

Financial Report

For the Year Ended June 30, 2022



WATER & SEWERAGE AUTHORITY

PROTECTING THE ENVIRONMENT AS WE SERVE

Ellijay-Gilmer County Water & Sewerage Authority
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Controller

**ELLIJAY-GILMER COUNTY
WATER AND SEWERAGE AUTHORITY
ELLIJAY, GEORGIA
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2022

**ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
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JUNE 30, 2022**

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ELLIJAY GILMER COUNTY WATER AND SEWERAGE AUTHORITY
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ellijay-Gilmer County Water & Sewerage Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and major fund of the Ellijay-Gilmer County Water & Sewerage Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Ellijay-Gilmer County Water & Sewerage Authority'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 business-type activities and major fund of the Ellijay-Gilmer County Water & Sewerage Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ellijay-Gilmer County Water & Sewerage Authority 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 Ellijay-Gilmer County Water & Sewerage Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ellijay-Gilmer County Water & Sewerage Authority'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 Ellijay-Gilmer County Water & Sewerage Authority'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 net pension liability and related ratios, and schedule of contributions on pages 3-7 and 23-28 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 Ellijay-Gilmer County Water & Sewerage Authority's basic financial statements. The schedule of revenues, expenses, and changes in net fund position - budget and actual is presented for purposes of additional analysis and is 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 schedule of revenues, expenses, and changes in net fund position - budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the Ellijay-Gilmer County Water & Sewerage Authority'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 Ellijay-Gilmer County Water & Sewerage Authority'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 Ellijay-Gilmer County Water & Sewerage Authority's internal control over financial reporting and compliance.

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

Welch, Walker & Associates, P.C., CPAs
 East Ellijay, Georgia
 December 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

INTRODUCTION

The Ellijay Gilmer Water and Sewerage Authority (the “Authority”) was created in 1987 by the State of Georgia legislature as a body corporate and politic which is deemed to be a political subdivision of the State of Georgia (the “State”) and is considered to be the reporting entity for financial reporting purposes. The Authority is authorized to acquire, construct, add to, extend, improve, equip, operate and maintain projects embracing sources of water supply and the distribution and sale of water and related facilities to individuals, private concerns, municipal corporations, the State of Georgia, and its political subdivisions, and to acquire, construct, add to, extend, improve, equip, operate and maintain sewerage systems, both sanitary, sewage disposal and sewage treatment plants, and any and all other related facilities. The Authority operates under the supervision of a five-member Board.

The discussion and analysis of the Authority’s financial activities for the year ended June 30, 2022, is designed to assist the reader in focusing on significant financial issues and activities of the Authority and to identify significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements which begin on page 8.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Fund Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows report the Authority’s net position and changes in them. The Authority’s net position (the difference between assets plus deferred outflow and liabilities plus deferred inflows) is one way to measure the Authority’s financial health or financial position.

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflow of resources of the Authority increased \$2.8 million or more than 4%. There was an increase in total liabilities and deferred inflow of resources of \$37 thousand or less than 1%. Deferred outflows decreased by \$4 thousand and deferred inflows increased by \$142 thousand. Total net position increased \$2.8 million or 5%.
- Total revenues had a net decrease of \$692 thousand. This was due primarily to a decrease in grant revenue of \$1.1 million offset by increases in operating revenues from increased water usage by customers and leachate received from landfills. Operating revenues consist primarily of water and sewerage charges.
- Total expenses increased \$399 thousand or 6%. This was attributable to increased operating costs across the board for wages, services, and supplies.

THE AUTHORITY AS A WHOLE

The analysis below focuses on Fund Net Position (Table 1) and Changes in Fund Net Position (Table 2):

Table 1
Fund Net Position (Condensed)

	2022	2021	Increase (Decrease)
Assets and Deferred Outflows of Resources:			
Current assets	\$ 19,435,050	\$ 16,894,700	\$ 2,540,350
Capital assets, net	42,237,595	41,647,785	589,810
Noncurrent assets	166,010	456,381	(290,371)
Deferred outflow of resources	77,522	82,126	(4,604)
Total	<u>61,916,177</u>	<u>59,080,992</u>	<u>2,835,185</u>
Liabilities and Deferred Inflows of Resources:			
Current liabilities	2,445,219	1,675,366	769,853
Long-term debt outstanding	5,095,315	5,969,929	(874,614)
Deferred inflow of resources	160,932	18,627	142,305
Total	<u>7,701,466</u>	<u>7,663,922</u>	<u>37,544</u>
Net Position:			
Net investment in capital assets	36,218,806	35,385,730	833,076
Restricted	332,702	208,554	124,148
Unrestricted	17,663,203	15,822,786	1,840,417
Total fund net position	<u>\$ 54,214,711</u>	<u>\$ 51,417,070</u>	<u>\$ 2,797,641</u>

Table 2
Changes in Fund Net Position (Condensed)

Revenues:			Increase
	2022	2021	(Decrease)
Operating revenues:			
Charges for services	\$ 8,840,106	\$ 8,392,679	\$ 447,427
Non operating revenues (losses):			
Grants, contributions, asset disposals and interest	244,811	1,390,852	(1,146,041)
Contributions	256,245	249,350	6,895
Total Revenues	<u>9,341,162</u>	<u>10,032,881</u>	<u>(691,719)</u>
 Expenses:			
Operating expenses	6,472,880	5,966,169	506,711
Non operating expenses:			
Interest expense	70,641	178,384	(107,743)
Total expenses	<u>6,543,521</u>	<u>6,144,553</u>	<u>398,968</u>
 Change in net position	2,797,641	3,888,328	(1,090,687)
Beginning net position	51,417,070	47,528,742	3,888,328
Ending net position	<u>\$ 54,214,711</u>	<u>\$ 51,417,070</u>	<u>\$ 2,797,641</u>

Total Assets and Deferred Outflows of Resources increased \$2.8 million or more than 4%. The increase in current assets was attributable to an increase in cash of \$2.5 million. Capital assets increased \$589 thousand due to capital contributions from private sources and completed projects.

Total Liabilities and Deferred Inflows of Resources increased \$37 thousand or less than 1%.

