaneous revenue	3,500		2,947	(553)	
Total Revenue	\$ 627,450	\$	673,885	\$ 46,435	

					Va	ariance
	Final Budget		Actual		Over (Under)	
GENERAL GOVERNMENT			-		-	
Legislative/Executive:						
Personal Services and Employee Benefits:						
Salaries and wages	\$	53,000	\$	52,180	\$	820
FICA		4,400		4,267		133
Health insurance		3,300		3,115		185
Workers compensation		400		400		-
Purchased/Contracted Services:						
Council pay		5,700		4,750		950
Dues and fees		200		114		86
Education and training		4,500		5,139		(639)
Travel		10,600		9,969		631
		82,100		79,934		2,166
General Administration:						
Personal Services and Employee Benefits:						
Salaries and wages		23,000		22,185		815
FICA		1,800		1,730		70
Workers compensation		300		300		_
Purchased/Contracted Services:						
Advertising		2,900		2,810		90
Audit fees		17,500		17,500		-
Bank charges		100		, -		100
Communications		100		-		100
Dues and fees		10,000		8,238		1,762
Education and training		800		1,800		(1,000)
Food		1,900		1,313		587
Insurance		13,067		10,936		2,131
Legal fees		8,500		9,511		(1,011)
Payroll service fees		2,800		3,212		(412)
Printing and Binding		2,000		1,824		176
Rental of equipment		1,000		844		156
Subscriptions		550		404		146
Technical services		1,000		475		525
Travel		2,800		2,705		95
Supplies:		,		,		
Computer equipment and maintenance		4,000		3,076		924
Supplies and materials		8,200		9,521		(1,321)
Miscellaneous		2,000		-		2,000
Contingencies:		.,				,
Contingencies		17,444		-		17,444
		121,761		98,384		23,377

	Final Budget	Actual	Over (Under)		
General Government Buildings:					
Purchased/Contracted Services:					
Communications	3,800	3,767	33		
Custodial services	1,400	1,200	200		
Repairs and maintenance	1,500	2,458	(958)		
Supplies:					
Supplies and materials	300	116	184		
Electricity	2,500	1,949	551		
Natural gas	1,100	1,050	50		
Water and sewer	300	199	101		
Property:					
Furniture and fixtures	500	-	500		
Site improvements	1,000	-	1,000		
	12,400	10,739	1,661		
Total General Government	216,261	189,057	27,204		
JUDICIAL					
Municipal Court:					
Purchased/Contracted Services:					
Education and training	100	-	100		
Professional fees	100	-	100		
Supplies:					
Supplies and materials	50		50		
Total Judicial	250	-	250		
PUBLIC WORKS					
Maintenance:					
Personal Services and Employee Benefits:					
Salaries and wages	90,000	93,098	(3,098)		
FICA	8,000	7,712	288		
Workers compensation	1,800	1,840	(40)		
Purchased/Contracted Services:					
Repairs and maintenance	14,500	13,912	588		
Road and street maintenance	20,949	8,114	12,835		
Travel	-	262	(262)		
Supplies:	((00	C 11F	405		
Insurance	6,600 1,650	6,115 535	485		
Electricity	3,900	3,862	1,115 38		
Gasoline Natural gas	1,400	1,271	129		
	1,400	999	401		
Small equipment Street signs	1,000	625	375		
Supplies and materials	6,000	5,340	660		
Water	240	126	114		
Property:	2 10	120	117		
Equipment	100	<u>-</u> _	100		
- 1 ··· k ··· ·· ·	157,539	143,811	13,728		

			Variance	
	Final Budget	Actual	Over (Under)	
Highways and Streets:				
Supplies:				
Electricity	20,000	20,170	(170)	
Property:				
Site improvements	-	7,500	(7,500)	
F	20,000	27,670	(7,670)	
Solid Waste Collection:				
Personal Services and Employee Benefits:				
Salaries and wages	34,000	29,560	4,440	
FICA	2,900	2,353	547	
Workers compensation	1,000	1,123	(123)	
Purchased/Contracted Services:				
Landfill fees	15,000	13,731	1,269	
Rental of land	13,000	3,200	9,800	
Rental of dumpster	11,000	12,088	(1,088)	
Repairs and maintenance	6,500	2,980	3,520	
Supplies:				
Gasoline	1,600	3,165	(1,565)	
Supplies and materials	500	231	269	
Property:				
Vehicles	1,800		1,800	
	87,300	68,431	18,869	
Total Public Works	264,839	239,912	24,927	
CULTURE AND RECREATION				
Parks and Recreation:				
Purchased/Contracted Services:				
Subscriptions	1,000	1,000		
Supplies:	1,000	1,000	_	
Miscellaneous	500	419	81	
Intergovernmental:	300	117	01	
Municipal services agreement	3,000	3,000	-	
Total Culture and Recreation	4,500	4,419	81	
TOTAL CALLALE ALLA MECHEALIOH		-,		

