

CITY OF TOCCOA, GEORGIA

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2023**

**CITY OF TOCCOA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

| | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-13 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 17 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 18 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) – General Fund | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) – American Rescue Plan Act Fund..... | 20 |
| Statement of Net Position – Proprietary Funds | 21 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds..... | 22 |
| Statement of Cash Flows – Proprietary Funds | 23 |
| Notes to Financial Statements | 24-52 |
| Required Supplementary Information: | |
| Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios | 53 |
| Schedule of City Contributions..... | 54 |
| Supplementary Information: | |
| Combining and Individual Fund Statements and Schedules: | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 55 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 56 |
| Hotel/Motel Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual..... | 57 |
| Grant Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual..... | 58 |
| Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds | 59 |

**CITY OF TOCCOA, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| COMPLIANCE SECTION | |
| 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 <i>Government Auditing Standards</i> | 60 and 61 |
| Independent Auditor’s Report on Compliance for Each Major Federal Program Reporting and Report of internal Control Over Compliance Required by the Uniform Guidance | 62-64 |
| Schedule of Expenditures of Federal Awards..... | 65 |
| Notes to Schedule of Expenditures of Federal Awards | 66 |
| Schedule of Findings and Questioned Costs | 67-69 |
| Schedule of Prior Year Audit Findings | 70 |
| Managements Corrective Action Plan..... | 71 |



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members of the
City Commission of the City of Toccoa, Georgia
Toccoa, Georgia**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Toccoa, Georgia** (the "City") as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, when applicable, cash flows thereof and the budgetary comparison for the General Fund and American Rescue Plan Act Fund for the fiscal 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 (GAAS) 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 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'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 GAAS 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 GAAS 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'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's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the City's Net Pension Liability and Related Ratios, and the Schedule of City Contributions, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part

of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121 are presented for the 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 combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards, and the schedule of expenditures of special purpose 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 November 10, 2023 on our consideration of the City'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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 10, 2023

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Toccoa (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023. This narrative is intended to assist the reader in understanding significant issues and provide an overview of financial activities and identify changes in financial position. We encourage readers to consider the information presented herein, in conjunction with the additional information furnished in the financial statements, and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$57,399,937 (net position). Of this amount, \$3,658,295 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position decreased by \$351,813 during the fiscal year ended June 30, 2023; with a decrease from business-type activities of \$516,027 and an increase in governmental activities of \$164,214.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$9,638,649 an increase of \$418,318 in comparison with the prior year. This increase is attributable mainly to SPLOST VII collections offsetting expenditures and transfers out exceeding revenues and transfers in the other funds.

Overview of the Financial Statements

The annual financial statements consist of a series of financial statements. This narrative is intended to serve as an introduction to the basic financial statements. The City's basic financial statements comprise three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. They are prepared using the accrual basis of accounting, which is the accounting method used in most private-sector companies. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

- 1) The "statement of net position" presents information on all of the City's assets, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the City is improving or deteriorating.
- 2) The "statement of activities" presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Both of the government-wide financial statements distinguish between functions that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, public works, culture and recreation, and economic and community development. Business-type activities include water and sewer, solid waste, natural gas services, and the golf course.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements focus on the most significant funds, reporting on the City's operations in greater detail than the government-wide statements. All of the City's funds can be divided into two categories: governmental and proprietary.

Governmental Funds: Most of the basic services provided by the City are financed through governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements assist the reader in determining whether there are adequate financial resources available to meet the current needs of the City.

Because the focus of governmental funds is short-term and the focus of the government-wide financial statements is both short-term and long-term, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the five funds which are considered to be major funds. The remaining funds are aggregated and presented as non-major governmental funds; however, a combining schedule for the non-major governmental funds is presented as supplementary information to these financial statements.

The City adopts an annual appropriated budget for the General Fund and all special revenue funds. Project length budgets are adopted for all capital project funds. A budgetary comparison statement is provided for the General Fund and American Rescue Plan Act Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds: The City maintains one type of proprietary funds - enterprise funds. Enterprise funds charge a fee for services to outside customers. The City uses individual enterprise funds to account for its water and sewer, solid waste, natural gas, and golf course activities – each of which is considered to be a major fund. The City's enterprise fund statements are the same as the business-type activities reported in the government-wide financial statements, but provide more detail.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential for the reader in order to obtain a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 24-52 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees.

The required supplementary information can be found on pages 53 and 54 of this report.

The "combining statements" referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 55-59 of this report.

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CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,399,937 and \$57,751,750 at June 30, 2023 and 2022, respectively. The following is a condensed version of the government-wide statement of net position.

City of Toccoa – Net Position

| | Governmental Activities | | Business-Type | | Total | |
|--------------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets: | | | | | | |
| Current and other assets | \$ 13,632,407 | \$ 13,078,454 | \$ 4,461,826 | \$ 7,344,381 | \$ 18,094,233 | \$ 20,422,835 |
| Capital assets | 10,533,932 | 10,640,193 | 46,764,451 | 47,095,885 | 57,298,383 | 57,736,078 |
| Total assets | <u>24,166,339</u> | <u>23,718,647</u> | <u>51,226,277</u> | <u>54,440,266</u> | <u>75,392,616</u> | <u>78,158,913</u> |
| Deferred outflows | | | | | | |
| of resources | <u>1,985,609</u> | <u>497,260</u> | <u>1,320,232</u> | <u>317,458</u> | <u>3,305,841</u> | <u>814,718</u> |
| Liabilities: | | | | | | |
| Long-term liabilities | | | | | | |
| outstanding | 4,199,765 | 2,318,063 | 9,154,393 | 7,147,971 | 13,354,158 | 9,466,034 |
| Other liabilities | 3,970,365 | 2,408,978 | 3,411,351 | 6,075,271 | 7,381,716 | 8,484,249 |
| Total liabilities | <u>8,170,130</u> | <u>4,727,041</u> | <u>12,565,744</u> | <u>13,223,242</u> | <u>20,735,874</u> | <u>17,950,283</u> |
| Deferred inflows | | | | | | |
| of resources | <u>385,076</u> | <u>2,056,338</u> | <u>177,570</u> | <u>1,215,260</u> | <u>562,646</u> | <u>3,271,598</u> |
| Net position: | | | | | | |
| Net investment in | | | | | | |
| capital assets | 9,170,247 | 9,159,595 | 37,492,009 | 38,145,027 | 46,662,256 | 47,304,622 |
| Restricted | 7,079,386 | 5,841,619 | - | - | 7,079,386 | 5,841,619 |
| Unrestricted | 1,347,109 | 2,431,314 | 2,311,186 | 2,174,195 | 3,658,295 | 4,605,509 |
| Total net position | <u>\$ 17,596,742</u> | <u>\$ 17,432,528</u> | <u>\$ 39,803,195</u> | <u>\$ 40,319,222</u> | <u>\$ 57,399,937</u> | <u>\$ 57,751,750</u> |

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The largest portion of the City's net position (81%) reflects its net investment in capital assets such as land, buildings, plant, utility system, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. These capital assets are used by the City to provide services to citizens. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position of \$7,079,386 is restricted by contracts or agreements with outside parties, by law, or by enabling legislation to be used for specific purposes such as capital projects.

The remaining balance of unrestricted net position \$3,658,295 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in each category of net position for governmental activities and for business-type activities. The same situation held true for the prior fiscal year.

Governmental activities increased the City's net position by \$164,214 and business-type activities decreased the City's net position by \$516,027. Much of the increase in governmental activities net position came from increased LOST and SPLOST collections and transfers in from business type activities. The decrease in business-type activities net position came predominately from transfers out of the Water & Sewer fund.

The table on the following page presents condensed financial information, derived from the government-wide statement of activities and summarizes changes in net position for the year ended June 30, 2023 and 2022.

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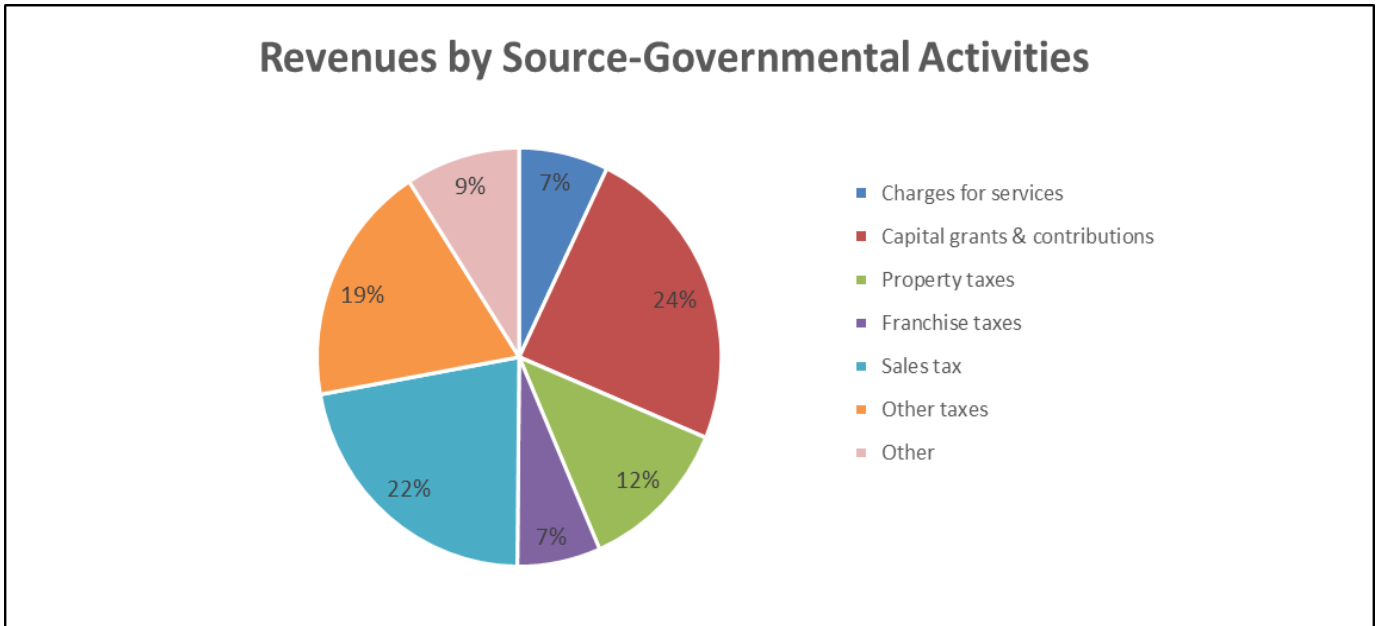
**CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