Total Net Position increased \$2.8 million or 5%. The increase was the result of the increase in unrestricted net assets of \$1.8 million, and an increase in net investment in capital assets of \$833 thousand. Increases in restricted net assets are comprised of monies that are specifically allocated to the debt service, customer deposits and to capital projects and are funded by impact fee revenues or designated contributions from other governmental entities in the amount of \$124 thousand.

Total Operating Revenues increased \$447 thousand or 5%. The increase was primarily the result of the increase in water usage by customers, a 2.5% increase in billing rates for water and sewer customers, and increases in new home construction water taps as well as in waste hauler revenues.

Total Non-Operating Revenues decreased \$1.1 million attributable to grant revenue received in the prior year. The Authority did not receive any grant revenue in the current year.

Total Expenses increased \$399 thousand. This increase was mainly due to an increase in operating expenses of \$507 thousand offset by a decrease in interest expense of \$108 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets, net of accumulated depreciation totaled \$42 million. Major capital asset additions included the completion of the North Ellijay Sewer Rehab and meter change outs. Current year construction in progress totaled \$788 thousand which is mainly attributable to the Roundtop Phase II water line project. The table below focuses on the changes in non-depreciable and depreciable assets from the previous year. See note 5 for additional information about changes in capital assets during the fiscal year.

Capital Assets (net of accumulated depreciation) (dollars are in thousands)

	2022	2021	Change
Non-Depreciable Assets:			
Land	\$ 420	\$ 387	\$ 33
Construction in progress	788	995	(207)
Total	<u>1,208</u>	<u>1,382</u>	<u>(174)</u>
Depreciable Assets:			
Intangibles	4	20	(16)
Land improvements	16	17	(1)
Infrastructure	39,413	38,534	879
Buildings & improvements	732	819	(87)
Vehicles	50	81	(31)
Machinery & Equipment	814	795	19
Total	<u>41,029</u>	<u>40,266</u>	<u>763</u>
Total	<u>\$ 42,237</u>	<u>\$ 41,648</u>	<u>\$ 589</u>

Long Term Debt at the end of the fiscal year totaled \$5.55 million in bonded debt outstanding. The debt is backed by the full faith and credit of the Authority. A debt coverage ratio of 1.20 is required per the bond resolution. Additional information on the Authority's debt can be found at note 7. The debt coverage is calculated by dividing the current year change in net position (increased for depreciation and amortization) by the current year total debt payments. The table below focuses on the change in outstanding debt from the previous year.

Outstanding Debt
(dollars are in thousands)

	2022	2021	Change
Bonds Payable	\$ 5,550	\$ 6,205	\$ (655)
Debt Coverage	5.50	5.54	(0.04)

ECONOMIC FACTORS THAT MAY AFFECT THE AUTHORITY

There are several unknown factors that may affect the Authority, including changes in existing federal or state legislation, additional responsibilities for new environmental or drinking water demands, and market conditions that could affect the viability of future revenues and impact earnings. Because of these unknown factors, the Authority keeps in contact with other agencies and authorities and stays current with all proposed legislation to allow for an expeditious decision-making process. The Authority also maintains and monitors the budget on a monthly basis for the purpose of controlling costs associated with its projected revenues in order for it to make corrective measures in a timely manner. With positive signs of economic growth in the County, water main capital projects have been expanded to offer service to a larger area of the County.

CONTACTING THE AUTHORITY’S MANAGEMENT

This financial report is designed to provide a general overview of the Authority’s finances and to show the Authority’s accountability for the money it receives as well as its ability to pay debt service. If you have questions about this report or need additional information, contact the Controller, at 1023 Progress Rd., Ellijay, Ga. 30540, or call 706-276-2202.

BASIC FINANCIAL STATEMENTS

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:	
Cash	\$ 16,771,301
Restricted Assets	
Cash	1,131,057
Receivables, net of allowance	321,454
Miscellaneous receivables	239,296
Inventory	966,427
Prepaid items	5,515
Total Current Assets	<u>19,435,050</u>
Noncurrent Assets:	
Cash	166,010
Capital Assets	
Non depreciable	1,208,776
Depreciable, net	41,028,819
Total Noncurrent Assets	<u>42,403,605</u>
Total Assets	61,838,655
Deferred Outflow of Resources:	
Bond defeasance cost, net of amortization	31,135
Pension costs	46,387
Total Deferred Outflow of Resources	<u>77,522</u>
Total Assets and Deferred Outflows of Resources	<u>61,916,177</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:	
Accounts payable	863,675
Construction contracts payable	31,658
Accrued expenses	42,647
Current portion of long term liabilities	
Compensated absences	37,533
Revenue bonds payable, net	671,351
Total Current Liabilities	<u>1,646,864</u>
Current Liabilities Payable From Restricted Assets:	
Customer deposits	798,355
NonCurrent Liabilities:	
Compensated absences	10,381
Net pension liability	155,581
Revenue bonds payable, net	4,929,353
Total Noncurrent Liabilities	<u>5,095,315</u>
Total Liabilities	7,540,534
Deferred Inflows of Resources:	
Pension costs	154,907
Unearned revenue	6,025
Total Deferred Inflows of Resources	<u>160,932</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,701,466</u>

NET POSITION

Net investment in capital assets	36,218,806
Restricted for:	
Capital projects	332,702
Unrestricted	17,663,203
Total Net Position	<u>\$ 54,214,711</u>

The accompanying notes are an integral part of this statement.

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OPERATING REVENUES	
Water charges	\$ 3,732,627
Sewer charges	3,320,250
Waste hauler fees	1,457,879
Customer tap fees	142,501
Industrial monitoring fees	47,973
Penalties and interest	60,861
Miscellaneous	40,614
Service charges	32,425
Reconnect fees	4,950
Bad debt recovery	26
Total Operating Revenues	8,840,106
 OPERATING EXPENSES	
Wastewater treatment plant	2,001,780
Water treatment plant	1,073,288
Maintenance and distribution	1,007,243
Administration	756,645
Depreciation and amortization	1,633,924
Total Operating Expenses	6,472,880
 OPERATING INCOME	 2,367,226
 NON-OPERATING REVENUES (EXPENSES)	
Special district fee	83,430
Gain on disposal of capital assets	1,150
Impact fees	127,528
Interest revenue	32,703
Interest expense	(70,641)
Total Non-Operating Revenues	174,170
Income Before Capital Asset Contributions	2,541,396
 CONTRIBUTIONS	
Capital asset contributions from private sources	256,245
Change in Net Position	2,797,641
Net Position, beginning of year	51,417,070
Net Position, end of year	\$ 54,214,711

The accompanying notes are an integral part of this statement.

ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,901,259
Cash payments for goods and services	(3,271,100)
Cash payments for personal services	(1,775,736)
Net cash provided by operating activities	3,854,423
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,589,353)
Impact fees received	127,528
Special district fees received	83,430
Proceeds from grants	528,797
Contributions from private sources	71,084
Proceeds from disposal of equipment	1,150
Interest paid on capital debt	(123,796)
Principal paid on capital debt	(604,296)
Net cash (used in) financing activities	(1,505,456)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Certificate of deposit	265,664
Interest revenue	32,703
Disposal of member equity	25,000
Net cash provided by investing activities	323,367
Net Increase in Cash	2,672,334
Cash, beginning of year	15,396,034
Cash, end of year	\$ 18,068,368
 Cash, as shown on the Statements of Net Position:	
Cash, unrestricted (current)	\$ 16,771,301
Cash, restricted (current)	1,131,057
Cash, restricted (noncurrent)	166,010
Total cash	\$ 18,068,368
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 2,367,226
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,633,924
Decrease in accounts receivable, net	27,469
(Increase) in prepaid expenses	131,415
(Increase) in inventories	(555,991)
Increase in accounts payable	292,132
(Decrease) in accrued payroll expenses	(16,623)
(Decrease) in pension liability	(201,822)
Increase in deferred pension	143,009
Increase in customer deposits	33,684
Net cash provided by operating activities	\$ 3,854,423
 Noncash activity:	
Capital contributions from private entities	185,161
Loss on investment in member equity	7,290

The accompanying notes are an integral part of this statement.

ELLIJAY GILMER COUNTY WATER AND SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ellijay-Gilmer County Water and Sewerage Authority (hereafter referred to as the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. THE REPORTING ENTITY

The Authority operates the public utilities for water and sewer for the incorporated and immediate surrounding areas. The Authority is a political subdivision of the State of Georgia and is governed by a five member board. The five members represent Gilmer County, the City of Ellijay and the City of East Ellijay. In past years, the criteria for including the Authority as a component unit with the Gilmer County, Georgia governmental reporting entity as set forth in the Governmental Accounting Standards Boards Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61 was financial accountability. Financial accountability is defined as appointment of a voting majority on the component unit's board *and* either the ability of the primary government to impose its will or the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government. Although Gilmer County has a voting majority on the Authority Board, it has been determined by management that Gilmer County's ability to impose its will or incur a financial benefit or burden no longer exists. The Authority operates autonomously and needs no approval from any other entity or official to act and no other entity directly or indirectly guarantees the Authority's debt obligations. All board members serve a five-year term. In the event of a vacancy by reason of death, disqualification, resignation, or other reason, the commissioner or the governing authority originally appointing the member whose position is vacant shall select and appoint a qualified person to fill the unexpired term. Also, based upon the application of these criteria, the Authority has no component units.

B. NEW ACCOUNTING PRONOUNCEMENT

In June 2017, the Government Accounting Standards Board issued Statement No. 87, Leases, with an effective date for fiscal year beginning after June 15, 2021. The objective of the statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Leased assets are amortized over the term of the lease. The Authority does not have any leased assets or liabilities to report for the fiscal year 2022.

C. BASIS OF PRESENTATION

The activities of the Authority are reported in accordance with generally accepted accounting principles as applicable to enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Because the Authority is a special purpose government engaged only in business type activities, it is not required to present a statement of activities to comply with the provisions of GASB Statement 34.

NOTES TO FINANCIAL STATEMENTS (continued)

D. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by an entity's measurement focus. Enterprise funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. With this measurement focus, all assets and liabilities (whether current or non-current) associated with the operation of the entity are included on the statement of net position. Enterprise fund statements of activities present increases (revenues) and decreases (expenses) in total net position. The accrual basis of accounting is followed by the Authority. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

Enterprise 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 fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for water and wastewater services. Operating expenses include the costs associated with the conveyance of water and wastewater, treatment of wastewater, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB 34 (as amended by GASB 63) requires the classification of net position into three components as described below:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – This component of net position consists of restrictions placed on net position as a result of external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – This component of net position consists of amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, and then unrestricted resources, as they are needed.

E. BUDGETS

The Authority is not legally required to adopt a budget. However, an annual operating budget for planning, control, and evaluation purposes is prepared and approved by the Authority Board.

F. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash includes amounts in demand deposits. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities, bonds or certificates of indebtedness of this state and of its agencies and instrumentalities, and certificates of deposits of banks insured by FDIC.

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments, (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (continued)

G. INVENTORIES

Inventories consist of supplies and materials and are stated at cost. Inventories are accounted for on the first-in, first-out (FIFO) method. The Authority uses the consumption method of accounting for inventories, under which materials and supplies are recorded as inventory when purchased and are recorded as an expense when used.

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items.

I. CAPITAL ASSETS

The Authority has established the following capitalization thresholds for capitalizing individual assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Land	\$	1
Land improvements		12,500
Water and sewerage infrastructure		5,000
Buildings and improvements		25,000
Machinery and equipment		2,500
Vehicles		2,500
Intangibles		1

Major outlays for capital assets and improvements are capitalized as projects are constructed. When the project is completed, depreciation will be provided for in amounts sufficient to relate the cost of the depreciable assets to operations over its estimated service life.

Intangible assets consist of feasibility studies, geological studies and water model development. The intangible costs are amortized over the estimated term of their usefulness.

