

CITY OF FRANKLIN SPRINGS, GEORGIA

Annual Financial Report

For the year ended December 31, 2025

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CITY OF FRANKLIN SPRINGS, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2025

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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Franklin Springs, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Franklin Springs, Georgia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of December 31, 2025, and the respective changes in the financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Franklin Springs, 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Franklin Springs, 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Franklin Springs, Georgia's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

The City of Franklin Springs, Georgia has not presented 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 opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin Springs, Georgia's basic financial statements. The combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, on our consideration of the City of Franklin Springs, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin Springs, Georgia's internal control over financial reporting and compliance.

Rushton, LLC

Gainesville, Georgia
May 21, 2026

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,001,245	$ 136,503	$ 1,137,748	$ 0
Certificates of deposit	0	15,020	15,020	0
Receivables (net)				
Accounts	7,611	27,728	35,339	0
Taxes	119,061	0	119,061	0
Intergovernmental	71,743	0	71,743	0
Prepaid items	9,398	2,349	11,747	0
Property held for resale	0	0	0	1,438,180
Total current assets	1,209,058	181,600	1,390,658	1,438,180
Noncurrent assets				
Capital assets				
Non-depreciable	819,348	893,483	1,712,831	0
Depreciable/amortizable (net)	1,238,922	493,457	1,732,379	0
Total noncurrent assets	2,058,270	1,386,940	3,445,210	0
Total assets	3,267,328	1,568,540	4,835,868	1,438,180
LIABILITIES				
Current liabilities				
Payables				
Accounts	24,639	19,426	44,065	0
Interest	3,559	0	3,559	0
Accrued salaries	9,860	2,257	12,117	0
Compensated absences	12,361	2,832	15,193	0
Unearned revenue	1,160	251	1,411	0
Customer deposits payable	0	21,743	21,743	0
Notes payable	73,502	0	73,502	0
Leases payable	3,585	0	3,585	0
Subscriptions payable	9,291	0	9,291	0
Total current liabilities	137,957	46,509	184,466	0
Noncurrent liabilities				
Notes payable	1,429,771	0	1,429,771	0
Leases payable	7,433	0	7,433	0
Subscriptions payable	19,281	0	19,281	0
Total noncurrent liabilities	1,456,485	0	1,456,485	0
Total liabilities	1,594,442	46,509	1,640,951	0
NET POSITION				
Investment in capital assets	1,021,437	1,386,940	2,408,377	0
Restricted for:				
Public Safety	13,283	0	13,283	0
Capital outlay	676,326	0	676,326	0
Unrestricted	(38,160)	135,091	96,931	1,438,180
Total net position	$ 1,672,886	$ 1,522,031	$ 3,194,917	$ 1,438,180

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 444,461	$ 5,061	$ 0	$ 41,196	$ (398,204)
Public Safety	422,369	55,599	18,285	0	(348,485)
Public Works	201,688	52,988	0	264,302	115,602
Housing and Development	8,159	0	0	0	(8,159)
Interest on long-term debt	21,301	0	0	0	(21,301)
Total governmental activities	1,097,978	113,648	18,285	305,498	(660,547)
Business-type activities					
Water and Sewer	454,777	319,224	0	0	(135,553)
Total primary government	1,552,755	432,872	18,285	305,498	(796,100)
Component Unit					
Downtown Development Authority	0	0	0	0	0

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Downtown Development Authority
Change in net position				
Net (expense) revenue	$ (660,547)	$ (135,553)	$ (796,100)	$ 0
General revenues				
Taxes				
Property	145,765	0	145,765	0
Sales	335,281	0	335,281	0
Franchise	89,338	0	89,338	0
Insurance premium	125,538	0	125,538	0
Intangibles	1,129	0	1,129	0
Alcoholic beverage	6,046	0	6,046	0
Hotel/Motel	8,222	0	8,222	0
Occupational	12,826	0	12,826	0
Interest and investment earnings	234	96	330	0
Other	1,437	40,954	42,391	0
Transfers	(200,896)	200,896	0	0
Total general revenues and transfers	524,920	241,946	766,866	0
Change in net position	(135,627)	106,393	(29,234)	0
Net position, January 1	1,808,513	1,415,638	3,224,151	1,438,180
Net position, December 31	$ 1,672,886	$ 1,522,031	$ 3,194,917	$ 1,438,180