City of Toccoa – Changes in Net Position

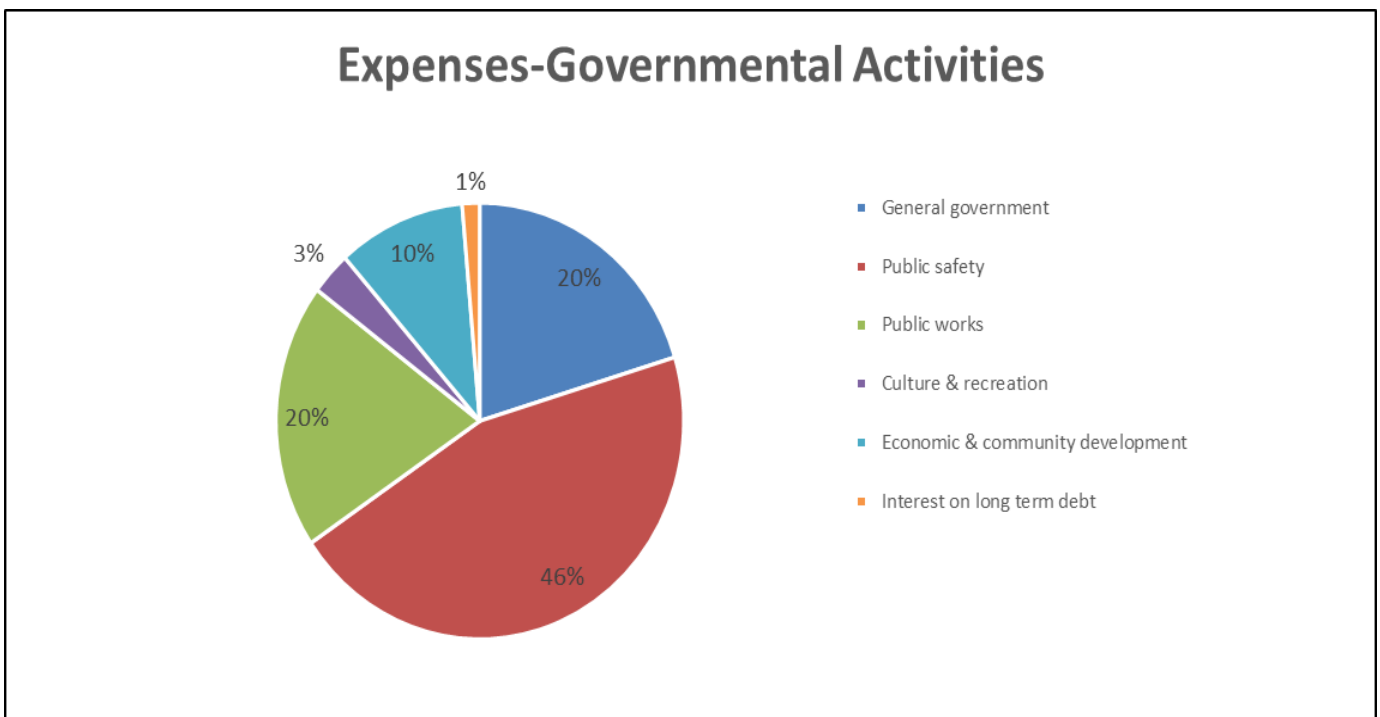
| | Governmental Activities | | Business-Type | | Total | |
|------------------------------------|-------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 614,944 | \$ 522,651 | \$25,907,071 | \$ 23,621,720 | \$ 26,522,015 | \$24,144,370 |
| Operating grants and contributions | - | 51,740 | - | - | - | 51,740 |
| Capital grants and contributions | 2,075,163 | 1,884,082 | 251,470 | 697,123 | 2,326,633 | 2,581,205 |
| General revenues: | | | | | | |
| Property taxes | 1,048,733 | 1,043,294 | - | - | 1,048,733 | 1,043,294 |
| Franchise taxes | 572,656 | 543,836 | - | - | 572,656 | 543,836 |
| Sales tax | 1,891,083 | 1,701,843 | - | - | 1,891,083 | 1,701,843 |
| Other taxes | 1,693,921 | 1,662,276 | - | - | 1,693,921 | 1,662,276 |
| Unrestricted Investment Earnings | 39,844 | 27,897 | - | - | 39,844 | 27,897 |
| Other | 748,118 | 690,865 | - | - | 748,118 | 690,865 |
| Total revenues | 8,684,462 | 8,128,484 | 26,158,541 | 24,318,843 | 34,843,003 | 32,447,327 |
| Expenses | | | | | | |
| General government | 2,629,216 | 2,601,087 | - | - | 2,629,216 | 2,601,087 |
| Public safety | 5,869,314 | 4,681,700 | - | - | 5,869,314 | 4,681,700 |
| Public works | 2,557,979 | 2,009,724 | - | - | 2,557,979 | 2,009,724 |
| Culture & recreation | 415,742 | 127,187 | - | - | 415,742 | 127,187 |
| Economic & community development | 1,314,167 | 1,031,880 | - | - | 1,314,167 | 1,031,880 |
| Interest on long term debt | 51,536 | 16,383 | - | - | 51,536 | 16,383 |
| Water and sewer | - | - | 7,109,059 | 5,874,762 | 7,109,059 | 5,874,762 |
| Solid waste | - | - | 1,196,872 | 1,167,587 | 1,196,872 | 1,167,587 |
| Natural gas | - | - | 13,460,856 | 12,090,785 | 13,460,856 | 12,090,785 |
| Golf course | - | - | 590,075 | 489,570 | 590,075 | 489,570 |
| Total expenses | 12,837,954 | 10,467,961 | 22,356,862 | 19,622,704 | 35,194,816 | 30,090,665 |
| Transfers | 4,317,706 | 3,550,334 | (4,317,706) | (3,550,334) | - | - |
| Change in net position | 164,214 | 1,210,857 | (516,027) | 1,145,805 | (351,813) | 2,356,662 |
| Net position-July 1 | 17,432,528 | 16,221,671 | 40,319,222 | 39,173,417 | 57,751,750 | 55,395,088 |
| Net position-June 30 | \$17,596,742 | \$17,432,528 | \$39,803,195 | \$ 40,319,222 | \$ 57,399,937 | \$57,751,750 |

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The following chart illustrates revenues of the governmental activities for the fiscal year:



The following chart illustrates the expenses of the governmental activities for the fiscal year:



CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Governmental activities revenues totaled \$8,684,462 for fiscal year 2023. Capital grants and contributions, the proceeds from Stephens County for the City's portion of the Special Purpose Local Option Sales Tax (SPLOST), make up the largest portion of these revenues accounting for 24% of total revenues. Sales taxes, which include the City's Local Option Sales Tax (LOST), are also a large revenue source accounting for 22% of total revenues. Other taxes, which include insurance premium taxes, business taxes, and motor vehicle taxes, make up 19% of total revenues. Property taxes accounted for 12% of total revenues.

Governmental activities expenses totaled \$12,837,954 for fiscal year 2023. Of the expenses, 46% is related to public safety and 20% is related to public works. In addition, general government accounted for 20% of total governmental expenses for the year.

Business-type activities: Business-type activities decreased the City's net position by \$516,027, due predominately to transfers out of the Water & Sewer fund.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: As previously mentioned, the focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balance of \$9,638,649 an increase of \$418,318 or 5% in comparison with the prior year. Approximately 2% of the fund balance or \$225,480 is classified as nonspendable and includes amounts for inventory and long term advances. Restricted fund balance of \$7,992,701 or 83% is for spending on capital projects, tourism, and the GMA lease pool. The remaining balance of \$1,420,468 is considered unassigned.

The General Fund is the chief operating fund of the City. For the current fiscal year, the fund balance of the City's General Fund decreased by \$825,039 as a result of expenditures and transfers out exceeding revenues and transfers in.

The American Rescue Plan Act Fund is holding cash and an offsetting liability of \$3,112,965 until the City identifies eligible expenditures to charge to the program.

The SPLOST V Fund has fund balance of \$284,625 remaining to spend on eligible projects.

The SPLOST VI Fund has fund balance of \$1,664,497 remaining to spend on eligible projects.

The SPLOST VII Fund collected SPLOST revenues of \$1,708,936 and has fund balance of \$4,521,526.

Proprietary Funds: The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about the funds.

At the fiscal year end, the Water and Sewer Fund has unrestricted net position of \$1,070,071. Overall, net position of this fund decreased by \$1,328,658 due to expenses and transfers exceeding revenues. Operating income was \$961,315, a decrease of \$822,175 from the prior year.

The Solid Waste Fund has unrestricted net position of \$184,940 and total net position decreased by \$8,863 from the prior year due to expenses and transfers exceeding revenues. Operating income was \$74,403, an increase of \$39,835 from the prior year.

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The Natural Gas Fund has an unrestricted net position of \$1,035,827. Total net position increased by \$867,443 from the prior year primarily due to revenues exceeding expenses and transfers. Operating income was \$2,787,003, an increase of \$254,060 from the prior year.

The Golf Course Fund has unrestricted net position of \$20,348. Total net position decreased by \$45,949 from the prior year primarily due to repair costs. Operating loss was \$(93,950) a decrease of \$34,142 from the prior year.

General Fund Budgetary Highlights

During the year several budget amendments were adopted by the City Commission, increasing budgeted revenues and decreasing transfers in, transfers out and expenditures, but having no significant impact on the budgeted bottom line. The adjustments are included in the final budget column totals in the budgetary statement.

During the year, General Fund revenues were less than budgetary projections by \$7,505 while expenditures were \$258,232 less than budgetary projections.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$10,533,932 net of accumulated depreciation. The investment in capital assets includes land, plant and buildings, machinery, equipment and fixtures, and streets and drainage. The balance represents a \$106,261 decrease from the prior year, caused by depreciation expense exceeding acquisitions for the year. The business-type activities had net capital assets of \$46,764,451 at June 30, 2023, representing an decrease of \$331,434 caused by depreciation expense exceeding acquisitions for the year.

Capital assets held by the City at the end of the fiscal year are summarized as follows:

**City of Toccoa – Capital Assets (net of accumulated depreciation)
Fiscal Year 2023 and 2022**

| | Governmental Activities | | Business-Type | | Total | |
|---------------------------|-------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land and improvements | \$ 761,081 | \$ 761,081 | \$ 504,735 | \$ 504,735 | \$ 1,265,816 | \$ 1,265,816 |
| Buildings | 8,134,915 | 8,044,745 | 4,613,425 | 4,519,425 | 12,748,340 | 12,564,170 |
| Urban Renewal parks | 1,176,115 | 1,176,115 | - | - | 1,176,115 | 1,176,115 |
| Machinery and equipment | 6,905,009 | 6,473,770 | 9,256,521 | 9,086,573 | 16,161,530 | 15,560,343 |
| Infrastructure | 45,058,074 | 45,058,074 | - | - | 45,058,074 | 45,058,074 |
| Utility systems | - | - | 98,092,283 | 98,014,769 | 98,092,283 | 98,014,769 |
| Construction in progress | 113,512 | - | 9,647,612 | 7,507,620 | 9,761,124 | 7,507,620 |
| Total | 62,148,706 | 61,513,785 | 122,114,576 | 119,633,122 | 184,263,282 | 181,146,907 |
| Accumulated depreciation | 51,614,774 | 50,873,592 | 75,350,125 | 72,537,237 | 126,964,899 | 123,410,829 |
| Net Capital Assets | \$10,533,932 | \$10,640,193 | \$ 46,764,451 | \$ 47,095,885 | \$ 57,298,383 | \$ 57,736,078 |

Additional information on the City's capital assets can be found in Note 6 of these financial statements.

CITY OF TOCCOA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Long-term debt: At June 30, 2023, the City had \$1,338,982 in Natural Gas bonded debt. Overall, this is \$1,874,383 lower than the prior year due to repayment of bonds at scheduled maturity. The City has a note payable with the Georgia Environmental Finance Authority that is currently in a construction/draw phase. As of June 30, 2023, the amount drawn and payable is \$7,937,726. The City's net pension liability increased by \$3,181,636 for governmental activities and \$2,114,291 for business type activities.

The City's governmental activities had certificates of participation of \$2,277,000 at June 30, 2023 and 2022, which relate to the GMA Lease Pool program in which the City participates. The certificates are due in a balloon payment in 2028.

Additional information on the City's long-term debt can be found in Note 8 of this report. Additional information on the net pension liability can be found in Note 9 of this report.

Economic Factors and Next Year's Budget and Rates

The fiscal year 2024 budget reflects the goals of the Toccoa City Commission. The City will continue to meet all of its financial and debt obligations. The budget includes continued efforts for infrastructure and facility improvements as well as replacement of aging equipment and vehicles. The City plans to continue the same level of services for our citizens and customers in fiscal year 2024. No property tax millage increases were incorporated in the fiscal year 2024 budget. No utility rate increases were incorporated in the fiscal year 2024 budget.

Request for information

This financial report is designed to provide a general overview of the City of Toccoa's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties. Questions concerning any of the information should be addressed to the City's Finance Department, 92 N. Alexander Street, Toccoa, Georgia 30577 or by phone at (706) 886-8451.

