CITY OF ARCADE, GEORGIA

ANNUAL FINANCIAL REPORT
(WITH INDEPENDENT AUDITOR'S REPORT)

Year Ended
December 31, 2024

City of Arcade, Georgia

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December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

June 24, 2025

To the Mayor and City Council
CITY OF ARCADE, GEORGIA
Jefferson, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Arcade, Georgia, as of and for the year ended December 31, 2024, 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Arcade, Georgia, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 Audit 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 Financial Statements section of our report. We are required to be independent of City of Arcade, Georgia and to meet our 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 these 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 City of Arcade, Georgia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted audit 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 City of Arcade, Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Arcade, Georgia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit 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 and budgetary comparison information 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Arcade, Georgia's basic financial statements. The Budgetary Schedule - Drug Fund and Schedule of Projects Constructed with Special Purpose Local Sales Tax Proceeds, which is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, are not a required part of the basic financial statements.

The supplementary information as defined above is the responsibility of management and was derived from and relate 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 supplementary information identified above 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 June 24, 2025, on our consideration of the City of Arcade, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Arcade, Georgia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Arcade, Georgia's internal control over financial reporting and compliance.

Bates, Carter & Co., LLP

City of Arcade, Georgia
STATEMENT OF NET POSITION
December 31, 2024

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	$ 2,194,320
Investments	1,230,959
Receivables	222,870
Prepaid items	45,618
Capital assets:	
Capital assets not being depreciated	1,070,014
Capital assets being depreciated	4,723,481
Less: accumulated depreciation	(1,810,188)
Capital assets, net of depreciation	3,983,307
TOTAL ASSETS	7,677,074
LIABILITIES	
Accounts payable	15,083
Other accrued items	21,304
Unearned revenue	280,733
Amount held for developers	65,000
Noncurrent liabilities:	
Due within one year	
Compensated absences payable	10,115
Notes payable	7,177
Due in more than one year	
Compensated absences payable	15,172
Notes payable	7,177
TOTAL LIABILITIES	421,761
NET POSITION	
Investment in capital assets	3,968,953
Restricted for:	
Capital outlay projects	1,796,228
Public safety programs	11,217
Unrestricted	1,478,915
TOTAL NET POSITION	$ 7,255,313

The accompanying notes are an integral part of this statement.

City of Arcade, Georgia
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) AND CHANGES IN NET POSITION PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
		PROGRAM REVENUES			
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General government	$ 418,718	$ 72,602	$ 222,507	$ -	$ (123,609)
Judicial	56,347	-	-	-	(56,347)
Public safety	513,627	224,938	4,080	21,530	(263,079)
Public works	175,697	-	78,223	250,965	153,491
Recreation and culture	22,397	2,255	-	251,547	231,405
Total Governmental Activities	1,186,786	299,795	304,810	524,042	(58,139)
TOTAL PRIMARY GOVERNMENT	$ 1,186,786	$ 299,795	$ 304,810	$ 524,042	(58,139)
GENERAL REVENUES					
Motor vehicle taxes					48,362
Local option sales taxes					564,730
Insurance premium taxes					179,844
Franchise taxes					82,501
Alcohol beverage taxes					30,754
Total taxes					906,191
Unrestricted investment earnings					59,049
TOTAL GENERAL REVENUES AND TRANSFERS					965,240
CHANGES IN NET POSITION					907,101
NET POSITION, Beginning					6,324,987
PRIOR PERIOD ADJUSTMENT					23,225
NET POSITION, Beginning as restated					6,348,212
NET POSITION, Ending					$ 7,255,313

The accompanying notes are an integral part of this statement.

City of Arcade, Georgia
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024

	GENERAL	SPLOST	DRUG FUND - NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 475,610	$ 1,707,493	$ 11,217	$ 2,194,320
Investments	1,230,959	-	-	1,230,959
Due from other governments	52,388	88,735	-	141,123
Receivables	81,747	-	-	81,747
Prepaid items	45,618	-	-	45,618
TOTAL ASSETS	1,886,322	1,796,228	11,217	3,693,767
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 1,886,322	$ 1,796,228	$ 11,217	$ 3,693,767
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 15,083	$ -	$ -	$ 15,083
Other accrued items	21,304	-	-	21,304
Unearned revenue	280,733	-	-	280,733
Amount held for developers	65,000	-	-	65,000
TOTAL LIABILITIES	382,120	-	-	382,120
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	382,120	-	-	382,120
FUND BALANCES				
Nonspendable:				
Prepaid expenditure	45,618	-	-	45,618
Restricted:				
Capital outlay projects	-	1,796,228	-	1,796,228
Public safety projects	-	-	11,217	11,217
Committed:				
Capital equipment and infrastructure	377,000	-	-	377,000
Unassigned:	1,081,584	-	-	1,081,584
TOTAL FUND BALANCES	1,504,202	1,796,228	11,217	3,311,647
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,886,322	$ 1,796,228	$ 11,217	$ 3,693,767

The accompanying notes are an integral part of this statement.