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	General	SPLOST	Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	$ 363,712	$ 616,245	$ 21,288	$ 1,001,245
Receivables (net)				
Accounts	7,611	0	0	7,611
Taxes	118,378	0	683	119,061
Intergovernmental	6,281	65,462	0	71,743
Prepaid items	9,398	0	0	9,398
Total assets	$ 505,380	$ 681,707	$ 21,971	$ 1,209,058
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	$ 19,258	$ 5,381	$ 0	$ 24,639
Accrued salaries	9,860	0	0	9,860
Unearned revenue	1,160	0	0	1,160
Total liabilities	30,278	5,381	0	35,659
Deferred inflows of resources				
Unavailable revenue-property taxes	684	0	0	684
Fund balances				
Nonspendable:				
Prepaid items	9,398	0	0	9,398
Restricted for:				
Public Safety	0	0	13,283	13,283
Capital outlay	0	676,326	0	676,326
Assigned for:				
Public Works	3,364	0	0	3,364
Housing and Development	0	0	8,688	8,688
Unassigned	461,656	0	0	461,656
Total fund balances	474,418	676,326	21,971	1,172,715
Total liabilities, deferred inflows of resources, and fund balances	$ 505,380	$ 681,707	$ 21,971	$ 1,209,058

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2025

Total fund balance - total governmental funds		$ 1,172,715
Amounts reported for governmental activities in the statement of net position are different because:		
Some assets are not financial resources and, therefore, are not reported in the funds. These are:		
Capital assets, net of accumulated depreciation/amortization		2,058,270
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are unavailable in the funds. These are:		
Property taxes		684
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are:		
Notes payable	$ (1,503,273)	
Leases payable	(11,018)	
Subscriptions payable	(28,572)	
Interest payable	(3,559)	
Compensated absences	(12,361)	(1,558,783)
Net position of governmental activities		$ 1,672,886

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2025

	General	SPLOST	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	$ 717,796	$ 0	$ 8,222	$ 726,018
Licenses and permits	5,035	0	0	5,035
Fines, fees and forfeitures	41,008	0	4,249	45,257
Charges for services	63,356	0	0	63,356
Intergovernmental	59,031	254,952	0	313,983
Interest	234	9,350	0	9,584
Contributions	450	0	0	450
Other	1,437	0	0	1,437
Total revenues	888,347	264,302	12,471	1,165,120
EXPENDITURES				
Current				
General Government	1,435,952	0	0	1,435,952
Public Safety	384,890	0	0	384,890
Public Works	181,056	0	0	181,056
Housing and Development	0	0	8,159	8,159
Capital Outlay	0	9,768	0	9,768
Debt Service	72,376	0	0	72,376
Total expenditures	2,074,274	9,768	8,159	2,092,201
Excess (deficiency) of revenues over (under) expenditures	(1,185,927)	254,534	4,312	(927,081)
Other financing sources (uses)				
Transfers out	0	(200,896)	0	(200,896)
Issuance of debt	1,000,000	0	0	1,000,000
Total other financing sources (uses)	1,000,000	(200,896)	0	799,104
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(185,927)	53,638	4,312	(127,977)
Fund balances, January 1	660,345	622,688	17,659	1,300,692
Fund balances, December 31	$ 474,418	$ 676,326	$ 21,971	$ 1,172,715

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, 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, 2025

Net change in fund balances - total governmental funds		$ (127,977)
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.		
Capital outlay	$ 1,055,619	
Depreciation/amortization	(107,986)	947,633
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue.		(1,874)
The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, interest on long-term debt is not recognized in the governmental fund until due, but is recognized in the statement of activities as it accrues. Further, governmental funds report bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.		
Issuance of debt	$ (1,000,000)	
Debt principal payments	54,634	
Net change in interest payable	(3,559)	(948,925)
Expenses reported in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
Compensated absences		(4,484)
Change in net position of governmental activities		$ (135,627)