BASIC FINANCIAL STATEMENTS

CITY OF TOCCOA, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2023

| ASSETS | Primary Government | | |
|-----------------------------------------------------------------|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| Cash and cash equivalents | \$ 11,569,935 | \$ 2,247,947 | \$ 13,817,882 |
| Taxes receivable, net | 244,996 | - | 244,996 |
| Accounts receivable, net | 82,695 | 1,429,172 | 1,511,867 |
| Due from other governments | 387,415 | 81,714 | 469,129 |
| Internal balances | 144,103 | (144,103) | - |
| Inventory | 81,377 | 847,096 | 928,473 |
| Investments | 979,915 | - | 979,915 |
| Other assets | 141,971 | - | 141,971 |
| Capital assets, non-depreciable | 874,593 | 10,152,347 | 11,026,940 |
| Capital assets, depreciable, net of accumulated depreciation | 9,659,339 | 36,612,104 | 46,271,443 |
| Total assets | 24,166,339 | 51,226,277 | 75,392,616 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charges on refunding | - | 4,266 | 4,266 |
| Pension related items | 1,985,609 | 1,315,966 | 3,301,575 |
| Total deferred outflows of resources | 1,985,609 | 1,320,232 | 3,305,841 |
| LIABILITIES | | | |
| Accounts payable | 511,791 | 756,414 | 1,268,205 |
| Accrued liabilities | 160,352 | 91,863 | 252,215 |
| Unearned revenue | 3,112,965 | - | 3,112,965 |
| Customer deposits payable | - | 1,146,345 | 1,146,345 |
| Compensated absences, due within one year | 185,257 | 77,747 | 263,004 |
| Compensated absences, due in more than one year | 46,315 | 51,832 | 98,147 |
| Notes payable, due in more than one year | - | 7,937,726 | 7,937,726 |
| Bonds payable, due within one year | - | 1,338,982 | 1,338,982 |
| Certificates of participation, due in more than one year | 2,277,000 | - | 2,277,000 |
| Net pension liability, due in more than one year | 1,876,450 | 1,164,835 | 3,041,285 |
| Total liabilities | 8,170,130 | 12,565,744 | 20,735,874 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Cumulative change in fair value of effective hedge | 141,971 | - | 141,971 |
| Pension related items | 243,105 | 177,570 | 420,675 |
| Total deferred inflows of resources | 385,076 | 177,570 | 562,646 |
| NET POSITION | | | |
| Net investment in capital assets | 9,170,247 | 37,492,009 | 46,662,256 |
| Restricted for: | | | |
| Capital construction | 6,939,487 | - | 6,939,487 |
| Tourism | 134,433 | - | 134,433 |
| Grant program | 5,466 | - | 5,466 |
| Unrestricted | 1,347,109 | 2,311,186 | 3,658,295 |
| Total net position | \$ 17,596,742 | \$ 39,803,195 | \$ 57,399,937 |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,629,216 | \$ 106,497 | \$ - | \$ 134,816 | \$ (2,387,903) | \$ - | \$ (2,387,903) |
| Public safety | 5,869,314 | 413,620 | - | 320,833 | (5,134,861) | - | (5,134,861) |
| Public works | 2,557,979 | 24,927 | - | 1,612,014 | (921,038) | - | (921,038) |
| Culture and recreation | 415,742 | 69,900 | - | 7,500 | (338,342) | - | (338,342) |
| Economic and community development | 1,314,167 | - | - | - | (1,314,167) | - | (1,314,167) |
| Interest on long-term debt | 51,536 | - | - | - | (51,536) | - | (51,536) |
| Total governmental activities | <u>12,837,954</u> | <u>614,944</u> | <u>-</u> | <u>2,075,163</u> | <u>(10,147,847)</u> | <u>-</u> | <u>(10,147,847)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer | 7,109,059 | 7,922,332 | - | 251,470 | - | 1,064,743 | 1,064,743 |
| Solid waste | 1,196,872 | 1,271,275 | - | - | - | 74,403 | 74,403 |
| Natural gas | 13,460,856 | 16,217,339 | - | - | - | 2,756,483 | 2,756,483 |
| Golf course | 590,075 | 496,125 | - | - | - | (93,950) | (93,950) |
| Total business-type activities | <u>22,356,862</u> | <u>25,907,071</u> | <u>-</u> | <u>251,470</u> | <u>-</u> | <u>3,801,679</u> | <u>3,801,679</u> |
| Total primary government | <u>\$ 35,194,816</u> | <u>\$ 26,522,015</u> | <u>\$ -</u> | <u>\$ 2,326,633</u> | <u>(10,147,847)</u> | <u>3,801,679</u> | <u>(6,346,168)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 1,048,733 | - | 1,048,733 |
| Sales taxes | | | | | 1,891,083 | - | 1,891,083 |
| Franchise taxes | | | | | 572,656 | - | 572,656 |
| Insurance premium tax | | | | | 752,890 | - | 752,890 |
| Hotel/Motel occupancy tax | | | | | 106,815 | - | 106,815 |
| Business taxes | | | | | 298,201 | - | 298,201 |
| Other taxes | | | | | 536,015 | - | 536,015 |
| Unrestricted investment earnings | | | | | 39,844 | - | 39,844 |
| Other revenue | | | | | 748,118 | - | 748,118 |
| Transfers | | | | | 4,317,706 | (4,317,706) | - |
| Total general revenues and transfers | | | | | <u>10,312,061</u> | <u>(4,317,706)</u> | <u>5,994,355</u> |
| Change in net position | | | | | 164,214 | (516,027) | (351,813) |
| Net position, beginning of year | | | | | <u>17,432,528</u> | <u>40,319,222</u> | <u>57,751,750</u> |
| Net position, end of year | | | | | <u>\$ 17,596,742</u> | <u>\$ 39,803,195</u> | <u>\$ 57,399,937</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2023

| ASSETS | Major Governmental Funds | | | | | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------------------|--------------------------|------------------|------------------|-------------------|--------------------|-----------------------------------|--------------------------------|
| | American Rescue | | | | | | |
| | General | Plan Act Fund | SPLOST V Fund | SPLOST VI Fund | SPLOST VII Fund | | |
| Cash and cash equivalents | \$ 1,778,207 | \$ 3,112,965 | \$ 323,082 | \$ 1,664,497 | \$ 4,214,255 | \$ 476,929 | \$ 11,569,935 |
| Taxes receivable, net | 237,254 | - | - | - | - | 7,742 | 244,996 |
| Accounts receivable | 77,229 | 5,466 | - | - | - | - | 82,695 |
| Intergovernmental receivable | - | - | - | - | 307,795 | 79,620 | 387,415 |
| Investments | 979,915 | - | - | - | - | - | 979,915 |
| Advances to other funds | 144,103 | - | - | - | - | - | 144,103 |
| Inventory | 81,377 | - | - | - | - | - | 81,377 |
| Total assets | \$ 3,298,085 | \$ 3,118,431 | \$ 323,082 | \$ 1,664,497 | \$ 4,522,050 | \$ 564,291 | \$ 13,490,436 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 445,191 | \$ - | \$ 38,457 | \$ - | \$ 524 | \$ 27,619 | \$ 511,791 |
| Unearned Revenue | - | 3,112,965 | - | - | - | - | 3,112,965 |
| Accrued salaries | 151,339 | - | - | - | - | - | 151,339 |
| Total liabilities | 596,530 | 3,112,965 | 38,457 | - | 524 | 27,619 | 3,776,095 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property taxes | 75,692 | - | - | - | - | - | 75,692 |
| Total deferred inflows of resources | 75,692 | - | - | - | - | - | 75,692 |
| FUND BALANCES | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory | 81,377 | - | - | - | - | - | 81,377 |
| Advances to other funds | 144,103 | - | - | - | - | - | 144,103 |
| Restricted: | | | | | | | |
| Capital construction | - | - | 284,625 | 1,664,497 | 4,521,526 | 402,239 | 6,872,887 |
| GMA Lease Pool participation | 979,915 | - | - | - | - | - | 979,915 |
| Tourism | - | - | - | - | - | 134,433 | 134,433 |
| Grant program | - | 5,466 | - | - | - | - | 5,466 |
| Unassigned | 1,420,468 | - | - | - | - | - | 1,420,468 |
| Total fund balances | 2,625,863 | 5,466 | 284,625 | 1,664,497 | 4,521,526 | 536,672 | 9,638,649 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,298,085 | \$ 3,118,431 | \$ 323,082 | \$ 1,664,497 | \$ 4,522,050 | \$ 564,291 | |

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 the governmental funds. | 10,533,932 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds. | 75,692 |
| The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds. | (133,946) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (2,517,585) |
| Net position of governmental activities | \$ 17,596,742 |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Major Governmental Funds | | | | | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------|--------------------------|------------------|-------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| | American Rescue | | | | | | |
| | General | Plan Act Fund | SPLOST V Fund | SPLOST VI Fund | | | |
| Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | \$ 1,038,577 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,038,577 |
| Sales taxes | 1,891,083 | - | - | - | - | - | 1,891,083 |
| Hotel/Motel occupancy taxes | - | - | - | - | - | 106,815 | 106,815 |
| Franchise taxes | 572,656 | - | - | - | - | - | 572,656 |
| Insurance premium tax | 752,890 | - | - | - | - | - | 752,890 |
| Business taxes | 298,201 | - | - | - | - | - | 298,201 |
| Other taxes | 536,015 | - | - | - | - | - | 536,015 |
| Licenses and permits | 86,885 | - | - | - | - | - | 86,885 |
| Intergovernmental | 63,317 | - | - | - | 1,708,936 | 280,211 | 2,052,464 |
| Fines and forfeitures | 396,375 | - | - | - | - | - | 396,375 |
| Charges for services | 66,036 | - | - | - | - | - | 66,036 |
| Investment earnings | 39,844 | 5,466 | 367 | 1,940 | 14,926 | - | 62,543 |
| Other revenues | 813,766 | - | - | - | - | - | 813,766 |
| Total revenues | <u>6,555,645</u> | <u>5,466</u> | <u>367</u> | <u>1,940</u> | <u>1,723,862</u> | <u>387,026</u> | <u>8,674,306</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General government | 2,555,001 | - | 10,470 | - | - | 61,547 | 2,627,018 |
| Judicial | 203,369 | - | - | - | - | - | 203,369 |
| Police | 2,795,976 | - | - | - | 115,305 | 4,463 | 2,915,744 |
| Fire | 2,531,430 | - | - | - | - | - | 2,531,430 |
| Streets and sanitation | 796,015 | - | - | - | - | 1,200 | 797,215 |
| Cemetery | 134,005 | - | - | - | - | - | 134,005 |
| Public building and grounds | 1,249,974 | - | - | - | 3,500 | - | 1,253,474 |
| Parks and recreation | 335,216 | - | - | - | - | 81,800 | 417,016 |
| Planning, building inspection, and development | 1,246,200 | - | - | - | - | 46,625 | 1,292,825 |
| Capital outlay | 85,105 | - | - | 264,957 | - | - | 350,062 |
| Debt service: | | | | | | | |
| Interest | 51,536 | - | - | - | - | - | 51,536 |
| Total expenditures | <u>11,983,827</u> | <u>-</u> | <u>10,470</u> | <u>264,957</u> | <u>118,805</u> | <u>195,635</u> | <u>12,573,694</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,428,182)</u> | <u>5,466</u> | <u>(10,103)</u> | <u>(263,017)</u> | <u>1,605,057</u> | <u>191,391</u> | <u>(3,899,388)</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | 4,642,144 | - | - | - | - | - | 4,642,144 |
| Transfers out | (39,001) | - | (105,278) | (139,130) | - | (41,029) | (324,438) |
| Total other financing sources (uses) | <u>4,603,143</u> | <u>-</u> | <u>(105,278)</u> | <u>(139,130)</u> | <u>-</u> | <u>(41,029)</u> | <u>4,317,706</u> |
| Net change in fund balances | (825,039) | 5,466 | (115,381) | (402,147) | 1,605,057 | 150,362 | 418,318 |
| Fund balances, beginning of year | <u>3,450,902</u> | <u>-</u> | <u>400,006</u> | <u>2,066,644</u> | <u>2,916,469</u> | <u>386,310</u> | <u>9,220,331</u> |
| Fund balances, end of year | <u>\$ 2,625,863</u> | <u>\$ 5,466</u> | <u>\$ 284,625</u> | <u>\$ 1,664,497</u> | <u>\$ 4,521,526</u> | <u>\$ 536,672</u> | <u>\$ 9,638,649</u> |

The accompanying notes are an integral part of these financial statements.