City of Arcade, Georgia
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2024

Total Fund Balances for Governmental Funds (page 3)		$ 3,311,647
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		3,983,307
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(25,287)	
Notes payable	(14,354)	
		(39,641)
Total net position of governmental activities (page 1)		$ 7,255,313

The accompanying notes are an integral part of this statement.

City of Arcade, Georgia
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

REVENUES	GENERAL	SPLOST	DRUG FUND - NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
Motor vehicle tax	$ 48,362	$ -	$ -	$ 48,362
Insurance premium tax	179,844	-	-	179,844
Local option sales tax	564,730	-	-	564,730
Franchise taxes	82,501	-	-	82,501
Alcohol beverage taxes	30,754	-	-	30,754
Licenses and permits	14,685	-	-	14,685
Intergovernmental	248,117	576,719	-	824,836
Charges for services	60,172	-	-	60,172
Fines and forfeitures	224,697	-	-	224,697
Interest income	59,028	4,016	17	63,061
Miscellaneous	242	-	-	242
TOTAL REVENUES	1,513,132	580,735	17	2,093,884
EXPENDITURES				
Current Expenditures				
General government	359,035	-	-	359,035
Judicial	56,347	-	-	56,347
Public safety	474,299	-	-	474,299
Public works	153,248	2,144	-	155,392
Intergovernmental	5,917	-	-	5,917
Capital outlay	395,561	561,977	-	957,538
Debt service				
Principal	7,176	-	-	7,176
TOTAL EXPENDITURES	1,451,583	564,121	-	2,015,704
EXCESS (DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	61,549	16,614	17	78,180
OTHER FINANCING SOURCES (USES)				
Proceeds from notes payable	21,530	-	-	21,530
TOTAL OTHER FINANCING SOURCES (USES)	21,530	-	-	21,530
NET CHANGE IN FUND BALANCES	83,079	16,614	17	99,710
FUND BALANCES, Beginning of year	1,397,899	1,779,614	11,200	3,188,713
PRIOR PERIOD ADJUSTMENT	23,225	-	-	23,225
FUND BALANCES, Beginning, as restated	1,421,124	1,779,614	11,200	3,211,938
FUND BALANCES, End of year	$ 1,504,202	$ 1,796,228	$ 11,217	$ 3,311,647

The accompanying notes are an integral part of this statement.

City of Arcade, 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 December 31, 2024

Net change in fund balances (page 5)		$ 99,710
Amounts reported for governmental activities in the statement of activities are different because:		
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 capital outlays exceeded depreciation in the current period.		
Capital outlay	957,538	
Depreciation expense	(132,196)	
		825,342
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. This adjustment combines the net change of two balances.		
Issuance of debt	(21,530)	
Principal payments on long-term debt	7,176	
		(14,354)
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.		
Compensated absences, current year	(25,287)	
Compensated absences, prior year	21,692	
		(3,595)
Rounding		(2)
Changes in net position of governmental activities (page 2)		$ 907,101

The accompanying notes are an integral part of this statement.

City of Arcade, Georgia
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Arcade, Georgia 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 City's accounting policies are described below.

(A) REPORTING ENTITY

The reporting entity consists of the following:

- The primary government;
- Organizations for which the primary government is financially accountable;
- Other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity;

For financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. There are no component units.

(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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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 services. There are no business type activities.

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 has no enterprise funds to report.

(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, if applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are considered available if they are collected within 60 days of the end of the current fiscal period for which they are imposed. 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 claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Restatement of Beginning Balances

General Fund

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record a prior period adjustment to correct the timing of recognition of worker's compensation annual premium payments. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the General Fund is as follows:

Beginning fund balance	$ 1,397,899
Adjustment to prepaids	23,225
Beginning fund balance, as restated	**$ 1,421,124**

Governmental Activities

The following table summarizes the adjustment to beginning net position:

	Governmental Activities	Total Governmental Funds
Beginning net position	$ 6,324,987	$ 3,188,713
Error corrections:		
Adjustment to correct prepaids	23,225	23,225
Beginning net position, as restated	**$ 6,348,212**	**$ 3,211,938**

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources, except those accounted for in another fund.