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2025

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 622,825	$ 894,825	$ 717,796	$ (177,029)
Licenses and permits	3,400	3,400	5,035	1,635
Fines, fees and forfeitures	35,055	35,055	41,008	5,953
Charges for services	43,235	43,235	63,356	20,121
Intergovernmental	34,382	34,382	59,031	24,649
Interest	0	0	234	234
Contributions	50	50	450	400
Other	5,200	5,200	1,437	(3,763)
Total revenues	744,147	1,016,147	888,347	(127,800)
EXPENDITURES				
Current				
General Government				
Governing Body	33,840	51,840	52,176	(336)
Administration	327,054	1,377,054	1,383,776	(6,722)
Public Safety				
Police Department	253,615	299,615	296,445	3,170
Fire Department	47,000	89,000	88,445	555
Public Works				
Highways and Streets	99,945	138,945	138,933	12
Sanitation	38,500	42,500	42,123	377
Debt Service	0	73,000	72,376	624
Total expenditures	799,954	2,071,954	2,074,274	(2,320)
Excess (deficiency) of revenues over (under) expenditures	(55,807)	(1,055,807)	(1,185,927)	(130,120)
Other financing sources (uses)				
Issuance of debt	0	1,000,000	1,000,000	0
Excess (deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(55,807)	(55,807)	(185,927)	(130,120)
Fund balances, January 1	55,807	55,807	660,345	604,538
Fund balances, December 31	$ 0	$ 0	$ 474,418	$ 474,418

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2025

	Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents	$ 136,503
Certificates of deposit	15,020
Accounts receivable (net)	27,728
Prepaid items	2,349
Total current assets	181,600
Noncurrent assets	
Capital assets	
Non-depreciable	893,483
Depreciable (net)	493,457
Total noncurrent assets	1,386,940
Total assets	1,568,540
LIABILITIES	
Current liabilities	
Accounts payable	19,426
Accrued salaries	2,257
Compensated absences	2,832
Unearned revenue	251
Customer deposits payable	21,743
Total liabilities	46,509
NET POSITION	
Investment in capital assets	1,386,940
Unrestricted	135,091
Total net position	$ 1,522,031

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2025

	Water and Sewer
OPERATING REVENUES	
Charges for sales and services	$ 319,224
Other	40,954
Total operating revenues	360,178
OPERATING EXPENSES	
Costs of sales and services	263,993
Personal services	151,449
Depreciation	39,335
Total operating expenses	454,777
Operating income (loss)	(94,599)
Non-operating revenues (expenses)	
Interest revenue	96
Net income (loss) before transfers	(94,503)
Transfers in (out)	
Transfers in	200,896
Change in net position	106,393
Net position, January 1	1,415,638
Net position, December 31	$ 1,522,031

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2025

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	$ 316,473
Payments to suppliers	(248,848)
Payments to employees	(152,037)
Other receipts	40,954
Net cash provided (used) by operating activities	(43,458)
Cash flows from capital and related financing activities:	
Receipts from other funds	200,896
Acquisition of capital assets	(200,896)
Net cash provided (used) by capital and related financing activities	0
Cash flows from investing activities:	
Purchase of certificates of deposit	(15,020)
Proceeds from sale of certificates of deposit	14,924
Interest received	96
Net cash provided (used) by investing activities	0
Net increase (decrease) in cash and cash equivalents	(43,458)
Cash and cash equivalents, January 1	179,961
Cash and cash equivalents, December 31	$ 136,503
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:	
Operating income (loss)	$ (94,599)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	39,335
(Increase) decrease in accounts receivable	(3,271)
(Increase) decrease in prepaid items	(178)
Increase (decrease) in accounts payable	15,323
Increase (decrease) in customer deposits payable	520
Increase (decrease) in payroll liabilities	(588)
Total adjustments	51,141
Net cash provided (used) by operating activities	$ (43,458)

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2025

	Municipal Court Custodial Fund
ASSETS	
Cash	$ 15,097
LIABILITIES	
Due to others	15,097
NET POSITION	
Restricted for individuals, organizations, and other governments	$ 0

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended December 31, 2025

	Municipal Court Custodial Fund
ADDITIONS	
Fines and forfeitures collected for other governments	$ 66,301
DEDUCTIONS	
Distributions of fines and forfeitures to other governments	66,301
Change in net position	0
Net position, January 1	0
Net position, December 31	$ 0

See accompanying notes to the financial statements.

1. Description of Government Unit

The City of Franklin Springs incorporated under the laws of the State of Georgia in 1924. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member council.

2. Summary of Significant Accounting Policies

A. Description of Government-wide 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 and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Franklin Springs Downtown Development Authority

The City of Franklin Springs Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The City Council appoints the members of the Authority's Board of Directors. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Franklin Springs.