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

Land improvements	15 years
Water and sewerage infrastructure	25-50 years
Buildings	30-50 years
Machinery and equipment	5-25 years
Vehicles	5 years
Intangibles	5 years

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources until then. The Authority has one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the unamortized balance of bond insurance purchased for the 2015A refunding revenue bond issue,

NOTES TO FINANCIAL STATEMENTS (continued)

which, in accordance with GASB 65, will continue to be amortized over the life of the new 2020 Bond issue (see item 7).

For the year ended June 30, 2022, the amount of bond insurance included in interest expenses in accordance with GASB Statement 65 was \$3,900.

In addition to liabilities, The Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item which arises only under an accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unearned revenue, is reported as a deferred inflow of resources on the Statement of Net Position and will be recognized as an inflow of resources in the period in which the amounts become available. Also qualifying for reporting in this category is the premium associated with the 2015A refunding revenue bond issue, which, in accordance with GASB 65, will continue to be amortized over the life of the new 2020 Bond issue (see item 7).

For the year ended June 30, 2022, the amount of bond premium amortization netted against interest expense in accordance with GASB Statement 65 was (\$6,351).

Deferred outflows of resources and deferred inflows of resources related to pensions are discussed at item 9, *Pension expense and deferred outflows of resources and deferred inflows of resources*.

K. COMPENSATED ABSENCES

Vested or accumulated vacation is recorded as an expense and liability up to the maximum allowable amount as the benefit accrues to employees. Vacation leave can be accrued up to a maximum of 20 days. Amounts over the maximum are paid to employees at the end of the fiscal year.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. 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 Authority's Defined Benefit Pension Plan (EGCWSARP)) and additions to/deductions from EGCWSARP's fiduciary net position have been determined on the same basis as they are reported by EGCWSARP. 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.

2. DEPOSITS

Following is a reconciliation of the Authority's cash balances as of June 30, 2022:

	Business Type Activities <u>Statement of Fund Net Position</u>
Cash, unrestricted	\$16,937,311
Cash, restricted	<u>1,131,057</u>
TOTAL	<u>\$18,068,368</u>

NOTES TO FINANCIAL STATEMENTS (continued)

At year-end, the carrying amount of the Authority's deposits was \$18,068,368 and the bank balances were \$18,354,588. Of the bank balances, \$250,000 was covered by federal depository insurance and \$18,104,588 of the balance was collateralized with pooled securities held by the financial institutions trust departments. These securities are held in the name of the financial institution and not the Authority. State statute requires banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value and surety bonds at face value in combined aggregate totaling not less than 110% of the public funds held.

3. ACCOUNTS RECEIVABLE

Accounts receivable is shown net of the allowance for doubtful accounts of \$126,166. This allowance for possible credit losses reduces the carrying value of the trade receivables to its net realizable value. The amount of the reserve is based upon management's estimates of currently uncollectible accounts, historical trends, and other factors. Included in accounts receivable are unbilled water and sewer charges of \$19,319.

4. RESTRICTED ASSETS AND NET POSITION

Certain assets of the Authority have been restricted for the following purposes:

	<u>Cash</u>
Customer deposits	\$ 798,355
Capital asset projects	<u>332,702</u>
	<u>\$ 1,131,057</u>

Assets restricted by enabling legislation are included in current restricted cash in the amount of \$332,702 and are shown as a component of restricted net position for capital projects.

NOTES TO FINANCIAL STATEMENTS (continued)

5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Capital assets, not being depreciated:				
Construction in progress	\$ 995,356	\$ 1,568,404	\$ 1,775,745	\$ 788,015
Land	387,369	33,392	-	420,761
Total capital assets, not being depreciated	<u>1,382,725</u>	<u>1,601,796</u>	<u>1,775,745</u>	<u>1,208,776</u>
Capital assets, being depreciated:				
Intangible Assets	186,279	-	-	186,279
Land improvements	69,702	-	-	69,702
Infrastructure	59,768,199	2,197,796	-	61,965,995
Buildings	492,959	-	-	492,959
Building Improvements	1,134,311	-	-	1,134,311
Vehicles	560,999	-	33,057	527,942
Machinery and equipment	3,122,538	199,887	-	3,322,425
Total assets, being depreciated	<u>65,334,987</u>	<u>2,397,683</u>	<u>33,057</u>	<u>67,699,613</u>
Less accumulated depreciation for:				
Intangible Assets	(166,773)	(14,987)	-	(181,760)
Land improvements	(53,057)	(1,371)	-	(54,428)
Infrastructure	(21,234,232)	(1,318,337)	-	(22,552,569)
Buildings	(217,865)	(11,388)	-	(229,253)
Building Improvements	(590,475)	(75,941)	-	(666,416)
Vehicles	(479,836)	(30,829)	33,057	(477,608)
Machinery and equipment	(2,327,689)	(181,071)	-	(2,508,760)
Total accumulated depreciation	<u>(25,069,927)</u>	<u>(1,633,924)</u>	<u>33,057</u>	<u>(26,670,794)</u>
Total capital assets, being depreciated, net	<u>40,265,060</u>	<u>763,759</u>	<u>-</u>	<u>41,028,819</u>
Business-type activities capital assets, net	<u>\$ 41,647,785</u>	<u>\$ 2,365,555</u>	<u>\$ 1,775,745</u>	<u>\$ 42,237,595</u>

Depreciation and amortization expense were charged to water and sewer functions in the amount of \$1,633,924 for the fiscal year ended June 30, 2022.

6. LONG-TERM DEBT

The 2015A Bonds were issued at a premium of \$95,266 which will be amortized over the life of the Series 2020 bonds and is presented in the Statement of Net Position as a deferred inflow of resources.

<i>Revenue Refunding Bonds, Series 2020</i> in the original amount of \$6,850,000; with a fixed interest rate of 1.18%; and with varying annual principal and interest Installments; maturity in 2030; with restrictive covenants.	\$ 5,550,000
Less current portion of revenue bonds payable	(665,000)
	<u>\$ 4,885,000</u>

The total amount of interest charged to expense for the year ended June 30, 2022, was \$73,092.