**CITY OF TOCCOA, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------------|
| Net change in fund balances - total governmental funds | \$ | 418,318 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | | (106,261) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | 10,156 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | <u>(157,999)</u> |
| Change in net position - governmental activities | \$ | <u>164,214</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

| | Budget | | Actual | Variance With Final Budget |
|------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 1,040,000 | \$ 1,040,000 | \$ 1,038,577 | \$ (1,423) |
| Sales taxes | 1,751,845 | 1,882,845 | 1,891,083 | 8,238 |
| Franchise taxes | 565,000 | 565,000 | 572,656 | 7,656 |
| Insurance premium taxes | 704,000 | 753,000 | 752,890 | (110) |
| Business taxes | 265,000 | 298,000 | 298,201 | 201 |
| Other taxes | 550,950 | 550,950 | 536,015 | (14,935) |
| Licenses and permits | 70,200 | 86,900 | 86,885 | (15) |
| Intergovernmental | 52,500 | 63,400 | 63,317 | (83) |
| Fines and forfeitures | 463,000 | 395,500 | 396,375 | 875 |
| Charges for services | 58,040 | 68,140 | 66,036 | (2,104) |
| Investment earnings | 30,000 | 40,000 | 39,844 | (156) |
| Other revenues | 754,615 | 819,415 | 813,766 | (5,649) |
| Total revenues | <u>6,305,150</u> | <u>6,563,150</u> | <u>6,555,645</u> | <u>(7,505)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,605,675 | 2,882,040 | 2,640,106 | 241,934 |
| Judicial | 187,162 | 203,462 | 203,369 | 93 |
| Police | 2,631,023 | 2,796,023 | 2,795,976 | 47 |
| Fire | 2,376,918 | 2,531,618 | 2,531,430 | 188 |
| Streets and sanitation | 766,205 | 803,205 | 796,015 | 7,190 |
| Cemetery | 92,675 | 134,375 | 134,005 | 370 |
| Public building and grounds | 1,078,001 | 1,250,001 | 1,249,974 | 27 |
| Parks and recreation | 227,890 | 336,430 | 335,216 | 1,214 |
| Planning, building inspection, and development | 1,203,640 | 1,246,200 | 1,246,200 | - |
| Debt service: | | | | |
| Principal | 92,464 | 6,705 | - | 6,705 |
| Interest | 19,074 | 52,000 | 51,536 | 464 |
| Total expenditures | <u>11,280,727</u> | <u>12,242,059</u> | <u>11,983,827</u> | <u>258,232</u> |
| Deficiency of revenues under expenditures | <u>(4,975,577)</u> | <u>(5,678,909)</u> | <u>(5,428,182)</u> | <u>250,727</u> |
| Other financing sources (uses): | | | | |
| Proceeds from issuance of debt | 279,000 | 91,402 | - | (91,402) |
| Transfers in | 4,889,432 | 4,991,112 | 4,642,144 | (348,968) |
| Transfers out | (308,300) | (39,001) | (39,001) | - |
| Total other financing sources (uses) | <u>4,860,132</u> | <u>5,043,513</u> | <u>4,603,143</u> | <u>(440,370)</u> |
| Net change in fund balances | (115,445) | (635,396) | (825,039) | (189,643) |
| Fund balances, beginning of year | <u>3,450,902</u> | <u>3,450,902</u> | <u>3,450,902</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 3,335,457</u> | <u>\$ 2,815,506</u> | <u>\$ 2,625,863</u> | <u>\$ (189,643)</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA
AMERICAN RESCUE PLAN ACT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---------------------------------------------|-----------------|-----------------|-----------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Interest Income | \$ 5,500 | \$ 5,500 | \$ 5,466 | \$ (34) |
| Total revenues | <u>5,500</u> | <u>5,500</u> | <u>5,466</u> | <u>(34)</u> |
| Net changes in fund balances | 5,500 | 5,500 | 5,466 | (34) |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 5,500</u> | <u>\$ 5,500</u> | <u>\$ 5,466</u> | <u>\$ (34)</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2023

| ASSETS | Business-type Activities - Enterprise Funds | | | | Totals |
|-----------------------------------------------------|---------------------------------------------|---------------------|---------------------|---------------------|---------------|
| | Water and Sewer Fund | Solid Waste Fund | Natural Gas Fund | Golf Course Fund | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 806,543 | \$ 88,705 | \$ 1,350,844 | \$ 1,855 | \$ 2,247,947 |
| Accounts receivable, net | 617,562 | 132,073 | 679,537 | - | 1,429,172 |
| Intergovernmental receivable | 81,714 | - | - | - | 81,714 |
| Inventory | 359,046 | - | 438,045 | 50,005 | 847,096 |
| Total current assets | 1,864,865 | 220,778 | 2,468,426 | 51,860 | 4,605,929 |
| NONCURRENT ASSETS | | | | | |
| Capital assets: | | | | | |
| Nondepreciable | 10,006,239 | - | 54,800 | 91,308 | 10,152,347 |
| Depreciable assets, net of accumulated depreciation | 20,497,758 | 345,441 | 15,056,243 | 712,662 | 36,612,104 |
| Total noncurrent assets | 30,503,997 | 345,441 | 15,111,043 | 803,970 | 46,764,451 |
| Total assets | 32,368,862 | 566,219 | 17,579,469 | 855,830 | 51,370,380 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred charges on refunding | - | - | 4,266 | - | 4,266 |
| Pension related items | 666,551 | 91,742 | 557,673 | - | 1,315,966 |
| Total deferred outflows of resources | 666,551 | 91,742 | 561,939 | - | 1,320,232 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | 196,424 | 6,219 | 534,117 | 19,654 | 756,414 |
| Accrued salaries | 36,423 | 3,752 | 28,526 | 4,309 | 73,010 |
| Accrued interest | 13,986 | - | 4,867 | - | 18,853 |
| Compensated absences payable, current | 42,604 | 1,907 | 28,707 | 4,529 | 77,747 |
| Customer deposits payable | 468,680 | - | 677,665 | - | 1,146,345 |
| Bonds payable, current | - | - | 1,338,982 | - | 1,338,982 |
| Total current liabilities | 758,117 | 11,878 | 2,612,864 | 28,492 | 3,411,351 |
| NONCURRENT LIABILITIES | | | | | |
| Compensated absences payable | 28,403 | 1,271 | 19,138 | 3,020 | 51,832 |
| Advances from other funds | 4,946 | 15,000 | 124,157 | - | 144,103 |
| Notes payable | 7,937,726 | - | - | - | 7,937,726 |
| Net pension liability | 550,605 | 88,331 | 525,899 | - | 1,164,835 |
| Total noncurrent liabilities | 8,521,680 | 104,602 | 669,194 | 3,020 | 9,298,496 |
| Total liabilities | 9,279,797 | 116,480 | 3,282,058 | 31,512 | 12,709,847 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related items | 119,274 | 11,100 | 47,196 | - | 177,570 |
| Total deferred inflows of resources | 119,274 | 11,100 | 47,196 | - | 177,570 |
| NET POSITION | | | | | |
| Net investment in capital assets | 22,566,271 | 345,441 | 13,776,327 | 803,970 | 37,492,009 |
| Unrestricted | 1,070,071 | 184,940 | 1,035,827 | 20,348 | 2,311,186 |
| Total net position | \$ 23,636,342 | \$ 530,381 | \$ 14,812,154 | \$ 824,318 | \$ 39,803,195 |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | Business-type Activities - Enterprise Funds | | | | Totals |
|------------------------------------------|---------------------------------------------|---------------------|----------------------|---------------------|----------------------|
| | Water and Sewer Fund | Solid Waste Fund | Natural Gas Fund | Golf Course Fund | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 7,922,332 | \$ 1,271,275 | \$ 16,217,339 | \$ 496,125 | \$ 25,907,071 |
| Total operating revenues | <u>7,922,332</u> | <u>1,271,275</u> | <u>16,217,339</u> | <u>496,125</u> | <u>25,907,071</u> |
| OPERATING EXPENSES | | | | | |
| Personnel services and benefits | 2,522,646 | 336,567 | 2,010,808 | 266,204 | 5,136,225 |
| Purchased and contracted services | 928,783 | 723,038 | 582,303 | 202,082 | 2,436,206 |
| Supplies and equipment | 1,895,522 | 72,619 | 9,502,160 | 88,703 | 11,559,004 |
| Depreciation and amortization | 1,563,885 | 55,215 | 1,161,378 | 33,086 | 2,813,564 |
| Miscellaneous | 50,181 | 9,433 | 173,687 | - | 233,301 |
| Total operating expenses | <u>6,961,017</u> | <u>1,196,872</u> | <u>13,430,336</u> | <u>590,075</u> | <u>22,178,300</u> |
| Operating income (loss) | <u>961,315</u> | <u>74,403</u> | <u>2,787,003</u> | <u>(93,950)</u> | <u>3,728,771</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Interest and fiscal agent fees | (148,042) | - | (30,520) | - | (178,562) |
| Intergovernmental | 251,470 | - | - | - | 251,470 |
| Total non-operating revenues (expenses) | <u>103,428</u> | <u>-</u> | <u>(30,520)</u> | <u>-</u> | <u>72,908</u> |
| Income (loss) before transfers | <u>1,064,743</u> | <u>74,403</u> | <u>2,756,483</u> | <u>(93,950)</u> | <u>3,801,679</u> |
| Transfers in | 244,408 | - | - | 48,001 | 292,409 |
| Transfers out | (2,637,809) | (83,266) | (1,889,040) | - | (4,610,115) |
| | <u>(2,393,401)</u> | <u>(83,266)</u> | <u>(1,889,040)</u> | <u>48,001</u> | <u>(4,317,706)</u> |
| Change in net position | (1,328,658) | (8,863) | 867,443 | (45,949) | (516,027) |
| NET POSITION, beginning of year | <u>24,965,000</u> | <u>539,244</u> | <u>13,944,711</u> | <u>870,267</u> | <u>40,319,222</u> |
| NET POSITION, end of year | <u>\$ 23,636,342</u> | <u>\$ 530,381</u> | <u>\$ 14,812,154</u> | <u>\$ 824,318</u> | <u>\$ 39,803,195</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2023

| | Business-type Activities - Enterprise Funds | | | | Total |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------|---------------------|--------------------|---------------------|
| | Water and Sewer Fund | Solid Waste Fund | Natural Gas Fund | Golf Course Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 9,189,684 | \$ 1,260,252 | \$ 16,688,907 | \$ 496,411 | \$ 27,635,254 |
| Payments to vendors | (4,561,142) | (800,986) | (10,884,712) | (292,095) | (16,538,935) |
| Payments to or on behalf of employees | (2,503,058) | (338,267) | (1,992,785) | (265,319) | (5,099,429) |
| Net cash provided by (used in) operating activities | <u>2,125,484</u> | <u>120,999</u> | <u>3,811,410</u> | <u>(61,003)</u> | <u>5,996,890</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers from other funds | - | - | - | 48,001 | 48,001 |
| Transfers to other funds | (2,637,809) | (83,266) | (1,889,040) | - | (4,610,115) |
| Net cash provided by (used in) non-capital financing activities | <u>(2,637,809)</u> | <u>(83,266)</u> | <u>(1,889,040)</u> | <u>48,001</u> | <u>(4,562,114)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Principal payments on bonds payable | - | - | (1,865,000) | - | (1,865,000) |
| Principal forgiveness on note payable | 251,470 | - | - | - | 251,470 |
| Proceeds from note payable | 2,185,909 | - | - | - | 2,185,909 |
| Interest paid | (141,922) | - | (37,125) | - | (179,047) |
| Paid advance from other fund | (15,643) | - | (90,902) | - | (106,545) |
| Transfers from other funds specifically for capital purposes | 244,408 | - | - | - | 244,408 |
| Purchases of capital assets | (2,248,423) | - | (194,030) | (39,001) | (2,481,454) |
| Net cash provided by (used in) capital and related financing activities | <u>275,799</u> | <u>-</u> | <u>(2,187,057)</u> | <u>(39,001)</u> | <u>(1,950,259)</u> |
| Net increase (decrease) in cash and cash equivalents | (236,526) | 37,733 | (264,687) | (52,003) | (515,483) |
| Cash and cash equivalents, beginning of year | 1,043,069 | 50,972 | 1,615,531 | 53,858 | 2,763,430 |
| Cash and cash equivalents, end of year | <u>\$ 806,543</u> | <u>\$ 88,705</u> | <u>\$ 1,350,844</u> | <u>\$ 1,855</u> | <u>\$ 2,247,947</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ 961,315 | \$ 74,403 | \$ 2,787,003 | \$ (93,950) | \$ 3,728,771 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization | 1,563,885 | 55,215 | 1,161,378 | 33,086 | 2,813,564 |
| Change in assets and liabilities: | | | | | |
| Accounts receivables | 1,267,352 | (11,023) | 471,570 | 286 | 1,728,185 |
| Inventory | (84,355) | - | (112,832) | (6,837) | (204,024) |
| Deferred outflows for pension items | (508,746) | (69,399) | (434,687) | - | (1,012,832) |
| Accounts payable | (1,630,505) | 4,104 | (550,930) | 5,527 | (2,171,804) |
| Accrued salaries | (17,187) | (2,968) | (14,872) | (2,054) | (37,081) |
| Compensated absences | 4,744 | (3,102) | 5,525 | 2,939 | 10,106 |
| Customer deposits payable | 28,204 | - | 37,200 | - | 65,404 |
| Net pension liability (asset) | 1,062,010 | 144,871 | 907,410 | - | 2,114,291 |
| Deferred inflows for pension items | (521,233) | (71,102) | (445,355) | - | (1,037,690) |
| Net cash provided by (used in) operating activities | <u>\$ 2,125,484</u> | <u>\$ 120,999</u> | <u>\$ 3,811,410</u> | <u>\$ (61,003)</u> | <u>\$ 5,996,890</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF TOCCOA, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Toccoa, Georgia (the “City”) was incorporated, under the laws of the State of Georgia, in 1874 and operates under an elected Mayor-Commission form of government. The five commissioners each year elect the mayor from the elected commissioners. The City provides such services as police protection, fire services, parks and recreation amenities, planning and building inspection, municipal court services, public works, water and sewer services, natural gas services, solid waste services, and general and administrative services.