The City of Franklin Springs Downtown Development Authority is reported in a separate column to emphasize that it is legally separate from the City. Individual financial statements are presented as part of the City's Annual Financial Report in the sections labeled "Component Unit". The City of Franklin Springs Downtown Development Authority has a December 31st year-end.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it is reported in a separate column in the government-wide financial statements.

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

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

SPLOST Capital Projects Fund – This fund is used to account for long-term capital projects financed by the passage of the special purpose local option sale tax.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements, continued

Fiduciary Fund Types

Custodial Funds – are fiduciary in nature and are accounted for using the full accrual basis of accounting. These funds are used to account for assets that are collected and held for other agencies. The City utilizes a custodial fund to account for the activity of the Municipal Court.

Component Unit

The City of Franklin Springs Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days subsequent to year-end.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under notes payable are reported as other financing sources.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Property taxes, sales taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Revenues and Expenditures/Expenses

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. Capital Projects Funds are budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of November, the City Clerk submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31.

The City does not use the encumbrance system of accounting.

H. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

I. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

J. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Franklin Springs, retroactive reporting of infrastructure assets was not required.

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets, continued

The City has recorded intangible right-to-use assets as a result of implementing GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The assets are initially measured at an amount equal to the initial measurement of the related lease or subscription liability plus any payments made prior to the lease or subscription term, less lease or subscription incentives, and plus ancillary charges necessary to place the lease or subscription into service. The intangible right-to-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the underlying asset or life of the related lease or subscription.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Buildings	40	$ 5,000
Distribution systems	40	$ 10,000
Roads – per lane mile	40	$ 50,000
Bridges and culverts	40	$ 20,000
Machinery and equipment	10	$ 5,000
Vehicles	5	$ 5,000
Furniture and fixtures	5	$ 5,000
Land improvements	15	$ 5,000
Intangibles	5	$ 5,000
Intangible right-to-use assets		
Machinery and equipment	Lease term	$ 5,000
Software	Lease term	$ 5,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

2. Summary of Significant Accounting Policies (continued)

M. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. At the end of the current year, the City had no deferred outflows of resources to report.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

2. Summary of Significant Accounting Policies (continued)

O. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

P. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

Q. Fund Balances – Governmental Funds

The City of Franklin Springs implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at year end by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

2. Summary of Significant Accounting Policies (continued)

Q. Fund Balances – Governmental Funds, continued

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Franklin Springs's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 60 days of fiscal year-end.

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the Mayor, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that reports positive unassigned fund balance. Negative unassigned fund balances may be reported in all funds.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

2. Summary of Significant Accounting Policies (continued)

R. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. In accordance with GASB No. 101, *Compensated Absences*, accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

S. Long-Term Obligations

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

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

T. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2025, the City had no uninsured, uncollateralized deposits.

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 of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign Currency Risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

Net accounts receivable at December 31, 2025 consist of the following:

Major Funds	
General Fund	$ 7,611
Water and Sewer Enterprise Fund	27,728
Total Primary Government	$ 35,339

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2025 consist of the following:

Major Funds	
General Fund	$ 6,281
SPLOST Fund	65,462
Total Primary Government	$ 71,743

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2025 consist of property taxes for seven years as follows:

Year of Levy	Amount
2025	$ 6,653
2024	0
2023	10
2022	22
2021	10
2020	10
2019	17
	6,722
Less allowance for uncollectible	(135)
Total	$ 6,587

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2025, based upon the assessments of January 1, 2025, were billed on September 1, 2025, and due on November 15, 2025. Tax liens are issued 90 days after the due date. The tax rate of 3.5 mils for 2025 was levied on August 7, 2025.

Other Taxes

$81,384 of franchise taxes, $683 of hotel/motel taxes, $30,051 of sales taxes, and $356 of alcohol excise tax are also included in taxes receivable.