The *SPLOST Capital Projects Fund* accounts for funds received from a local 1% sales tax reserved for construction of various capital projects.

Additionally, the City reports the following fund type:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditures for specified purposes.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

(D) ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR FUND BALANCE

Deposits and Investments

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

State statutes authorize the City to invest in obligations of the U.S. Treasury and 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.

Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of interest income.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (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 "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, 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 City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Streets, bridges and culverts acquired prior to January 1, 1983 have not been reported.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was capitalized during 2024.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	20-50
Machinery and equipment	5-7
Vehicles	3-5
Infrastructure	50

Deferred outflows/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 position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City can have two items that qualify for reporting in this category. These two items may consist of the deferred charge on refunding and deferred charge in pension expense. 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 amortization is part of the interest expense for the year. The deferred charge in pension expense represents differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and changes of assumptions about future economic or demographic factors or of other inputs. These deferred outflows will be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The City has no items to report as a deferred outflows of resources.

In addition to liabilities, the statement of financial position 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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City can have three items that qualify for reporting in this category. The first item is deferred inflows related to pension expense, which represents differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability and changes of assumptions about future economic or demographic factors or of other inputs. These deferred inflows will be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning with the current reporting period. The remaining two items consist of unavailable revenue and unearned revenue. Unavailable revenue is reported only in the governmental funds balance sheet and only arises under the modified accrual basis of accounting. The governmental funds may report unavailable revenues from two sources: property taxes and special assessments. The City has no items to report as a deferred inflows of resources.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund balance - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable* - Fund balances are reported as nonspendable when the 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 like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.
- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- *Committed* - 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 Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the City Council must adopt another 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 Council has authorized the City's administrator to assign fund balances.
- *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 other governmental funds.

Net Position - Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net position is reported as restricted as described in the fund balance 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 committed, assigned, and unassigned (or unrestricted) resources as they are needed.

Net Investment in Capital Assets

The "net investment in capital assets" reported on the government-wide statement of net position as of December 31, 2024 are as follows:

	Governmental Activities
Net investment in capital assets:	
Cost of capital assets	$ 5,793,495
Accumulated depreciation	(1,810,188)
Net book value	3,983,307
Notes payable related to capital assets	(14,354)
Net investment in capital assets	$ 3,968,953

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - FUND BALANCE/NET POSITION

The government-wide statement of net position reports $1,807,445 of restricted net position, of which $1,807,445 is restricted by enabling legislation.

Additional details related to fund balances at the governmental fund level are presented below:

Restricted:	
SPLOST Fund	
Capital outlay projects - For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum	$ 1,796,228
Total Major Fund Restrictions	1,796,228
Nonmajor Funds	
Public Safety programs -	
Drug Fund - For monies restricted for public safety purposes.	11,217
Total Nonmajor Fund Restrictions	11,217
Total Restricted Fund Balance	$ 1,807,445

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) BUDGETARY INFORMATION

Prior to January 1, the department heads submit to the City Council a proposed operating budget for each department for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Council holds a public hearing on the budget.

2. The budget is then revised and adopted or amended by the City Council at a public meeting.

3. The budget may be amended during the year only by formal action of the City Council at a regular meeting.

The budget is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Budget amounts are as originally adopted, or as amended by the Council. Project length budgets are adopted for the capital projects funds. Annual operating budgets are prepared for each enterprise fund for planning, control and evaluation purposes. Budgetary amounts are not formally integrated into proprietary fund general ledgers.

The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

(B) EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

At December 31, 2024, there were no excess of expenditures over budget at the legal level of budgetary control.

(C) DEFICIT FUND EQUITY

At December 31, 2024, no funds had deficit fund equity.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's policy permits the City to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of December 31, 2024 all deposits of the City were adequately insured or collateralized. At year end, the City's carrying amount of deposits was $3,425,279 and the bank balance was $3,661,309.

In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City does not have a formal policy related to this risk. At December 31, 2024, all of the City's deposits were properly insured or collateralized with securities held by the City or by its agent in the City's name. Statutes require collateral pledged in the amount of 110% of deposits.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below:

> Under the *dedicated method*, a depository shall secure the deposits of each of its public depositors separately.
>
> Under the *pooled method*, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposit with such depository as set forth in code Section 45-8-13.1.