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America 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 accounting policies of the City are described below.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City (the “primary government”) and its component units, an entity for which the government is considered to be financially accountable. Based on these criteria, the Toccoa Downtown Development Authority is a component unit of the City; however, the Authority has no assets, liabilities or financial transactions as of and for the year ended June 30, 2023.

The Toccoa Housing Authority administers Federal funding and/or other financing for improvement of housing conditions in the City. The five citizens who serve as the governing board of the Authority are appointed by the City Commission; however, the City has no significant influence over the management, budget or policies of the Authority. As a result, the Authority is not a component unit of the City, but is considered a related organization and reports independently.

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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It is used to account for resources traditionally associated with the City, which are not required legally or by sound financial management to be accounted for in a different fund.

The **American Rescue Plan Act Fund** to account for operations of the American Rescue Plan grant program. Financing is provided by contributions from the federal government as a part of the American Rescue Plan Act. Such contributions are used only to finance expenditures permitted by the American Rescue Plan Act.

The **SPLOST V Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program V of the City, in an agreement with Stephens County.

The **SPLOST VI Fund** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program VI of the City, in an agreement with Stephens County.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The ***SPLOST VII Fund*** accounts for the acquisition and construction of capital expenditures which are financed by the special purpose local option sales tax program VII of the City, in an agreement with Stephens County.

The City aggregates other nonmajor governmental funds in a single column in the fund financial statements.

The City reports the following major enterprise funds:

The ***Water and Sewer Fund*** accounts for the operation of the water and sewerage system including all revenues from sources applicable to the system's operations and all expenses of the operation.

The ***Solid Waste Fund*** accounts for the activities associated with the collection of residential and commercial garbage. Activity is rendered on a user charge basis.

The ***Natural Gas Fund*** accounts for the activities associated with distributing natural gas to customers, both inside and outside the City. Activity is rendered on a user charge basis.

The ***Golf Course Fund*** accounts for the activities associated with the City's golf course operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and *the accrual basis* of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Other taxes are recognized predominately when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and pension liabilities are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, hotel/motel occupancy taxes, business taxes, intergovernmental revenue, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year if recognition criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for goods and services applicable to the fund. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets

Annual appropriated budgets are adopted for all funds, except as noted below. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds, except the capital projects funds, which adopt project-length budgets. All appropriations lapse at year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States Government or one of its agencies; (4) obligations of any corporation of the United States Government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition.

The City's investments are nonparticipating interest-earning investment contracts and are recorded at cost.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the enterprise funds are recognized at the end of each fiscal year based on the amount of service provided prior to year end.

G. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

H. Inventory

Inventories are valued at lower of cost or market using the first-in, first-out method. The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated acquisition value of the item at the date of its donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|--------------------------------|--------------|
| Buildings | 20-40 |
| Machinery and equipment | 5-20 |
| Utility plant and system | 20-40 |
| Infrastructure and urban parks | 15-100 |

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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-Term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are expenditures in the year of issue.

L. Fund Equity and Net Position

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 assets and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. Fund Equity and Net Position (Continued)

- **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** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of a resolution including the verbiage “committed for the purpose of”. Only the City Commission may modify or rescind the commitment through a subsequent resolution.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Commission has authorized the City Manager to assign fund balances through a written memorandum, in addition to the City Commission being able to assign fund balance through a motion at a public meeting.
- **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:

- Committed
- Assigned
- Unassigned

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

L. Fund Equity and Net Position (Continued)

Minimum Fund Balance Policy – The City Commission adopted a policy to maintain a reserve account of not less than \$2,000,000. This reserve account shall be in addition to any and all regular operating Fund Balances maintained in the General, Special Revenue and Enterprise Funds of the City. This account is to be set up as a separate bank account and maintained in the General Fund. This reserve account shall obtain its funding from the transfer of the employee health insurance payroll deductions, the sale of surplus and obsolete equipment, one-time general fund/enterprise revenues, allocations of annual budget transfers, unexpected revenues received and/or unexpected budget savings designated to be deposited into the account. This account is to be used solely for purposes approved by the City Commission. These uses are to be approved in a publicly held meeting and must be voted on by the City Commission.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those capital assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed

M. Deferred Outflows of Resources/Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the business type activities on the statement of net position as well as statement of net position for major proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second type of deferred outflow of resources relates to pensions. These amounts are described more fully on the following page.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

M. Deferred Outflows of Resources/Deferred Inflows of Resources (Continued)

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of deferred inflows of resources, one of which arises only under the modified accrual basis of accounting and the other two which arise only under the accrual basis of accounting. For the governmental funds, under the modified accrual basis of accounting, the City reports unavailable revenues from property taxes and other sources as a deferred inflow of resources, as these amounts will not be recognized as an inflow of resources until the period that the amounts become available. Additionally, the governmental activities, in the government-wide financial statements, report a deferred inflow of resources for the cumulative changes in fair value related to the hedging derivative financial instrument which was determined to be an effective hedge as described in more detail in Note 8. The third type of deferred inflow of resources relate to pensions and are describe below.

Finally, the City has deferred outflows and inflows of resources related to the recording of changes in its net pension liability (asset). Certain changes in the net pension liability (asset) are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability (asset) for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability (asset) are reported as deferred outflows of resources.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Toccoa Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

O. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.” The details of this \$2,517,585 difference are as follows:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Certificates of participation (COPs) payable | \$ (2,277,000) |
| Fair value of interest swap agreement on COPs | 141,971 |
| Deferred inflow of resources effective hedge swap agreement | (141,971) |
| Accrued interest payable | (9,013) |
| Compensated absences | <u>(231,572)</u> |
| Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$ (2,517,585)</u> |

Another element of that reconciliation states that “deferred outflows of resources, deferred inflows of resources, and the net pension asset related to the City’s pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.” The details of this \$133,946 difference are as follows:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net pension liability | \$ (1,876,450) |
| Deferred outflows of resources, pension related items | 1,985,609 |
| Deferred inflows of resources, pension related items | <u>(243,105)</u> |
| Net adjustment to reduce <i>fund balance- total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$ (133,946)</u> |

NOTES TO FINANCIAL STATEMENTS

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$106,261 difference are detailed below:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Capital outlay | \$ 669,460 |
| Depreciation expense | <u>(775,721)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ (106,261)</u> |

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$157,999 difference are as follows:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Compensated absences | \$ (26,255) |
| Net pension liability and related deferred inflows and outflows of resources | <u>(131,744)</u> |
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$ (157,999)</u> |

NOTES TO FINANCIAL STATEMENTS

Note 3. Stewardship, Compliance, and Accountability

A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at City Hall to obtain taxpayer comments.
- c. Prior to July 1, the Commission approves the budget.
- d. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the City Commission.

Note 4. Deposits and Investments

The table below summarizes the City's cash and cash equivalents and investments by type as of June 30, June 30, 2023.

| Investment | Maturities | Fair Value |
|------------------------------------------------------|----------------------------------|---------------|
| Deposits with Financial Institutions | --- | \$ 9,817,882 |
| Certificates of Deposit | February 19, 2024, June 22, 2024 | 4,000,000 |
| Guaranteed Investment Contract | June 1, 2028 | 979,915 |
| Total | | \$ 14,797,797 |
| As reported in the Statement of Net Position: | | |
| Cash and cash equivalents | | \$ 13,817,882 |
| Investments | | 979,915 |
| Total | | \$ 14,797,797 |

Credit Risk – Georgia law and the City's Investment Policy allow investments in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

NOTES TO FINANCIAL STATEMENTS

Note 4. Deposits and Investments (Continued)

Interest rate risk – With regard to its investments, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurements – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2023:

| Investment | Level 1 | Level 2 | Level 3 | Fair Value |
|--------------------------------|---------|------------|---------|------------|
| Fair value hedging derivative: | | | | |
| Interest rate swap agreement | \$ - | \$ 141,971 | \$ - | \$ 141,971 |

The interest rate swap agreement is more fully described in Note 8. The fair value of the interest rate swap agreement classified as Level 2 of the fair value hierarchy is valued using an option-adjusted discounted cash flow model.

The Guaranteed Investment Contract classified as an investment in the amount of \$979,915 is a nonparticipating interest-earning investment contract and, accordingly, is recorded at cost.

Custodial Credit Risk - Deposits – Custodial credit 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 or state government instruments) to be covered by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations back by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2023, the financial institution holding the City’s deposits has properly collateralized the City’s deposits in accordance with State law.

NOTES TO FINANCIAL STATEMENTS

Note 5. Receivables

The City receives property tax assessments from Stephens County, Georgia. Property taxes are levied on property values assessed as of January 1. Tax bills were levied on all real and personal property and mailed to taxpayers in September. The due date for these taxes was in December, and after that date, both penalty and interest are accrued until the taxes are collected. Property taxes are recorded as receivables and deferred inflows of resources when assessed.

Accordingly, the January 1, 2022 Property Tax Digest was recognized as revenues for fiscal year 2023, if available (i.e. collected within sixty days subsequent to year-end).

Receivables as of year-end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>SPLOST VII</u> | <u>ARPA</u> | <u>Water and Sewer</u> | <u>Solid Waste</u> | <u>Natural Gas</u> | <u>Nonmajor Governmental</u> |
|-------------------------------------|-------------------|-------------------|-----------------|----------------------------|------------------------|------------------------|----------------------------------|
| Receivables: | | | | | | | |
| Taxes | \$ 266,062 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,742 |
| Accounts | 77,229 | - | 5,466 | 706,075 | 149,532 | 829,917 | - |
| Intergovernmental | - | 307,795 | - | 81,714 | - | - | 79,620 |
| Less allowance for uncollectible | <u>(28,808)</u> | <u>-</u> | <u>-</u> | <u>(88,513)</u> | <u>(17,459)</u> | <u>(150,380)</u> | <u>-</u> |
| Net total receivable | <u>\$ 314,483</u> | <u>\$ 307,795</u> | <u>\$ 5,466</u> | <u>\$ 699,276</u> | <u>\$ 132,073</u> | <u>\$ 679,537</u> | <u>\$ 87,362</u> |