7. Interfund Transfers

A summary of interfund transfers is as follows:

Transfer Out Fund	Transfer In Fund	Amount
SPLOST	Water and Sewer	$ 200,896

Interfund transfers were used to transfer revenues from the SPLOST Fund to the Water and Sewer Fund for the purchase of capital assets. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

8. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2025 was as follows:

	Balance 12/31/2024	Increases	Decreases	Balance 12/31/2025
Governmental activities				
Non-depreciable assets				
Land	$ 17,500	$ 801,848	$ 0	$ 819,348
Depreciable/amortizable assets				
Buildings	1,635,781	212,827	0	1,848,608
Land improvements	95,807	5,099	0	100,906
Vehicles	1,216,740	0	0	1,216,740
Machinery and equipment	767,279	35,845	0	803,124
Furniture and fixtures	40,942	0	0	40,942
Intangible right-to-use assets				
Machinery and equipment	16,230	0	0	16,230
Software	46,417	0	0	46,417
Total depreciable/amortizable assets	3,819,196	253,771	0	4,072,967
Accumulated depreciation/amortization				
Buildings	(732,059)	(43,015)	0	(775,074)
Land improvements	(95,807)	(85)	0	(95,892)
Vehicles	(1,118,187)	(32,731)	0	(1,150,918)
Machinery and equipment	(730,578)	(19,626)	0	(750,204)
Furniture and fixtures	(40,942)	0	0	(40,942)
Intangible right-to-use assets				
Machinery and equipment	(1,085)	(3,246)	0	(4,331)
Software	(7,401)	(9,283)	0	(16,684)
Total accumulated depreciation/amortization	(2,726,059)	(107,986)	0	(2,834,045)
Total depreciable/amortizable assets, net	1,093,137	145,785	0	1,238,922
Governmental activities capital assets, net	$ 1,110,637	$ 947,633	$ 0	$ 2,058,270

8. Capital Assets (continued)

	Balance 12/31/2024	Increases	Decreases	Balance 12/31/2025
Business-type activities				
Non-depreciable assets				
Land	$ 33,153	$ 0	$ 0	$ 33,153
Construction in progress	659,434	200,896	0	860,330
Total non-depreciable assets	692,587	200,896	0	893,483
Depreciable assets				
Distribution system	1,920,459	0	0	1,920,459
Intangibles	5,727	0	0	5,727
Vehicles	66,496	0	0	66,496
Machinery and equipment	132,709	0	0	132,709
Buildings	12,000	0	0	12,000
Total depreciable assets	2,137,391	0	0	2,137,391
Accumulated depreciation				
Distribution system	(1,423,971)	(31,913)	0	(1,455,884)
Intangibles	(5,727)	0	0	(5,727)
Vehicles	(47,693)	(4,339)	0	(52,032)
Machinery and equipment	(126,533)	(2,783)	0	(129,316)
Buildings	(675)	(300)	0	(975)
Total accumulated depreciation	(1,604,599)	(39,335)	0	(1,643,934)
Total depreciable assets, net	532,792	(39,335)	0	493,457
Business-type activities capital assets, net	$ 1,225,379	$ 161,561	$ 0	$ 1,386,940

Depreciation/amortization expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 29,843
Public Safety	67,727
Public Works	10,416
Total depreciation/amortization	$ 107,986
Business-type activities	
Water and Sewer	$ 39,335

9. Long-Term Debt

Notes from Direct Borrowings

In January 2023, the City entered into a lending agreement with a financial institution for the purchase of land. The amount of the agreement was $653,625, interest at 2.5%, for a term of 5 years. The outstanding balance was $506,030 at year end. As security for the payments, the City has pledged the deed to the property purchased. Upon an event of default, all outstanding principal and interest may be declared immediately due and payable.

In November 2025, the City entered into a lending agreement with a financial institution for the purchase of land. The amount of the agreement was $1,000,000, interest at 4.0%, for a term of 5 years. The outstanding balance was $997,243 at year end. As security for the payments, the City has pledged the deed to the property purchased. Upon an event of default, all outstanding principal and interest may be declared immediately due and payable.

Annual debt service requirements to maturity for these notes are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 73,502	$ 52,012	$ 125,514
2027	500,408	40,050	540,458
2028	35,952	37,130	73,082
2029	37,543	35,538	73,081
2030	855,868	31,253	887,121
Totals	$ 1,503,273	$ 195,983	$ 1,699,256

Leases

The City entered into agreements to lease certain police equipment. The lease agreements qualify as other than short-term leases under GASB Statement No. 87, *Leases*, and therefore have been recorded at the present value of the future minimum lease payments at their inception. Annual payments on the leased equipment are $3,853 with an interest rate of 2.431%. The leased equipment matures in August 2028.