The City utilized the pooled method to secure its deposits of public funds.

INVESTMENTS

A hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs requiring that the most observable inputs be used when available was establish. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 process, such as quoted prices for similar assets, quoted prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 assets are not actively traded, and their values can only be estimated using a combination of complex market prices, mathematical models, and subjective assumptions.

As of December 31, 2024, the only assets that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 of the valuation hierarchy. As of December 31, 2024, the only assets measured at fair value on recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 or Level 2 of the valuation hierarchy.

INVESTMENTS: At December 31, 2024, the City had the following investments:

		Investment Maturities (in Years)	
Investment Type	Fair Value	FMV Level 1/ Less Than 1	Rating (1)
GA Fund 1	$ 1,230,959	$ 1,230,959	AAAm
Maximum Investment		100%	

(1) Standards & Poors

The Local Government Investment Pool, "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is managed by the Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share. The City has no investment policy that would further limit its investment choices. Investments are carried at fair value. Unrealized gain is recognized as income.

Interest rate risk. 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.

Credit Risk. State statutes authorize the City 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; certificates of deposits of banks insured by FDIC.

State law allows investments in bonds, debentures, notes or other evidences of indebtedness of any solvent corporation subject to certain conditions. The City has no investment policy that would further limit its investment choices. At December 31, 2024, the ratings of its investments are shown above.

Concentration of credit risk. The City places no limit on the amount it may invest in any one issuer.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 5 - RECEIVABLES

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

	General Fund	SPLOST
Receivables:		
Taxes	$ 81,747	$ -
Intergovernmental	52,388	88,735
Total Gross Receivables	134,135	88,735
Less: Allowance for Uncollectibles	-	-
Total Net Receivables	$ 134,135	$ 88,735

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unearned
American Rescue Plan Act (General Fund)	$ 280,733
Total Unearned	$ 280,733

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 615,170	$ -	$ -	$ -	$ 615,170
Construction in progress	232,337	222,507	-	-	454,844
Total non-depreciable capital assets	847,507	222,507	-	-	1,070,014
Depreciable Assets:					
Buildings and improvements	3,104,802	109,963	-	-	3,214,765
Machinery and equipment	306,120	63,091	-	-	369,211
Vehicles	338,987	-	-	-	338,987
Infrastructure	238,541	561,977	-	-	800,518
Total depreciable capital assets	3,988,450	735,031	-	-	4,723,481
Less Accumulated Depreciation for:					
Buildings and improvements	1,099,177	80,641	-	-	1,179,818
Machinery and equipment	290,138	10,813	-	-	300,951
Vehicles	263,276	30,351	-	-	293,627
Infrastructure	25,401	10,391	-	-	35,792
Total accumulated depreciation	1,677,992	132,196	-	-	1,810,188
Total depreciable capital assets, net	2,310,458	602,835	-	-	2,913,293
Governmental activities capital assets, net	$ 3,157,965	$ 825,342	$ -	$ -	$ 3,983,307

Additions to governmental activities capital assets for the year ending December 31, 2024, consist of the following:

Capital Outlay	$ 957,538
Total	$ 957,538
Non-depreciable capital assets additions	$ 222,507
Depreciable capital assets additions	735,031
Total	$ 957,538

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

Governmental Activities:	
General Government	$ 52,748
Public Safety	36,591
Public Works	20,459
Recreation and Culture	22,398
Total depreciation expense-governmental activities	$ 132,196

The City has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to December 31, 2024, and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

Project	Project Authorization	Expended to Date	Contracts in Progress	Authorized Not Obligated	Funding Source
Sewage Treatment Plant	$ 750,000	$ 437,206	-	$ 312,794	ARPA
Mayor's Park Phase 1	612,840	17,638	-	595,202	SPLOST
Total Governmental Activities:	$ 1,362,840	$ 454,844	$ -	$ 907,996	

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
Compensated absences	$ 21,691	$ 15,631	$ (12,035)	$ 25,287	$ 10,115	$ 15,172
Notes payable	-	21,530	(7,176)	14,354	7,177	7,177
Total Governmental activities long-term liabilities	$ 21,691	$ 37,161	$ (19,211)	$ 39,641	$ 17,292	$ 22,349

Notes Payable

The City will make payments to Jackson County in the amount of $21,530 for the purpose replacing the radio systems used by the police department. Per the terms of the note agreement, principle payments will be paid every year. For the year ending December 31, 2024, the City made $7,176 in principal payments. The amount outstanding as of December 31, 2024 is $14,354.