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NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Transfers/ Decreases</u> | <u>Ending Balance</u> |
|-------------------------------------------------|------------------------------|---------------------|---------------------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and improvements | \$ 761,081 | \$ - | \$ - | \$ 761,081 |
| Construction in progress | - | 113,512 | - | 113,512 |
| Total assets, not being depreciated | <u>761,081</u> | <u>113,512</u> | <u>-</u> | <u>874,593</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 8,044,745 | 90,170 | - | 8,134,915 |
| Urban renewal parks | 1,176,115 | - | - | 1,176,115 |
| Machinery and equipment | 6,473,770 | 465,778 | (34,539) | 6,905,009 |
| Infrastructure | 45,058,074 | - | - | 45,058,074 |
| Total assets, being depreciated | <u>60,752,704</u> | <u>555,948</u> | <u>(34,539)</u> | <u>61,274,113</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (4,399,476) | (204,904) | - | (4,604,380) |
| Urban renewal parks | (377,466) | (39,051) | - | (416,517) |
| Machinery and equipment | (4,856,677) | (266,009) | 34,539 | (5,088,147) |
| Infrastructure | (41,239,973) | (265,757) | - | (41,505,730) |
| Total accumulated depreciation | <u>(50,873,592)</u> | <u>(775,721)</u> | <u>34,539</u> | <u>(51,614,774)</u> |
| Total assets, being depreciated, net | <u>9,879,112</u> | <u>(219,773)</u> | <u>-</u> | <u>9,659,339</u> |
| Governmental activities capital assets, net | <u>\$ 10,640,193</u> | <u>\$ (106,261)</u> | <u>\$ -</u> | <u>\$ 10,533,932</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 504,735 | \$ - | \$ - | \$ 504,735 |
| Construction in progress | 7,507,620 | 2,139,992 | - | 9,647,612 |
| Total assets, not being depreciated | <u>8,012,355</u> | <u>2,139,992</u> | <u>-</u> | <u>10,152,347</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 4,519,425 | 94,000 | - | 4,613,425 |
| Utility systems | 98,014,769 | 77,514 | - | 98,092,283 |
| Machinery and equipment | 9,086,573 | 169,948 | - | 9,256,521 |
| Total assets, being depreciated | <u>111,620,767</u> | <u>341,462</u> | <u>-</u> | <u>111,962,229</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,020,984) | (90,137) | - | (3,111,121) |
| Utility systems | (63,181,557) | (2,349,143) | - | (65,530,700) |
| Machinery and equipment | (6,334,696) | (373,608) | - | (6,708,304) |
| Total accumulated depreciation | <u>(72,537,237)</u> | <u>(2,812,888)</u> | <u>-</u> | <u>(75,350,125)</u> |
| Total assets, being depreciated, net | <u>39,083,530</u> | <u>(2,471,426)</u> | <u>-</u> | <u>36,612,104</u> |
| Business-type activities capital assets, net | <u>\$ 47,095,885</u> | <u>\$ (331,434)</u> | <u>\$ -</u> | <u>\$ 46,764,451</u> |

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | | |
|-------------------------------------------------------|----|-------------------------|
| Governmental activities: | | |
| General government | \$ | 25,278 |
| Public safety | | 231,620 |
| Public works | | 450,732 |
| Culture and recreation | | <u>68,091</u> |
| Total depreciation expense - governmental activities | \$ | <u><u>775,721</u></u> |
| Business-type activities: | | |
| Water and sewer | \$ | 1,563,886 |
| Solid waste | | 55,215 |
| Natural gas | | 1,160,701 |
| Golf course | | <u>33,086</u> |
| Total depreciation expense - business-type activities | \$ | <u><u>2,812,888</u></u> |

Note 7. Inter-Fund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2023, is as follows:

Advances from/to other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|--------------------------|
| General fund | Solid waste fund | \$ 15,000 |
| General fund | Water and sewer fund | 4,946 |
| General fund | Natural gas fund | <u>124,157</u> |
| Total | | <u><u>\$ 144,103</u></u> |

The outstanding balances of advances between funds result from financing of equipment by the enterprise funds through the GMA lease pool for which the related assets and ultimate repayment are accounted for in the General Fund. See further discussion in Note 8.

NOTES TO FINANCIAL STATEMENTS

Note 7. Inter-Fund Receivables, Payables, and Transfers (Continued)

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Inter-fund transfers for the year ended June 30, 2023:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------|-----------------------------|---------------------|
| Water & Sewer fund | SPLOST V fund | \$ 105,278 |
| Water & Sewer fund | SPLOST VI fund | 139,130 |
| General fund | Nonmajor governmental funds | 41,029 |
| General fund | Water & Sewer fund | 2,628,809 |
| General fund | Solid waste fund | 83,266 |
| General fund | Natural gas fund | 1,889,040 |
| Golf fund | General fund | 39,001 |
| Golf fund | Water & Sewer fund | 9,000 |
| | | <u>\$ 4,934,553</u> |

Transfers are used to 1) make subsidies to the General Fund from the enterprise funds and nonmajor governmental funds and 2) transfer from the SPLOST V and SPLOST VI funds to the Water & Sewer Fund are for the reimbursement of purchases of SPLOST assets in the Water & Sewer Fund. 3) Make subsidies to the Golf Fund from the Water & Sewer and General Fund.

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NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt

Long-term liability activity for the year ended June 30, 2023, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Certificates of participation | \$ 2,277,000 | \$ - | \$ - | \$ 2,277,000 | \$ - |
| Compensated absences | 205,317 | 256,155 | (229,900) | 231,572 | 185,257 |
| Net pension liability (asset) | (1,305,186) | 3,814,661 | (633,025) | 1,876,450 | - |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 1,177,131</u> | <u>\$ 4,070,816</u> | <u>\$ (862,925)</u> | <u>\$ 4,385,022</u> | <u>\$ 185,257</u> |
| Business-type activities: | | | | | |
| Revenue bonds: | | | | | |
| Natural gas bonds | \$ 3,200,000 | \$ - | \$ (1,865,000) | \$ 1,335,000 | \$ 1,335,000 |
| Add: Premium | 13,365 | - | (9,383) | 3,982 | 3,982 |
| Net Natural Gas | 3,213,365 | - | (1,874,383) | 1,338,982 | 1,338,982 |
| GEFA Note Payable | 5,751,817 | 2,185,909 | - | 7,937,726 | - |
| Net pension liability (asset) | (949,456) | 2,543,108 | (428,817) | 1,164,835 | - |
| Compensated absences | 119,473 | 149,059 | (138,953) | 129,579 | 77,747 |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 8,135,199</u> | <u>\$ 4,878,076</u> | <u>\$ (2,442,153)</u> | <u>\$ 10,571,122</u> | <u>\$ 1,416,729</u> |

For governmental activities, compensated absences and the net pension liability are predominately liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the fund which funds the related personnel costs.

All of the City's revenue bonds at June 30, 2023 are private placements.

Governmental Activities

Certificates of Participation

In June 1998, the City entered into a lease pool agreement with the Georgia Municipal Association (the "Association"). The funding of the lease pool was provided by the issuance of \$150,126,000 Certificates of Participation by the Association. The Association passed the net proceeds through to the participating municipalities with the City's participation totaling \$2,277,000. The lease pool agreement with the Association provides that the City owns their portion of the assets invested by the pool and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal is due in a lump sum payment on June 1, 2028. Interest is payable at a rate of 4.75% each year. The City draws from the investment to lease equipment from the Association. The lease pool agreement requires the City to make lease payments back into its investment account to fund the principal and interest requirements of the 1998 GMA Certificates of Participation.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Governmental Activities (Continued)

Certificates of Participation (Continued)

As part of the issuance of the certificates of participation, the City entered into an interest rate swap agreement. Under the Swap Agreement, the City is required to pay (1) a semiannual (and beginning July 1, 2003, a monthly) floating rate of interest based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (plus a 31 basis points spread) to, or on behalf of, the Swap Counterparty (the "Swap Payment"); and the Swap Counterparty will pay to, or on behalf of, the City a semi-annual payment based on a rate equal to the fixed rate on the certificates of participation (4.75%) times a notional amount specified in the Swap Agreement, but generally equal to the outstanding unpaid principal portion of such Contract, less the amount originally deposited in the Reserve Fund relating to the Contract, and (2) a one-time Swap Premium to be paid on the effective date of the Swap Agreement. The semiannual payments from the Swap Counterparty with respect to the City are structured, and expected, to be sufficient to make all interest payments due under the Contract, and related distributions of interest on the Certificates. Monthly interest payments between the City, the holders of the Certificates of Participation, and the Swap Counterparty can be made in net settlement form as part of this agreement. Under the Swap Agreement, the City's obligation to pay floating payments to the Swap Counterparty in any calendar year may not exceed an amount equal to the SIFMA Municipal Swap Index plus 5% to be determined on the first business day of December in the preceding year. This agreement matures on June 1, 2028, at the same time of the certificates of participation. This derivative qualifies as a fair market hedge.

In the unlikely event that the Swap Counterparty becomes insolvent or fails to make payments as specified in the Swap Agreement, the City would be exposed to credit risk in the amount of the Swap's fair value. To minimize this risk, the City executed this agreement with counterparties of appropriate credit strength, with the counterparty being rated Aa3 by Moody's. At June 30, 2023, the floating rate being paid by the City is 4.01% and the market value of this agreement is \$141,971, a decrease of \$109,719 from the market value at the end of the previous fiscal year. The market value of the hedge was determined using settlement prices at the end of the day on June 30, 2023 based on the derivative contract. This fair value is reported as an other asset in the statement of net position. As this derivative is an effective hedge, qualifying for hedge accounting, the inflow from the hedge (any change in fair value from inception until fiscal year end) is deferred and reported as a deferred inflow of resources in the statement of net position.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Governmental Activities (Continued)

Certificates of Participation (Continued)

Annual debt service requirements to maturity for the certificates of participation are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ - | \$ 108,158 | \$ 108,158 |
| 2025 | - | 108,158 | 108,158 |
| 2026 | - | 108,158 | 108,158 |
| 2027 | - | 108,158 | 108,158 |
| 2028 | <u>2,277,000</u> | <u>108,158</u> | <u>2,385,158</u> |
| Total | <u>\$ 2,277,000</u> | <u>\$ 540,790</u> | <u>\$ 2,817,790</u> |

Business-Type Activities

Revenue Bonds Payable – Natural Gas Fund

On March 1, 1999, the City entered into an agreement with the Municipal Gas Authority of Georgia whereby revenue bonds were issued, in two phases, through the Municipal Gas Authority of Georgia, for the City to construct a gas line from Toccoa, Georgia to Franklin, North Carolina. The two phases of bonds issued were Series 1999 in the amount of \$23,975,000 and Series 2000 in the amount of \$2,925,000. The revenues of the City's Natural Gas Fund were pledged as collateral for these bonds. The City has also agreed to levy a tax on the properties in the City, if necessary, to meet this obligation. Interest rates on these bonds range from 3.75% to 5% with annual maturities through fiscal year 2024. The Series 1999 and 2000 bonds were refunded in fiscal year 2011 with the Series 2011 bonds as discussed below.

On March 31, 2011, the City entered into an agreement with the Municipal Gas Authority of Georgia whereby revenue bonds were issued, through the Municipal Gas Authority of Georgia, to refund all of the \$20,625,000 outstanding Series 1999 and 2000 bonds. The Series 2011 Bonds were issued in the amount of \$20,630,000. Interest rates on the bonds range from 3.00% to 5.00% with annual maturities through fiscal year 2024. The net proceeds from the Series 2011 Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded bonds. The result of this transaction is a decrease in future debt service payments of \$1,644,885 and a present value savings, or economic gain, of \$1,290,747. The refunded bonds are considered defeased and thus the assets in the trust fund along with the \$1,445,000 in outstanding refunded bonds at June 30, 2023 are not reported in the City's financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Revenue Bonds Payable – Natural Gas Fund (Continued)

Annual debt service requirements, as of June 30, 2023, for the Series 2011 Bonds, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|------------------|---------------------|
| 2024 | \$ 1,335,000 | \$ 58,406 | \$ 1,393,406 |
| Total | <u>\$ 1,335,000</u> | <u>\$ 58,406</u> | <u>\$ 1,393,406</u> |

Notes Payable from Direct Borrowing – Water and Sewer Fund

In December 2020, the City executed a promissory note (CW2019-001) to the Georgia Environmental Finance Authority (GEFA) to borrow up to \$7,322,000 from the Clean Water State Revolving Fund to finance the costs related to the Eastanollee Creek Wastewater Treatment Plan Phase I to support water quality. Additionally, the agreement with GEFA includes a principal forgiveness component equal to approximately 13.64% of the face value of the note, or \$1,000,000. The loan carries an interest rate of 2.17%. In September 2021, the City executed a modification agreement increasing their promissory note to \$9,335,000, keeping the same interest rate and forgiveness amount. As the project is still in the construction phases, an amortization schedule has not been determined for this note and thus the entire payable, (\$7,860,465), is reported as due in more than one year. In October 2022, the City executed another promissory note (CW2020-013) to the Georgia Environmental Finance Authority (GEFA) to borrow up to \$9,137,000 from the Clean Water State Revolving Fund to finance the costs related to the Eastanollee Creek Wastewater Treatment Plan Phase II to support water quality. Additionally, the agreement with GEFA includes a principal forgiveness component equal to approximately 9.85% of the face value of the note, or \$900,000. The loan carries an interest rate of 1.36%. As the project is still in the engineering phases, an amortization schedule has not been determined for this note and thus the entire payable, (\$77,261) is reported as due in more than one year.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan

Plan Description

The City, as authorized by the City Commission, has established a non-contributory defined benefit pension plan (The "City of Toccoa Retirement Plan"), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive between 1% and 1.75% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Commission, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan Membership. As of January 1, 2023, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

| | |
|---------------------------------------------------------------------|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 101 |
| Inactive plan members entitled to but not receiving benefits | 124 |
| Active plan members | 146 |
| | <u>371</u> |

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended June 30, 2023, the City's contribution rate was 6.51% of annual payroll. City contributions to the Plan were \$429,445 for the fiscal year ended June 30, 2023. Employees of the City of Toccoa do not contribute to the Plan.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2022 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2022.