Changes in Long-Term Debt

NOTES TO FINANCIAL STATEMENTS (continued)

Changes in Long-Term Debt

Changes in long-term debt for the fiscal year ended June 30, 2022, are shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Business-type activities:</i>					
Bonds payable:					
Revenue Bonds	\$ 6,205,000	\$ -	\$ 655,000	\$ 5,550,000	\$ 665,000
Compensated absences	<u>54,557</u>	<u>47,914</u>	<u>54,557</u>	<u>47,914</u>	<u>37,533</u>
 Total Long-Term Debt	 <u>\$ 6,259,557</u>	 <u>\$ 47,914</u>	 <u>\$ 709,557</u>	 <u>\$ 5,597,914</u>	 <u>\$ 702,533</u>

Payments of principal and interest related to the 2020 Series Revenue Bonds for the next five years and until maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 665,000	\$ 65,490	\$ 730,490
2024	675,000	57,643	732,643
2025	680,000	49,678	729,678
2026	690,000	41,654	731,654
2027	695,000	33,512	728,512
2027-2030	<u>2,145,000</u>	<u>50,858</u>	<u>2,195,858</u>
	<u>\$ 5,550,000</u>	<u>\$ 298,835</u>	<u>\$ 5,848,835</u>

The following reconciles long-term bond obligations to the net amounts presented on the Statement of Fund Net Position.

	<u>Revenue Bonds Outstanding June 30, 2022</u>	<u>Premium on Bond Issuance, Net</u>	<u>Revenue Bonds Outstanding, Net June 30, 2022</u>	<u>Amounts Due In One Year, Net</u>	<u>Noncurrent Revenue Bonds, Net</u>
2020 Revenue Bonds	<u>\$ 5,550,000</u>	<u>\$ 50,704</u>	<u>\$ 5,600,704</u>	<u>\$ 671,351</u>	<u>\$ 4,929,353</u>

7. RISK MANAGEMENT

The Authority carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets injuries, errors and omissions and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

8. RETIREMENT PLANS

Defined Benefit Pension Plan

Plan Description. The Authority's defined benefit pension plan, Ellijay-Gilmer County Water and Sewerage Authority Retirement Plan (EGCWSARP), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. EGCWSARP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The GMEBS

NOTES TO FINANCIAL STATEMENTS (continued)

assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities and, for the EGCWSARP that authority rests with the Ellijay-Gilmer County Water and Sewerage Authority. The Georgia Municipal Association issued a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to the Georgia Municipal Association or by calling (404) 688-0472.

At January 1, 2022, the most recent date of the actuarial valuation, Plan membership consisted of:

Disabled employees, retirees, and beneficiaries currently receiving benefits	15
Terminated employees entitled to benefits not yet receiving them	<u>6</u>
Total participants	21

The Defined Benefit Pension Plan is closed to new entrants.

Funding Policy. The Authority is required to contribute at an actuarially determined rate; the current rate is 165% of annual covered payroll. The most current valuation date of the plan was January 1, 2022 with an interest adjustment to the fiscal year. Participating employees became eligible after the first full calendar year of employment and become vested in the plan after ten years of service. Employees initially employed or re-employed on or after November 1, 2004 are not eligible to participate. Only the Ellijay-Gilmer County Water and Sewerage Authority, the employer, makes contributions to the plan. Total contributions to the plan totaled \$56,363. Contributions and interest forfeited by employees who leave employment before ten years of service are used to reduce the Authority's current period contribution requirement. The contribution requirements of plan members and the Authority are established and may be amended by the GMEBS Board of Trustees.

Net Pension Liability

The Authority's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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 January 1, 2022.

The assumptions used in the January 1, 2022 actuarial valuation are as follows:

Actuarial Cost Method	Projected Unit Credit Cost Method. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.
Amortization Method	Closed level dollar for remaining unfunded liability.
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. The amortization period for the unfunded actuarial accrued liability is closed.

NOTES TO FINANCIAL STATEMENTS (continued)

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 amount 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.
Net Investment Rate of Return	7.375% on-going basis based on long term expected rate of return on pension plan investments.
Projected Salary Increases	2.25% plus service based merit increases.
Cost of Living Adjustments	1.70% for participants terminated on or after February 1, 2000.

Mortality rates for healthy retirees and beneficiaries are determined by sex-distinct Pri-2012 head count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled participants rates determined by Sex-distinct Pri-2012 head count weighted Disabled Retiree Mortality table with rates multiplied by 1.25. Active participants terminated vested participants and deferred beneficiaries are determined by Sex-distinct Pri-2012 head counted weighted Employee mortality Table. Mortality tables are projected generationally from 2012 to future years using 60% of the sex-distinct improvement rates under the 2019 OASDI trustees report used for the intermediate alternative.

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 expenses 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. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.55%
International equity	20%	7.30%
Global fixed income	5%	0.50%
Domestic fixed income	20%	0.40%
Real estate	10%	3.65%
Cash	0%	
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (continued)

Changes in the Net Pension Liability

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(c)
Balances at July 1, 2021	\$ 1,524,764	\$ 1,167,361	\$ 357,403
Changes for the year:			
Service cost	1,520	-	1,520
Interest	107,725	-	107,725
Differences between expected Actual experience	21,264	-	21,264
Contributions-employer	-	62,555	(62,555)
Contributions-employee	-	-	-
Net investment income	-	278,541	(278,541)
Benefit payments, including refunds of employee contributions	(131,214)	(131,214)	-
Administrative expense	-	(8,405)	8,405
Other	-	-	-
Net Changes	(345)	201,477	(201,822)
Balances at June 30, 2022	<u>\$ 1,524,419</u>	<u>\$ 1,368,838</u>	<u>\$ 155,581</u>

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

	<u>1% Decrease (6.375%)</u>	<u>Current Discount Rate (7.375%)</u>	<u>1% Increase (8.375%)</u>
Authority's net pension liability	\$ 281,932	\$ 155,581	\$ 45,488

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

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

For the year ended June 30, 2022, the Authority recognized pension expense of \$3,038. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Contributions made after the measurement date	46,387	-
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(154,907)</u>
Total	<u>\$46,387</u>	<u>\$(154,907)</u>

The \$46,387 deferred outflows related to contributions made after the measurement date will be recognized as a reduction of the net pension liability.