9. Long-Term Debt (continued)

Leases, continued

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 3,585	$ 268	$ 3,853
2027	3,672	181	3,853
2028	3,761	92	3,853
Totals	$ 11,018	$ 541	$ 11,559

Subscriptions

The City entered into an agreement to subscribe to software. The subscription qualifies as other than short-term subscription under GASB Statement No. 96, *Subscription-Based Information Technology Agreements*, and has been recorded at the present value of the future minimum subscription payments at their inception. Annual payments on the software subscription are $10,000 with an interest rate of 2.48%.The software subscription matures in March 2028.

Debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 9,291	$ 709	$ 10,000
2027	9,522	478	10,000
2028	9,759	241	10,000
Totals	$ 28,572	$ 1,428	$ 30,000

10. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the City for the year ended December 31, 2025:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Notes from direct borrowings	$ 545,341	$ 1,000,000	$ 42,068	$ 1,503,273	$ 73,502
Leases payable	14,518	0	3,500	11,018	3,585
Subscriptions payable	37,638	0	9,066	28,572	9,291
Compensated absences	7,877	4,484	0	12,361	12,361
Total governmental activities	$ 605,374	$ 1,004,484	$ 54,634	$ 1,555,224	$ 98,739
Business-type activities					
Compensated absences	$ 2,541	$ 291	$ 0	$ 2,832	$ 2,832

The additions noted for compensated absences reflect the net change for the year.

Total interest incurred and expensed in the governmental activities for the current year was $21,301.

11. Net Investment in Capital Assets

The net investment in capital assets reported on the government-wide statement of net position is calculated as follows for the year ended December 31, 2025:

	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 4,892,315	$ 3,030,874
Accumulated depreciation	(2,834,045)	(1,643,934)
Book value	2,058,270	1,386,940
Notes payable	(997,243)	0
Leases payable	(11,018)	0
Subscriptions payable	(28,572)	0
Net investment in capital assets	$ 1,021,437	$ 1,386,940

12. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2025:

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Public Safety				
Police department	$ 0	$ 0	$ 13,283	$ 13,283
Capital projects	0	676,326	0	676,326
	$ 0	$ 676,326	$ 13,283	$ 689,609
Assigned to:				
Housing and Development				
Trade and tourism	$ 0	$ 0	$ 8,688	$ 8,688
Public Works				
Capital projects	3,364	0	0	3,364
	$ 3,364	$ 0	$ 8,688	$ 12,052

13. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51. A summary of the transactions for the year ending December 31, 2025 follows:

Lodging tax receipts	$ 8,222	
Disbursements to promote tourism, conventions, and trade shows	$ 8,159	99% of tax receipts

14. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

15. Risk Management

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

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

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

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2025, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

16. Contingencies

The City's legal counsel has stated that there are presently no determinable lawsuits.

17. New Accounting Pronouncements

The City implemented GASB Statement No. 102, *Certain Risk Disclosures*, effective for the City's current fiscal year. The requirements of this statement are effective for periods beginning after June 15, 2024. This statement had no effect on net position of the City.

18. Subsequent Events

Management has evaluated subsequent events through May 21, 2026, the date the financial statements were available to be issued. No events have occurred during this period that would require adjustment to or disclosure in the accompanying financial statements.

COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2025

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
ASSETS			
Cash and cash equivalents	$ 8,005	$ 13,283	$ 21,288
Taxes receivable	683	0	683
Total assets	$ 8,688	$ 13,283	$ 21,971
FUND BALANCES			
Restricted for Public Safety	$ 0	$ 13,283	$ 13,283
Assigned for Housing and Development	8,688	0	8,688
Total fund balances	$ 8,688	$ 13,283	$ 21,971

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2025

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
REVENUES			
Taxes	$ 8,222	$ 0	$ 8,222
Fees, fines, and forfeitures	0	4,249	4,249
Total revenues	8,222	4,249	12,471
EXPENDITURES			
Current			
Housing and Development	8,159	0	8,159
Excess (deficiency) of revenues over (under) expenditures	63	4,249	4,312
Fund balances, January 1	8,625	9,034	17,659
Fund balances, December 31	$ 8,688	$ 13,283	$ 21,971

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SPECIAL REVENUE FUNDS

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

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Franklin Springs.

Technology Surcharges Fund - This fund is used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police and Municipal Court Departments.