The annual requirements to amortize notes payable outstanding as of December 31, 2024, are as follows:

Year ending December 31,	Principal	Interest	Total
2025	$ 7,177	$ -	$ 7,177
2026	7,177	-	7,177
Total	$ 14,354	$ -	$ 14,354

NOTE 8 - CONTINGENT LIABILITIES / RISK MANAGEMENT

The City receives grants from various granting agencies, which are subject to audit and adjustment by these agencies. The City is not aware of any adjustments or expenditures, which may be disallowed and restitution, if any, is not determinable at this time.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City.

The fund is 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 fund is to pay all cost taxed against the members in any legal proceedings defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

The City is a member of the Georgia Interlocal Risk Management Agency which allows the City to share liability, crime, motor vehicle and property damage risks. Chapter 85, Title 36, of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities - GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of causality and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions and any member of GIRMA against liability or loss.

As part of this risk pool, the City is obligated to pay all contributions and assessments; to cooperate with the pool's agents and attorneys; to follow loss reduction procedures established by the fund, and to report as promptly as possible, in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type loss. The City is also to allow all the pool's agents and attorneys to represent the City in investigations settlement discussions and all level of litigation arising out of any claim made against the City. The City must participate at all times in at least one fund which is established by GIRMA.

The City retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $1,000 deductible. The basis for estimating the liabilities for unpaid claim is "IBNR" established by an actuary.

During the year ended December 31, 2024, the City did not incur claims. The City has not compiled a record of the claims paid up to the $1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the $1,000) which were outstanding and unpaid at December 31, 2024. No provisions have been made in the financial statements for the year ended December 31, 2024, for any estimate of potential unpaid claims.

The City is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

City management feels the above coverage is adequate. There has not been any significant reduction in coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

There were no balances in due to/from other funds at December 31, 2024.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The City established a SIMPLE IRA plan for employees. The plan is a defined contribution plan established under section 408(p) of the Internal Revenue Code. This plan was established by the authority of the City Council and may be amended by action of the City Council. City employees make voluntary contributions and the City matches up to 3% of the employee's salary. Auto Owners Insurance Company serves as custodian of the SIMPLE IRA and contributions can not exceed $12,000 for each participant for any calendar year. The City's contribution for 2024 was $4,272 and employee contributions were $14,242.

NOTE 11 - NORTHEAST GEORGIA REGIONAL COMMISSION

Under Georgia law, the City in conjunction with other cities and counties in the area are members of the Northeast Georgia Regional Commission (NEGRC) and is required to pay annual dues there to. During the year ended December 31, 2024, the City paid no dues. Membership in the NEGRC is required by the official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NEGRC in Georgia. The NEGRC 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 an NEGRC. Separate financial statements may be obtained from:

Northeast Georgia Regional Commission
305 Research Dr.
Athens, Georgia 30503-1720

NOTE 12 - AMERICAN RESCUE PLAN ACT FUNDING

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

On March 11, 2021 the American Rescue Plan Act of 2021, ("ARPA") was enacted. The City received $717,939 as of December 31, 2022. These funds will be used for expenditures related to the COVID-19 pandemic and guidelines issued by the United States Department of the Treasury. During the current year, the City recognized $222,507 as revenue and retains $280,733 as unearned revenue. See Note 5 for more information about unearned revenue.

City of Arcade, Georgia
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2024
(Required Supplementary Information)

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 1,421,125	$ 1,421,125	$ 1,421,125	$ -
RESOURCES (INFLOWS)				
Property tax	57,000	57,000	48,362	(8,638)
Insurance premium taxes	160,000	160,000	179,844	19,844
Financial institution taxes	530,000	530,000	564,730	34,730
Franchise taxes	75,000	75,000	82,501	7,501
Alcohol beverage taxes	32,000	32,000	30,754	(1,246)
Licenses and permits	10,800	10,800	14,685	3,885
Intergovernmental	-	244,030	248,117	4,087
Charges for services	25,000	25,000	60,172	35,172
Fines and forfeitures	203,000	211,000	224,697	13,697
Interest income	12,000	12,000	59,028	47,028
Miscellaneous	6,720	6,720	242	(6,478)
Proceeds from notes payable	-	21,529	21,530	1
Total Resources (Inflows)	1,111,520	1,385,079	1,534,662	149,583
AMOUNTS AVAILABLE FOR APPROPRIATION	2,532,645	2,806,204	2,955,787	149,583
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
Current Expenditures				
General Government				
Administration	436,563	430,563	364,953	65,610
Buildings	98,874	337,656	332,470	5,186
Total General Government	535,437	768,219	697,423	70,796
Judicial				
Municipal court	48,380	56,380	56,347	33
Total Judicial	48,380	56,380	56,347	33
Public Safety				
Police	502,503	545,562	544,567	995
Total Public Safety	502,503	545,562	544,567	995
Public Works				
Highways and streets	148,119	154,119	153,248	871
Total Public Works	148,119	154,119	153,248	871
TOTAL CHARGES TO APPROPRIATIONS	1,234,439	1,524,280	1,451,585	72,695
CHANGE IN FUND BALANCE	(122,919)	(139,201)	83,077	222,278
FUND BALANCE, End of year	$ 1,298,206	$ 1,281,924	$ 1,504,202	$ 222,278

NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

City of Arcade, Georgia
BUDGETARY COMPARISON SCHEDULE
DRUG FUND - NONMAJOR GOVERNMENTAL FUND
For the Year Ended December 31, 2024
SUPPLEMENTAL INFORMATION

	BUDGET AMOUNTS ORIGINAL	BUDGET AMOUNTS FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
FUND BALANCE, Beginning of year	$ 11,200	$ 11,200	$ 11,200	$ -
RESOURCES (INFLOWS)				
Interest income	-	-	17	17
Total Resources (Inflows)	-	-	17	17
AMOUNTS AVAILABLE FOR APPROPRIATION	11,200	11,200	11,217	17
TOTAL CHARGES TO APPROPRIATIONS	-	-	-	-
CHANGE IN FUND BALANCE	-	-	17	17
FUND BALANCE, End of year	$ 11,200	$ 11,200	$ 11,217	$ 17

NOTES TO THE BUDGETARY COMPARISON SCHEDULE
1. The budgetary basis of accounting used in this schedule is the same as GAAP.

City of Arcade, Georgia
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAXES
For the Year Ended December 31, 2024

PROJECT	ORIGINAL ESTIMATED COSTS	CURRENT ESTIMATED COSTS	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR	
Jackson County, Georgia SPLOST #6 - Commenced July 1, 2017					
Roads, Streets and Sidewalks	$ 905,760	$ 1,003,484	$ 603,358	$ 485,898	(1)
Park Improvements Incl. Land Acquisition	377,400	377,400	506,810	-	
Land Acquisition - Community Center	226,440	226,440	166,320	-	
Totals	$ 1,509,600	$ 1,607,324	$ 1,276,488	$ 485,898	
Jackson County, Georgia SPLOST #7 - Commenced July 1, 2023					
Roads, Streets and Sidewalks	$ 1,354,898	$ 1,354,898	$ -	$ -	
Park and Recreation	1,354,897	1,354,897	-	-	
Totals	$ 2,709,795	$ 2,709,795	$ -	$ -	
			Total of all SPLOSTs above	**$ 485,898**	

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (page 5)

Expenditures	$ 564,121
Reimbursement from Department of Transportation	(78,223)
Total	**$ 485,898**

(1) Costs for Roads, Streets and Sidewalks have been offset to reflect LMIG grant funding received.

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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*

June 24, 2025

To the Mayor and City Council
City of Arcade, Georgia
JEFFERSON, 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, each major fund, and aggregate remaining fund information of City of Arcade, Georgia, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Arcade, Georgia's basic financial statements and have issued our report thereon dated June 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Arcade, Georgia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Arcade, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Arcade, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule in internal control. We consider the deficiencies described below as items 2024-001 to be significant deficiencies.

2024-001 **Statement of Condition (Re-issued):**
Appropriate segregation of duties does not exist within the payroll function.

Criteria:
Internal controls should be in place which provide reasonable assurance that an individual can not misappropriate funds without such actions being detected during the normal course of business.

Effect of Condition:
Failure to properly segregate duties in the payroll department can lead to misappropriation of funds that is not detected due to the lack of review.

Cause of Condition:
This is caused by the limited number of employees to perform all of the duties.

Recommendation:
We recommend the City implement a review process for payroll disbursements to ensure sufficient monitoring procedures.

Response:
The City concurs with this finding. The City is implementing a compensating control for review of the payroll summary by an elected official or someone outside the payroll process.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Arcade, Georgia's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Arcade, Georgia's Response to Findings

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

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.

Bates, Carter & Co., LLP