Actuarial assumptions. The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------------------------|
| Inflation | 2.25% |
| Salary increases | 3.00% - 8.50%, including inflation |
| Investment rate of return | 7.375%, net of investment income, including inflation |

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – June 30, 2019.

Cost of living adjustments were assumed to be 2.25% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 are summarized in the table on the following page.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

| Asset class | Target allocation | Long-term expected real rate of return* |
|-----------------------|----------------------|-----------------------------------------------|
| Domestic equity | 45% | 6.40% |
| International equity | 20% | 6.80 |
| Real estate | 10% | 3.90 |
| Global fixed income | 5% | 0.46 |
| Domestic fixed income | 20% | 0.40 |
| Cash | —% | |
| Total | 100% | |

* Rates shown are net of the 2.25% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability (Asset) of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2023 were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|---------------------------------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------------------|
| Balances at 6/30/22 | \$ 24,154,427 | \$ 26,409,069 | \$ (2,254,642) |
| Changes for the year: | | | |
| Service cost | 293,701 | - | 293,701 |
| Interest | 1,764,670 | - | 1,764,670 |
| Differences between expected and actual experience | (560,901) | - | (560,901) |
| Contributions—employer | - | 500,941 | (500,941) |
| Net investment income | - | (4,259,043) | 4,259,043 |
| Benefit payments, including refunds of employee contributions | (1,040,795) | (1,040,795) | - |
| Administrative expense | - | (40,355) | 40,355 |
| Net changes | <u>456,675</u> | <u>(4,839,252)</u> | <u>5,295,927</u> |
| Balances at 6/30/23 | <u>\$ 24,611,102</u> | <u>\$ 21,569,817</u> | <u>\$ 3,041,285</u> |

The required schedule of changes in the City's net pension liability (asset) and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability would be if it were calculated using a discount rate that 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

| | 1% Decrease (6.375%) | Discount Rate (7.375%) | 1% Increase (8.375%) |
|------------------------------|-------------------------|---------------------------|-------------------------|
| City's net pension liability | \$ 6,177,578 | \$ 3,041,285 | \$ 422,283 |

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plan (Continued)

Net Pension Asset of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. (continued) Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2022 and the current sharing pattern of costs between employer and employee.

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

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$622,061. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ 230,494 | \$ (420,675) |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 2,748,997 | - |
| City contributions subsequent to the measurement date | 322,084 | - |
| Total | \$ 3,301,575 | \$ (420,675) |

City contributions subsequent to the measurement date of \$322,084 are reported as deferred outflows of resources and will be recognized as an addition to the net pension asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending June 30: | |
|----------------------|--------------|
| 2024 | \$ 615,798 |
| 2025 | 341,743 |
| 2026 | 364,212 |
| 2027 | 1,237,063 |
| | \$ 2,558,816 |

NOTES TO FINANCIAL STATEMENTS

Note 10. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2023, the City paid \$10,375 in such dues. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of a RC. RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the RC. Separate financial statements may be obtained from the Georgia Mountains Regional Commission, P.O. Box 1720, Gainesville, Georgia 30503.

Note 11. Risk Management

The City is exposed to various risks of losses related to: torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three (3) years have not exceeded insurance coverage.

Note 12. Contingent Liabilities

Litigation

The City is involved in pending lawsuits in the normal course of the City's business. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

NOTES TO FINANCIAL STATEMENTS

Note 12. Contingent Liabilities (continued)

Grant Contingencies

The City has received grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

Note 13. Economic Dependency/Commitments

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City, which costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2014, and may be extended through 2026, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to \$8,661,009 in 2023.

At June 30, 2023, the outstanding debt of MGAG was approximately \$87 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$3.0 million at June 30, 2023.

Note 14. Hotel/Motel Occupancy Tax

The City imposes a hotel/motel tax on lodging facilities within the City. The tax is assessed at 5% and, in accordance with O.C.G.A. 48-13-51, the City is required to spend at least 40% of this for promoting tourism, conventions, and trade shows. Revenues were \$106,815 for the year ended June 30, 2023. Of this amount 82.1% was used to promote tourism.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOCCOA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | | | |
| Service cost | \$ 293,701 | \$ 252,127 | \$ 286,486 | \$ 285,119 | \$ 289,544 | \$ 323,707 | \$ 300,493 | \$ 282,248 | \$ 296,403 |
| Interest on total pension liability | 1,764,670 | 1,675,916 | 1,589,379 | 1,572,803 | 1,512,486 | 1,505,983 | 1,409,761 | 1,306,683 | 1,265,285 |
| Differences between expected and actual experience | (560,901) | 278,634 | 364,704 | 50,350 | (68,600) | (108,023) | 285,462 | 420,636 | 141,414 |
| Changes of assumptions | - | - | - | (346,106) | - | (428,087) | - | - | (511,569) |
| Benefit payments, including refunds of employee contributions | (1,040,795) | (1,048,827) | (1,016,804) | (949,876) | (899,701) | (797,647) | (710,652) | (648,400) | (666,319) |
| Net change in total pension liability | 456,675 | 1,157,850 | 1,223,765 | 612,290 | 833,729 | 495,933 | 1,285,064 | 1,361,167 | 525,214 |
| Total pension liability - beginning | 24,154,427 | 22,996,577 | 21,772,812 | 21,160,522 | 20,326,793 | 19,830,860 | 18,545,796 | 17,184,629 | 16,659,415 |
| Total pension liability - ending (a) | <u>\$ 24,611,102</u> | <u>\$ 24,154,427</u> | <u>\$ 22,996,577</u> | <u>\$ 21,772,812</u> | <u>\$ 21,160,522</u> | <u>\$ 20,326,793</u> | <u>\$ 19,830,860</u> | <u>\$ 18,545,796</u> | <u>\$ 17,184,629</u> |
| Plan fiduciary net position | | | | | | | | | |
| Contributions - employer | \$ 500,941 | \$ 493,152 | \$ 496,753 | \$ 492,499 | \$ 515,136 | \$ 481,078 | \$ 423,545 | \$ 410,064 | \$ 355,014 |
| Net investment income | (4,259,043) | 5,245,900 | 1,942,753 | 588,277 | 1,859,001 | 2,496,179 | 1,698,818 | 184,601 | 1,604,126 |
| Benefit payments, including refunds of employee contributions | (1,040,795) | (1,048,827) | (1,016,804) | (949,876) | (899,701) | (797,647) | (710,652) | (648,400) | (666,319) |
| Administrative expenses | (40,355) | (40,620) | (39,486) | (37,967) | (40,049) | (41,931) | (24,451) | (27,792) | (22,024) |
| Net change in plan fiduciary net position | (4,839,252) | 4,649,605 | 1,383,216 | 92,933 | 1,434,387 | 2,137,679 | 1,387,260 | (81,527) | 1,270,797 |
| Plan fiduciary net position - beginning | 26,409,069 | 21,759,464 | 20,376,248 | 20,283,315 | 18,848,928 | 16,711,249 | 15,323,989 | 15,405,516 | 14,134,719 |
| Plan fiduciary net position - ending (b) | <u>\$ 21,569,817</u> | <u>\$ 26,409,069</u> | <u>\$ 21,759,464</u> | <u>\$ 20,376,248</u> | <u>\$ 20,283,315</u> | <u>\$ 18,848,928</u> | <u>\$ 16,711,249</u> | <u>\$ 15,323,989</u> | <u>\$ 15,405,516</u> |
| City's net pension liability (asset) - ending (a) - (b) | <u>\$ 3,041,285</u> | <u>\$ (2,254,642)</u> | <u>\$ 1,237,113</u> | <u>\$ 1,396,564</u> | <u>\$ 877,207</u> | <u>\$ 1,477,865</u> | <u>\$ 3,119,611</u> | <u>\$ 3,221,807</u> | <u>\$ 1,779,113</u> |
| Plan fiduciary net position as a percentage of the Plan fiduciary net position | 87.6% | 109.3% | 94.6% | 93.6% | 95.9% | 92.7% | 84.3% | 82.6% | 89.6% |
| Covered payroll | \$ 7,459,603 | \$ 6,550,823 | \$ 6,493,950 | \$ 6,415,007 | \$ 6,123,385 | \$ 6,147,875 | \$ 6,044,241 | \$ 5,623,432 | \$ 5,479,965 |
| City's net pension liability (asset) as a percentage of covered payroll | 40.8% | -34.4% | 19.1% | 21.8% | 14.3% | 24.0% | 51.6% | 57.3% | 32.5% |

This schedule will present 10 years of information once it is accumulated

CITY OF TOCCOA, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY CONTRIBUTIONS

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|----------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 429,445 | \$ 475,772 | \$ 493,152 | \$ 497,473 | \$ 491,504 |
| Contributions in relation to the actuarially determined contribution | <u>429,445</u> | <u>475,772</u> | <u>493,152</u> | <u>497,473</u> | <u>491,504</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,606,846 | \$ 5,732,193 | \$ 6,242,430 | \$ 5,922,298 | \$ 6,143,800 |
| Contributions as a percentage of Covered payroll | 6.5% | 8.3% | 7.9% | 8.4% | 8.0% |
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | |
| Actuarially determined contribution | \$ 519,862 | \$ 473,321 | \$ 413,590 | \$ 409,359 | |
| Contributions in relation to the actuarially determined contribution | <u>519,862</u> | <u>473,321</u> | <u>413,590</u> | <u>409,359</u> | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |
| Covered payroll | \$ 6,188,833 | \$ 5,730,278 | \$ 5,125,031 | \$ 5,194,911 | |
| Contributions as a percentage of Covered payroll | 8.4% | 8.3% | 8.1% | 7.9% | |

Notes to the Schedule

| | |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date | January 1, 2022 |
| Cost Method | Projected Unit Credit |
| Actuarial Asset Valuation Method | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value. |
| Assumed Rate of Return | |
| On Investments | 7.375% |
| Projected Salary Increases | 3.00%-8.50%, including inflation |
| Cost-of-living Adjustment | 2.25% |

The schedule will present 10 years of information once it is accumulated.