			Variance	
	Final Budget	Actual	Over (Under)	
HOUSING AND DEVELOPMENT		_	_	
Building Inspection:				
Advertising	100	-	100	
Professional services	2,700	2,375	325	
Repairs and maintenance	5,000	5,380	(380)	
Supplies:				
Electricity	2,600	2,702	(102)	
Supplies and materials	600	179	421	
Water	7,500	888	6,612	
Property:				
Site improvements	500		500	
Total Housing and Development	19,000	11,524	7,476	
INTERGOVERNMENTAL				
Commissions for tax collections	-	2,251	(2,251)	
Remittance of fire tax	122,600	122,534	66	
Total Intergovernmental	122,600	124,785	(2,185)	
DEBT SERVICE				
Principal retirement	-	11,162	(11,162)	
Interest charges		838	(838)	
Total Debt Service	-	12,000	(12,000)	
Total Expenditures	\$ 627,450 \$	581,697	<u>\$ 45,753</u>	

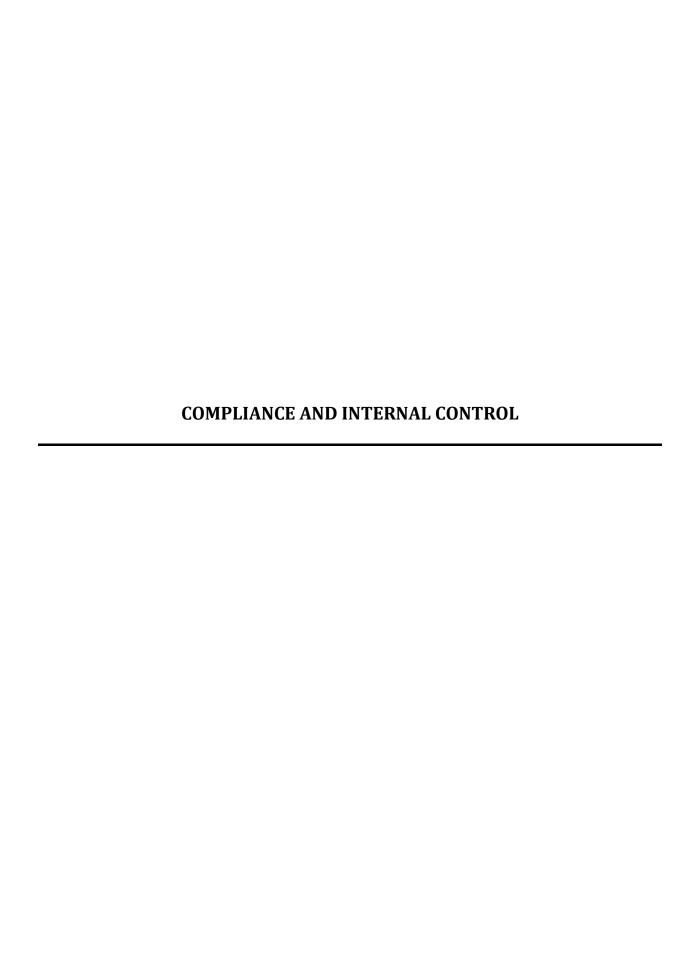
CITY OF NELSON, GEORGIA SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS For the Fiscal Year Ended June 30, 2023

	Estimated Cost		Expenditures			Estimated % of
Project	Original	Current	Prior Years	Current Year	Total	Completion
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	-	-	352,026	24,344	376,370	
Parks and Recreation facilities	-	-	83,127	137,624	220,751	
Public Safety:						
Vehicles	-	-	29,657	-	29,657	
Equipment			14,793		14,793	
	720,000	720,000	479,603	161,968	641,571	89.11%
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	32,043	-	32,043	
Transportation facilities, vehicles, equipment and improvements	450,000	450,000	61,492	199,241	260,733	
Parks and Recreation facilities, equipment, and improvements	52,786	52,786				
	1,034,829	1,034,829	93,535	199,241	292,776	28.29%
PICKENS COUNTY, SPLOST #2						
Road, street and bridge projects	729,000	729,000	283,377	14,149	297,526	40.81%
,						
PICKENS COUNTY, SPLOST 2020						
Road, street and bridge projects	1,650,200	1,650,200	122,886	118,183	241,069	14.61%
GRAND TOTALS	\$ 4,134,029	\$ 4,134,029	\$ 979,401	\$ 493,541	\$ 1,472,942	

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.

Note C: Cherokee County SPLOST #3 reported in the prior year was fully expended as of June 30, 2022, and no monies remain. Therefore, it has been removed from the above schedule for the fiscal year ending June 30, 2023.





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

To the 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, 2023, 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 February 20, 2024.

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 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

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 questioned costs. 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
East Ellijay, Georgia
Eshman 20, 2024

February 20, 2024

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

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.

<u> 2014-002 – Material Adjustments and Maintenance of General Ledger</u>

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, 2023

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

2019 -001: Reconciliation of Cash

<u>Criteria</u>: 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.

<u>Condition/Context:</u> 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, 2023.

<u>Cause</u>: 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. For the SPLOST Fund, two checks were recorded in July 2023 (when the checks cleared the bank) instead of on the date the checks were issued, March 15, 2023 and June 19, 2023, respectively.

<u>Effect</u>: Overall cash balances for the General Fund were understated by management in the amount of \$858 (net). Cash balances for the SPLOST Fund were overstated by \$6,278. 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.

<u>Recommendation</u>: 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.