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:

2023	\$ (38,691)
2024	(33,352)
2025	(43,806)
2026	(39,058)
2027	-
2028 and Thereafter	-

Defined Contribution Pension Plan

Effective July 1, 2004, the Authority adopted a prototype pension plan sponsored by The Variable Annuity Life Insurance Company (VALIC). The pension plan, Ellijay-Gilmer County Water & Sewerage Authority Defined Contribution Plan, is a defined contribution plan, covering substantially all employees; the plan is qualified under Section 401(k) of the Internal Revenue Code. The plan provisions are established and may be amended by the Authority as plan administrator. Under the provisions of the plan, eligible participating employees may elect to contribute up to the maximum allowable percentage of their salary to the plan. The Authority's matching contribution to the plan is 50% of the participant's elective deferral, with the exception that deferrals in excess of 8% of a participant's compensation shall not be matched. Employee contributions to the plan for the fiscal year ending June 30, 2022 were \$98,798. Matching contributions to the plan were made by the Authority for the fiscal year ending June 30, 2022, in the amount of \$82,015.

9. JOINT VENTURE

The Authority is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interests in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities of federal, state, and local entities. Separate financial statements may be obtained from:

NOTES TO FINANCIAL STATEMENTS (continued)

Northwest Georgia Regional Water Resources Partnership
P.O. Box 1793
Rome, Georgia 30162-1793.

During the fiscal year 2022 the Authority was also a member in the Coosawattee Regional Water and Sewerage Authority. The other members of the Authority are the City of Calhoun, City of Chatsworth and Pickens County. The member's contributions are the main source of funding for this Authority. The Authority's investment in the Coosawattee Regional Water and Sewerage Authority was \$25,000, but this Authority is in the process of being dissolved and Ellijay Gilmer Water & Sewerage Authority's investment was returned during fiscal year 2022, net of a loss of \$7,290. The purpose of the Coosawattee Regional Water and Sewerage Authority is to assist in the planning, implementation and management on a regional basis, the water resources of its participating members and to strongly encourage regional planning for a growth strategy that will ensure that water resources will be efficiently and effectively utilized by each of its members. Separate financial statements may be obtained from:

Coosawattee Regional Water and Sewerage Authority
1023 Progress Rd.
Ellijay, Georgia 30540

10. COMMITMENTS AND CONTINGENCIES

The Authority, from time to time, maybe involved in litigation, disputes and claims arising in the ordinary course of business. These matters arise from a wide variety of sources, including the day-to-day operations of the Authority and contracts/agreements related to its services and vendors.

11. ECONOMIC DEPENDENCY

During the year ended June 30, 2022, charges for water and sewer services provided by the Authority to one commercial customer were approximately \$3.2 million representing 36.33% of total operating revenues. If the operations of this commercial customer's local facility were to be discontinued, it will have a significant impact on the Authority's operating revenues.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 19, 2022, the date which the financial statements were available to be issued. The following events require disclosure, but not modifications to the financial statements.

The Authority was awarded funds in the amount of \$500,000 through the OneGeorgia Equity Grant administered by the Georgia Department of Community Affairs. This grant will be reflected in fiscal year 2023.

The Authority was awarded funds through the American Rescue Plan Act (ARPA) in the amount of \$1,000,000 as a subrecipient of Gilmer County subsequent to fiscal year end. This grant is expected to be received in in fiscal year 2023, but the Authority does not plan to use for project construction until fiscal 2024 or later.

No other events which require disclosure or modifications to the financial statements were noted.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	2022	2021
Total pension liability		
Service cost	\$ 1,520	\$ 1,472
Interest	107,725	107,704
Difference between expected and actual Experience	21,624	20,450
Changes in assumptions	-	-
Changes of benefit terms	-	-
Benefit payments, including refunds of Employee contributions	<u>(131,214)</u>	<u>(127,560)</u>
Net Change in total pension liability	(345)	2,066
Total pension liability-beginning	<u>1,524,764</u>	<u>1,522,698</u>
Total pension liability-ending (a)	<u>\$ 1,524,419</u>	<u>\$1,524,764</u>
 Plan fiduciary net position		
Contributions – employer	\$ 62,555	\$ 64,421
Contributions – employee	-	-
Net investment income	278,541	104,742
Benefit payments, including refunds of employee contributions	(131,214)	(127,560)
Administrative expense	(8,405)	(8,272)
Other	-	-
Net change in fiduciary net position	201,477	33,331
Plan fiduciary net position – beginning	<u>1,167,361</u>	<u>1,134,030</u>
Plan fiduciary net position – ending (b)	<u>\$ 1,368,838</u>	<u>\$1,167,361</u>
Net pension liability – ending: (a)-(b)	<u>\$ 155,581</u>	<u>\$ 357,403</u>
Plan’s fiduciary net position as a percentage of the total pension liability	89.79%	76.56%
Covered employee payroll	\$ -	\$ 41,409
Net pension liability as a percentage of covered administrative expense	n/a	863.10%

Schedule of Changes in Net Pension Liability and Related Ratios-Continued

	2020	2019
Total pension liability		
Service cost	\$ 3,866	\$ 4,167
Interest	107,257	107,216
Difference between expected and actual		
Experience	15,337	995
Changes in assumptions	28,371	-
Changes of benefit terms	-	-
Benefit payments, including refunds of Employee contributions	<u>(116,721)</u>	<u>(106,350)</u>
Net Change in total pension liability	38,110	6,028
Total pension liability-beginning	<u>1,484,588</u>	<u>1,478,560</u>
Total pension liability-ending (a)	<u>\$1,522,698</u>	<u>\$1,484,588</u>
 Plan fiduciary net position		
Contributions – employer	\$ 68,269	\$ 71,998
Contributions – employee	-	-
Net investment income	32,472	107,142
Benefit payments, including refunds of employee contributions	(116,721)	(106,350)
Administrative expense	(8,161)	(8,882)
Other	-	-
Net change in fiduciary net position	(24,141)	63,908
Plan fiduciary net position – beginning	<u>1,158,171</u>	<u>1,094,263</u>
Plan fiduciary net position – ending (b)	<u>\$1,134,030</u>	<u>\$1,158,171</u>
Net pension liability – ending: (a)-(b)	<u>\$ 388,668</u>	<u>\$ 326,417</u>
Plan’s fiduciary net position as a percentage of the		
total pension liability	74.48%	78.01%
Covered employee payroll	\$ 40,273	\$ 78,720
Net pension liability as a percentage of covered administrative expense	965.08%	414.66%