CITY OF TOCCOA, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

| ASSETS | <u>Special Revenue Funds</u> | | Total |
|----------------------------------------------|------------------------------|-----------------------|--------------------------------------------|
| | <u>Hotel/Motel Fund</u> | <u>Grant Fund</u> | <u>Nonmajor Governmental Funds</u> |
| Cash and cash equivalents | \$ 126,691 | \$ 350,238 | \$ 476,929 |
| Taxes receivable | 7,742 | - | 7,742 |
| Intergovernmental receivable | - | 79,620 | 79,620 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 134,433</u> | <u>\$ 429,858</u> | <u>\$ 564,291</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 27,619 | \$ 27,619 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>-</u> | <u>27,619</u> | <u>27,619</u> |
| FUND BALANCES | | | |
| Restricted: | | | |
| Capital construction | - | 402,239 | 402,239 |
| Tourism | 134,433 | - | 134,433 |
| | <u>134,433</u> | <u>402,239</u> | <u>536,672</u> |
| Total liabilities and fund balances | <u>\$ 134,433</u> | <u>\$ 429,858</u> | <u>\$ 564,291</u> |

CITY OF TOCCOA, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>Special Revenue Funds</u> | | <u>Total Nonmajor Governmental Funds</u> |
|-----------------------------------------|------------------------------|--------------------------|------------------------------------------------------|
| | <u>Hotel/Motel Fund</u> | <u>Grant Fund</u> | |
| Revenues: | | | |
| Hotel/Motel taxes | \$ 106,815 | \$ - | \$ 106,815 |
| Intergovernmental | - | 280,211 | 280,211 |
| Total revenues | <u>106,815</u> | <u>280,211</u> | <u>387,026</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | - | 61,547 | 61,547 |
| Police | - | 4,463 | 4,463 |
| Streets and sanitation | - | 1,200 | 1,200 |
| Parks and Recreation | - | 81,800 | 81,800 |
| Economic and community development | 46,625 | - | 46,625 |
| Total expenditures | <u>46,625</u> | <u>149,010</u> | <u>195,635</u> |
| Excess of revenues over expenditures | <u>60,190</u> | <u>131,201</u> | <u>191,391</u> |
| Other financing uses: | | | |
| Transfers out | <u>(41,029)</u> | - | <u>(41,029)</u> |
| Total other financing uses | <u>(41,029)</u> | - | <u>(41,029)</u> |
| Net change in fund balances | 19,161 | 131,201 | 150,362 |
| Fund balances, beginning of year | <u>115,272</u> | <u>271,038</u> | <u>386,310</u> |
| Fund balances, end of year | <u><u>\$ 134,433</u></u> | <u><u>\$ 402,239</u></u> | <u><u>\$ 536,672</u></u> |

CITY OF TOCCOA, GEORGIA
HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-----------------------------------------|-------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Hotel/Motel taxes | \$ 107,875 | \$ 107,875 | \$ 106,815 | \$ (1,060) |
| Total revenues | <u>107,875</u> | <u>107,875</u> | <u>106,815</u> | <u>(1,060)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Economic and community development | 50,750 | 50,750 | 46,625 | 4,125 |
| Total expenditures | <u>50,750</u> | <u>50,750</u> | <u>46,625</u> | <u>4,125</u> |
| Excess of revenues over expenditures | <u>57,125</u> | <u>57,125</u> | <u>60,190</u> | <u>3,065</u> |
| Other financing uses: | | | | |
| Transfers out | (57,125) | (57,125) | (41,029) | 16,096 |
| Total other financing uses | <u>(57,125)</u> | <u>(57,125)</u> | <u>(41,029)</u> | <u>16,096</u> |
| Net changes in fund balances | - | - | 19,161 | 19,161 |
| Fund balances, beginning of year | <u>115,272</u> | <u>115,272</u> | <u>115,272</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 115,272</u> | <u>\$ 115,272</u> | <u>\$ 134,433</u> | <u>\$ 19,161</u> |

CITY OF TOCCOA, GEORGIA
GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

| | Budget | | Actual | Variance With Final Budget |
|--------------------------------------------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 181,324 | \$ 280,324 | \$ 280,211 | \$ (113) |
| Total revenues | <u>181,324</u> | <u>280,324</u> | <u>280,211</u> | <u>(113)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 321,599 | 236,799 | 61,547 | 175,252 |
| Police | 2,725 | 4,525 | 4,463 | 62 |
| Streets and sanitation | - | 1,200 | 1,200 | - |
| Parks and recreation | - | 81,800 | 81,800 | - |
| Total expenditures | <u>324,324</u> | <u>324,324</u> | <u>149,010</u> | <u>175,314</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(143,000)</u> | <u>(44,000)</u> | <u>131,201</u> | <u>175,201</u> |
| Other financing sources: | | | | |
| Transfers in | 143,000 | 44,000 | - | (44,000) |
| Total other financing sources | <u>143,000</u> | <u>44,000</u> | <u>-</u> | <u>(44,000)</u> |
| Net changes in fund balances | - | - | 131,201 | 131,201 |
| Fund balances, beginning of year | <u>271,038</u> | <u>271,038</u> | <u>271,038</u> | <u>-</u> |
| Fund balances, end of year | <u><u>\$ 271,038</u></u> | <u><u>\$ 271,038</u></u> | <u><u>\$ 402,239</u></u> | <u><u>\$ 131,201</u></u> |

CITY OF TOCCOA, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE YEAR ENDED JUNE 30, 2023

| | Original Estimated Cost | Current Estimated Cost | Prior Years Cumulative Expenditures | Current Year Expenditures | Total Cumulative Expenditures |
|-------------------------------------------------------------------------------------------|-------------------------------|------------------------------|-------------------------------------------|------------------------------|-------------------------------------|
| SPLOST VII | | | | | |
| Waste Water Plant Improvements | \$ 4,000,000 | \$ 4,000,000 | \$ - | \$ - | \$ - |
| Roads, Bridges, and Culverts | 2,000,000 | 2,000,000 | - | 3,500 | 3,500 |
| Public Safety Vehicles | 1,315,180 | 1,315,180 | - | 115,305 | 115,305 |
| Total SPLOST VII | \$ 7,315,180 | \$ 7,315,180 | \$ - | \$ 118,805 | \$ 118,805 |
| SPLOST VI | | | | | |
| Water and Sewer Projects | \$ 2,000,000 | \$ 1,889,039 | \$ 24,314 | \$ 331,768 | \$ 356,082 |
| Road Resurfacing | 2,000,000 | 2,110,948 | 2,110,948 | - | 2,110,948 |
| Schaefer Center Renovations | 382,327 | 382,327 | - | 12,750 | 12,750 |
| City Vehicle Replacement | 500,000 | 500,000 | 500,000 | - | 500,000 |
| Improvements to City Hall | 300,000 | 300,000 | 240,540 | 59,570 | 300,110 |
| Financial Software | 200,000 | 200,000 | 199,889 | - | 199,889 |
| City Pool | 903,100 | 903,113 | 903,113 | - | 903,113 |
| Total SPLOST VI | \$ 6,285,427 | \$ 6,285,427 | \$ 3,978,804 | \$ 404,087 | \$ 4,382,891 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance | | | | | |
| | | | | 264,957 | |
| | | | | 139,130 | (1) |
| | | | | 404,087 | |
| SPLOST V | | | | | |
| Highway 17 Sewer | \$ 1,000,000 | \$ 1,000,000 | \$ 999,999 | \$ - | \$ 999,999 |
| Meadow Lift Station | 250,000 | 161,650 | - | - | - |
| Eastanollee WWTP | 500,000 | 356,343 | 326,061 | - | 326,061 |
| Fire Equipment | 750,000 | 750,000 | 749,808 | - | 749,808 |
| Roads | 2,260,000 | 1,300,000 | 1,299,999 | - | 1,299,999 |
| Historical Society Building | 270,000 | 270,000 | 270,000 | - | 270,000 |
| Recreation | 400,000 | 243,515 | 243,515 | - | 243,515 |
| Water System Improvements | 2,330,000 | 1,961,625 | 1,931,625 | 2,470 | 1,934,095 |
| Inflow & Infiltration | 1,300,000 | 884,519 | 676,149 | 113,278 | 789,427 |
| Total SPLOST V | \$ 9,060,000 | \$ 6,927,652 | \$ 6,497,156 | \$ 115,748 | \$ 6,612,904 |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance | | | | | |
| | | | | \$ 10,470 | |
| | | | | 105,278 | (1) |
| | | | | \$ 115,748 | |
| Total SPLOST | \$ 22,660,607 | \$ 20,528,259 | \$ 10,475,960 | \$ 638,641 | \$ 11,114,601 |

(1) Transfers out were recorded in order to properly transfer assets to the Water and Sewer Fund for purchases made on applicable SPLOST projects. Amounts are allowable under the SPLOST referendum.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

Hotel/Motel Fund – This fund is used to account for the occupancy tax collected by the City from area hotels and motels, and distributed based upon state statute including a requirement for a portion to be spent on tourism.

Grant Fund – This fund is used to account for the funds received from external sources as they relate to grants awarded to the City, not reported in other funds. Matching funds, which are the City's responsibility, are also recorded within this fund.

COMPLIANCE SECTION



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

Honorable Mayor and Members of the
City Commission of the City of Toccoa, Georgia
Toccoa, 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, business type activities, each major fund and the aggregate remaining fund information of the City of Toccoa, Georgia (the "City"), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

The City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City'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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 10, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members of the
City Commission of the City of Toccoa, Georgia
Toccoa, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Toccoa, Georgia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 10, 2023

CITY OF TOCCOA, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Federal Assistance Listing Number | Contract or Project Number | Total Expenditures |
|--------------------------------------------------------|--------------------------------------|----------------------------------|--------------------------------|
| U.S. Environmental Protection Agency | | | |
| Passed through Georgia Environmental Finance Authority | | | |
| Clean Water State Revolving Fund (CWSRF) Cluster | 66.458 | CW-2019-001 | \$ 2,351,677 |
| Clean Water State Revolving Fund (CWSRF) Cluster | 66.458 | CW-2020-013 | <u>85,702</u> |
| Total U.S. Environmental Protection Agency | | | <u>2,437,379</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 2,437,379</u></u> |

The City did not pass any awards to sub-recipients.

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF TOCCOA, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related liability is incurred.

In instances where the grant agreement requires the City to match grant awards with City funds, such matching funds are excluded from the accompanying schedule of expenditures of federal awards. Grant programs that did not have 2023 transactions have not been presented herein. The majority of these programs have completed their program activities but may not have been formally closed out. Grant revenues and expenditures incurred prior to 2023 under these grants remain subject to audit by either the grantor agency or its representatives within the limitations of the Uniform Guidance.

Federal grant programs that are administered through State agencies (pass-through awards) have been included in the accompanying schedule of expenditures of federal awards. These programs are operated according to federal regulations promulgated by the originating federal agency providing the funding.

The City does not utilize the 10% de minimis indirect cost rate.

The City's Capitalization Grants for Clean Water State Revolving Fund Loan have the following outstanding loan balances. The draws made during the year are included in the schedule of expenditures of federal awards. The balances of the loans outstanding at June 30, 2023 are:

| | |
|-------------|-------------|
| CW 2019-001 | \$7,860,465 |
| CW 2020-013 | \$77,261 |

CITY OF TOCCOA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a) yes no

Identification of major federal program:

 Federal Assistance Listing Number Name of Federal Program or Cluster

66.458 Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF TOCCOA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings and Questioned Costs

Finding 2023-001 – Segregation of Duties

Criteria: Segregation of employee’s duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting or cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition/Context: During the course of our testwork, we noted several areas in which the segregation of duties could be improved. The following are controls or practices which should be in place to ensure adequate segregation of duties, but aren’t at the City:

- Mail is opened and a list of daily receipts is prepared by two or more people independent of the cashier and accounts receivable bookkeeping.
- Individuals opening the mail prepare prenumbered cash receipts and attach remittance data to the cash receipts prior to forwarding the documentation to accounting.
- The list of daily cash receipts or lockbox listing from the bank is compared to postings to customer accounts, contribution records, and deposits and to a validated deposit slip by a person independent of the cash receipts and accounts receivable functions.
- Check signing (including control of mechanical check signers and signature plates) is independent of the initiator of purchases, approver of purchases, receiving, shipping, preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- Checks are not returned to the preparer after signing.
- Persons preparing payroll are independent of other payroll and personnel duties (for example, timekeeping, distribution of checks, and hiring employees) and restricted from access to other payroll data or cash.
- Bank statements are received directly by the appropriate level of management or another appropriate person (such as a governing body member) and reviewed prior to routing to accounting for reconciliation.
- The cash receipting and deposit function is performed by only one employee at the North Carolina location.

Effect: Without some segregation of duties within these functions; there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

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

Recommendation: We recommend that the City review its processes and determine where it can cost-effectively segregate some of the duties in higher risk areas to alleviate the segregation of duties issues.

Response: The City agrees with this recommendation. Due to reduced work force, segregation of duties will continue to be an issue; however, the City will continue to look at possibilities to reduce the City’s risks according to the controls and practices suggested by Mauldin & Jenkins.

CITY OF TOCCOA, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported

CITY OF TOCCOA, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION IV
STATUS OF PRIOR FISCAL YEAR FINDINGS

Finding 2022-001 – Segregation of Duties

Condition: During the course of our testwork, we noted several areas in which the segregation of duties could be improved.

Auditee's Response/Status: The finding was repeated as finding 2023-001.

Finance Department
Municipal Building
P.O. Box 579
92 N. Alexander Street
Toccoa, Georgia 30577
(706) 886-8451



City of Toccoa

MANAGEMENT'S CORRECTIVE ACTION FOR THE YEAR ENDED JUNE 30, 2023

2023-001 Segregation of Duties

Name of the Contact Person Responsible for the Corrective Action Plan: Becky Bohannon, Finance Director.

Corrective Action Plan: The City will continue to review its operations to determine the most efficient and effective solution to properly segregate duties.

Anticipated Completion Date: June 30, 2024