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CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2025

	Final Budget	Actual	Variance
REVENUES			
Hotel/Motel taxes	$ 8,000	$ 8,222	$ 222
EXPENDITURES			
Current			
Housing and Development	8,000	8,159	(159)
Excess (deficiency) of revenues over (under) expenditures	0	63	63
Fund balances, January 1	0	8,625	8,625
Fund balances, December 31	$ 0	$ 8,688	$ 8,688

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2025

	Final Budget	Actual	Variance
REVENUES			
Fees, fines, and forfeitures	$ 2,800	$ 4,249	$ 1,449
EXPENDITURES			
Current			
Public Safety	2,800	0	2,800
Excess (deficiency) of revenues over (under) expenditures	0	4,249	4,249
Fund balances, January 1	0	9,034	9,034
Fund balances, December 31	$ 0	$ 13,283	$ 13,283

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COMPONENT UNIT

Downtown Development Authority – This component unit is used to account for governmental revenues and contributions reserved for City business development.

CITY OF FRANKLIN SPRINGS, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
BALANCE SHEET
December 31, 2025

ASSETS	
Property held for resale	$ 1,438,180
FUND BALANCE	
Assigned for housing and development	$ 1,438,180

CITY OF FRANKLIN SPRINGS, GEORGIA
DOWNTOWN DEVELOPMENT AUTHORITY (A COMPONENT UNIT)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the year ended December 31, 2025

REVENUES	
Intergovernmental	$ 0
EXPENDITURES	
Current	
Housing and development	0
Excess (deficiency) of revenues over (under) expenditures	0
Fund balance, January 1	1,438,180
Fund balance, December 31	$ 1,438,180

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OTHER REPORTING SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Honorable Mayor and
Members of the City Council
City of Franklin Springs, 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Franklin Springs, Georgia's basic financial statements and have issued our report thereon dated May 21, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Franklin Springs, 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 the City of Franklin Springs, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin Springs, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control listed below that we consider to be material weaknesses.

2025-001

Condition: There is a lack of segregation of duties, as the City Clerk currently maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and makes all utility account adjustments for the City.

Criteria: The duties of disbursements, receipts, preparing bank reconciliations, and journal entries should be separated and assigned to different personnel.

Effect: Failure to maintain adequate separation of duties subjects the City to greater risk of loss due to employee fraud.

Cause: The same employee maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and makes all utility account adjustments.

2025-001, Continued

Recommendation: Because the City staff is too small to have an adequate separation of duties, the following mitigating procedures should be implemented. A formal journal entry approval process should be adopted and all journal entries made by the City Clerk should be reviewed and approved by the Mayor or other Council member before they are posted. The Mayor should review all journal entries, bank reconciliations, utility adjustments, and make all deposits.

Management Response: Management concurs with this finding. The Mayor will review all journal entries and bank reconciliations prepared by the City Clerk on a monthly basis.

2025-002

Condition: City personnel may require additional training in the application of generally accepted accounting principles and the preparation of financial statements. Currently, the City relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common for governments of similar size and structure to the City. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the finance staff is not trained to perform the daily accounting functions, but that the City has elected as a cost benefit to outsource this expertise to their auditors.

Criteria: Effective internal control requires that employees possess the necessary qualifications and training to fulfill their assigned duties.

Effect: Failure to ensure that employees possess the necessary qualifications to perform their assigned duties may lead to financial statements that are materially misstated.

Cause: Staff does not have proper training in generally accepted accounting principles to implement them or prepare financial statements.

Recommendation: City personnel should receive additional training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements. However, this may be cost prohibitive.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel in identification and application of generally accepted accounting principles and financial statement preparation is cost prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin Springs, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Franklin Springs, Georgia's Response to Findings

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

Purpose of this Report

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

Rushton, LLC

Gainesville, Georgia
May 21, 2026

STATE REPORTING SECTION

CITY OF FRANKLIN SPRINGS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2025

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST V Referendum					
Water and Sewer	$ 289,285	$ 289,285	$ 734,502	$ 0	$ 734,502
Roads, Streets, and Bridges	289,285	289,285	24,631	9,768	34,399
Public Safety and Fire	210,430	210,430	64,526	0	64,526
Total	$ 789,000	$ 789,000	$ 823,659	$ 9,768	$ 833,427

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
SPLOST VI Referendum					
Water and Sewer	$ 375,000	$ 375,000	$ 45,691	$ 200,896	$ 246,587
Roads, Streets, and Bridges	375,000	375,000	0	0	0
Public Safety and Fire	250,000	250,000	50,000	0	50,000
Total	$ 1,000,000	$ 1,000,000	$ 95,691	$ 200,896	$ 296,587