Schedule of Changes in Net Pension Liability and Related Ratios-Continued

	2018	2017
Total pension liability		
Service cost	\$ 4,133	\$ 3,841
Interest	106,532	105,207
Difference between expected and actual		
Experience	13,508	6,191
Changes in assumptions	29,152	-
Changes of benefit terms	-	-
Benefit payments, including refunds of Employee		
contributions	<u>(98,730)</u>	<u>(97,566)</u>
Net Change in total pension liability	54,595	17,673
Total pension liability-beginning	<u>1,423,965</u>	<u>1,406,292</u>
Total pension liability-ending (a)	<u>\$1,478,560</u>	<u>\$1,423,965</u>
 Plan fiduciary net position		
Contributions – employer	\$ 61,281	\$ 66,088
Contributions – employee	-	-
Net investment income	146,729	102,087
Benefit payments, including refunds of		
employee		
contributions	(98,730)	(97,566)
Administrative expense	(9,714)	(5,564)
Other	-	-
Net change in fiduciary net position	99,566	65,045
Plan fiduciary net position – beginning	<u>994,697</u>	<u>929,652</u>
Plan fiduciary net position – ending (b)	<u>\$1,094,263</u>	<u>\$ 994,697</u>
Net pension liability – ending: (a)-(b)	<u>\$ 384,297</u>	<u>\$ 429,268</u>
Plan’s fiduciary net position as a percentage of the		
total pension liability	74.01%	69.85%
Covered employee payroll	\$ 80,575	\$ 79,726
Net pension liability as a percentage of covered		
administrative expense	476.94%	538.43%

Schedule of Changes in Net Pension Liability and Related Ratios-Continued

	2016	2015
Total pension liability		
Service cost	\$ 3,607	\$ 3,461
Interest	103,595	101,992
Difference between expected and actual		
Experience	10,876	10,652
Changes in assumptions	-	1,021
Changes of benefit terms	-	-
Benefit payments, including refunds of Employee		
contributions	<u>(96,983)</u>	<u>(95,917)</u>
Net Change in total pension liability	21,095	21,209
Total pension liability-beginning	<u>1,385,197</u>	<u>1,363,988</u>
Total pension liability-ending (a)	<u>\$1,406,292</u>	<u>\$1,385,197</u>
 Plan fiduciary net position		
Contributions – employer	\$ 66,943	\$ 65,585
Contributions – employee	-	-
Net investment income	12,115	100,463
Benefit payments, including refunds of employee		
contributions	(96,983)	(95,917)
Administrative expense	(6,289)	(5,161)
Other	<u>-</u>	<u>-</u>
Net change in fiduciary net position	(24,214)	64,970
Plan fiduciary net position – beginning	<u>956,866</u>	<u>888,896</u>
Plan fiduciary net position – ending (b)	<u>\$ 929,652</u>	<u>\$ 953,866</u>
Net pension liability – ending: (a)-(b)	<u>\$ 476,640</u>	<u>\$ 431,331</u>
Plan’s fiduciary net position as a percentage of the		
total pension liability	66.11%	68.86%
Covered employee payroll	\$ 74,806	\$ 72,340
Net pension liability as a percentage of covered		
administrative expense	637.17%	596.26%

SCHEDULE OF AUTHORITYS CONTRIBUTIONS

	2021	2020	2019
Actuarially determined contribution	*	\$64,964	69,370
Contributions in relation to the actuarially determined contribution	*	59,550**	69,370**
Contribution deficiency (excess)	*	5,414	-
Covered-employee payroll	*	40,273***	78,720***
Contributions as a percentage of covered Employee payroll	*	147.87%	88.12%

	2022	2021	2020	2019
Actuarially determined contribution	*	\$69,791	\$64,964	\$69,370
Contributions in relation to the actuarially determined contribution	*	68,205**	59,550**	69,370**
Contribution deficiency (excess)	*	5,414	5,414	--
Covered-employee payroll	*	41,409***	40,273***	78,720***
Contributions as a percentage of covered Employee payroll	*	164.71%	147.87%	88.12%

	2018	2017	2016	2015
Actuarially determined contribution	\$65,586	\$67,133	\$65,739	\$67,345
Contributions in relation to the actuarially determined contribution	65,586**	67,133**	65,739**	67,345**
Contribution deficiency (excess)	--	--	--	--
Covered-employee payroll	80,575***	79,726***	74,806***	72,340***
Contributions as a percentage of covered Employee payroll	81.40%	84.20%	87.88%	93.10%

*2022 information will be determined after fiscal year end and will be included in the 2022 valuation report.

**Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

***Covered payroll is based on data collected as of September 30, 2020 for the 2021 actuarial valuation, September 30, 2019 for the 2020 actuarial valuation, September 30, 2018 for the 2019 actuarial valuation, September 30, 2017 for the 2018 actuarial valuation, August 31, 2016 for the 2017 actuarial valuation, August 31, 2015 for the 2016 actuarial valuation and August 31, 2014 for the 2015 actuarial valuation.

Notes to Schedule of Contributions

Valuation date: The actuarially determined contribution rate was determined as of January 1, 2022, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years. The amortization period for the unfunded actuarial accrued liability is closed.

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 amount 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.
Net Investment Rate of Return	7.375% On-going basis based on long term expected rate of return on pension plan investments.
Projected Salary Increases	2.25% plus service-based merit increases.
Cost of Living Adjustments	1.70%
Inflation	2.25%
Retirement age	65 years old for inactive vested employees
Mortality	Sex-distinct Pri-2012 head-count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25 and Sex-distinct Pri-2012 head-count weighted Disabled Retiree Mortality Table with rates multiplied by 1.25.

Changes of assumptions

Amounts reported for the fiscal year ending in 2020 and later reflect the following assumption changes based on an actuarial study conducted in November and December of 2019:

- The investment return assumption was decreased from 7.50% to 7.375%.
- The inflation assumption was decreased from 2.75% to 2.25%.
- The cost of living assumption was decreased from 2.75% to 1.70%.
- The salary increase assumption was changed from a service based salary scale starting at 8.25% for the first two years of service with an ultimate rate of 3.25% at ten years of service to a service based scale starting at 8.50% for the first two years of service with an ultimate rate of 3.00% at 15 years of service.
- The prior retirement assumption was based on the Plan's normal retirement eligibility. If normal retirement eligibility was only available on or after age 65, the prior assumption was 60% at ages 65 to 69 and 100% at age 70 and older. The new assumption relates to when a given participant is eligible for normal retirement. Retirement rates do not apply if a participant is not eligible for either early or normal retirement. The retirement rates where normal retirement is available on or after 65 are: 5% at ages 55 to 59, 7% at ages 60 and 61, 20% at age 62, 10% at ages 63 and 64, 35% at age 65, 25% at ages 66 to 71 and 100% at ages 72 and older.
- Mortality rates for healthy retirees and beneficiaries was changed from the sex-distinct RP-2000 Combined Health Mortality Table to the sex-distinct Pri-2012 head count weighted Healthy Retiree Mortality Table with rates multiplied by 1.25. Disabled participants rates were changed from sex-distinct RP-2000 Disabled Retiree Mortality Table to the Sex-distinct Pri-2012 head count weighted Disabled Retiree Mortality table with rates multiplied by 1.25. Active participants terminated vested participants and deferred beneficiaries changed from the sex-distinct RP-2000 Combined Healthy Mortality Table, set forward two years in age for males and one year for females was changed to Sex-distinct Pri-2012 head counted weighted Employee mortality Table.

Benefit changes

There have been no changes in benefit provisions in the last two fiscal years.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenses, and Changes in Fund Net Position – Budget and Actual

**ELLIJAY-GILMER COUNTY WATER AND SEWERAGE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS FOR JUNE 30, 2021**

	2022				2021
	Original Budget	Amended Budget	Actual	Variance	Actual
OPERATING REVENUES					
Water charges	\$ 3,530,641	\$ 3,605,641	\$ 3,732,627	\$ 126,986	\$ 3,458,803
Sewer charges	3,046,259	3,046,259	3,320,250	273,991	3,023,715
Waste hauler fees	1,500,000	1,500,000	1,457,879	(42,121)	1,586,867
Customer tap fees	122,500	122,500	142,501	20,001	117,550
Industrial monitoring fees	52,000	52,000	47,973	(4,027)	59,971
Penalties and interest	52,000	52,000	60,861	8,861	54,332
Miscellaneous	42,200	42,200	40,614	(1,586)	55,137
Service charges	30,000	30,000	32,425	2,425	31,130
Reconnect fees	4,000	4,000	4,950	950	4,675
Bad debt recovery	500	500	26	(474)	499
Total Operating Revenues	<u>8,380,100</u>	<u>8,455,100</u>	<u>8,840,106</u>	<u>385,006</u>	<u>8,392,679</u>
OPERATING EXPENSES					
Wastewater treatment plant	1,767,947	1,767,947	2,001,780	(233,833)	1,779,328
Water treatment plant	1,032,976	1,107,976	1,073,288	34,688	958,698
Maintenance and distribution	1,328,171	1,328,171	1,007,243	320,928	960,129
Administration	760,665	760,665	756,645	4,020	660,423
Depreciation and amortization	1,600,000	1,600,000	1,633,924	(33,924)	1,607,591
Total Operating Expenses	<u>6,489,759</u>	<u>6,564,759</u>	<u>6,472,880</u>	<u>91,879</u>	<u>5,966,169</u>
OPERATING INCOME	<u>1,890,341</u>	<u>1,890,341</u>	<u>2,367,226</u>	<u>476,885</u>	<u>2,426,510</u>
NON-OPERATING REVENUES (EXPENSES)					
Grant revenue	223,244	223,244	-	(223,244)	1,144,008
Special district fee	81,500	81,500	83,430	1,930	82,140
Impact fees	107,160	107,160	127,528	20,368	147,905
Interest revenue	16,000	16,000	32,703	16,703	16,499
Gain(Loss) on disposal of capital assets	1,000	1,000	1,150	150	300
Interest expense	(73,219)	(73,219)	(70,641)	2,578	(178,384)
Total Non-Operating Revenues	<u>355,685</u>	<u>355,685</u>	<u>174,170</u>	<u>(181,515)</u>	<u>1,212,468</u>
Income Before Contributions	2,246,026	2,246,026	2,541,396	295,370	3,638,978
CONTRIBUTIONS					
Contributions from private sources	-	-	-	-	4,350
Capital asset contributions from private sources	-	-	256,245	256,245	245,000
	<u>-</u>	<u>-</u>	<u>256,245</u>	<u>256,245</u>	<u>249,350</u>
Change in Net Position	2,246,026	2,246,026	2,797,641	551,615	3,888,328
Total Net Position, beginning of year	<u>51,417,070</u>	<u>51,417,070</u>	<u>51,417,070</u>	<u>-</u>	<u>47,528,742</u>
Total Net Position, end of year	<u>\$ 53,663,096</u>	<u>\$ 53,663,096</u>	<u>\$ 54,214,711</u>	<u>\$ 551,615</u>	<u>\$51,417,070</u>

INTERNAL CONTROL AND COMPLIANCE

**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**



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

To the Board of Directors
Ellijay-Gilmer County Water & Sewerage Authority

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 business-type activities and major fund of Ellijay-Gilmer County Water & Sewerage Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Ellijay-Gilmer County Water & Sewerage Authority's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ellijay-Gilmer County Water & Sewerage Authority'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 Ellijay-Gilmer County Water & Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Ellijay-Gilmer County Water & Sewerage Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ellijay-Gilmer County Water & Sewerage Authority'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*.

Purpose of This Report

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

Welch, Walker & Associates, P.C., CPAs
Welch, Walker & Associates, P.C., CPAs
East Ellijay, Georgia
December 21, 2022