# CITY OF SPARKS, GEORGIA

## FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

## FOR THE YEAR ENDED DECEMBER 31, 2021

**CITY OF SPARKS, GEORGIA**
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# INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Sparks, Georgia

## Report on the Audit of Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sparks, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Sparks, 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, each major fund, and the aggregate remaining fund information of the City of Sparks, Georgia, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis of 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sparks, Georgia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sparks, 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sparks, 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 Sparks, 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***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information (on page 30) 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 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 Sparks, Georgia's basic financial statements. The major fund budgetary comparison schedule and schedules of projects constructed with special sales tax proceeds, as required by Official Code of Georgia 48-8-121, is presented for purposes of additional analysis and is also 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 major fund budgetary comparison schedule and schedule of projects constructed with special sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2024, on our consideration of the City of Sparks, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sparks, 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 the City of Sparks, Georgia's internal control over financial reporting and compliance.




Valdosta, Georgia
September 2, 2024

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF NET POSITION**
**DECEMBER 31, 2021**

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Assets** | | | |
| Cash and Equivalents | $ 1,742,598 | $ 460,976 | $ 2,203,574 |
| Receivables | 159,435 | 59,159 | 218,594 |
| Prepaids | 9,174 | 6,237 | 15,411 |
| Internal Balances | 55,741 | (55,741) | - |
| Capital Assets | | | |
| Non-depreciable | 64,660 | 4,500 | 69,160 |
| Depreciable (net) | 2,912,580 | 3,686,791 | 6,599,371 |
| Total Assets | $ 4,944,188 | $ 4,161,922 | $ 9,106,110 |
| **Liabilities** | | | |
| Accounts payable and accrued expenses | $ 42,184 | $ 428 | $ 42,612 |
| Deposits | - | 2,710 | 2,710 |
| Unearned revenues | 344,624 | - | 344,624 |
| Long-term liabilities | | | |
| Due within one year | | | |
| Notes payable | - | 71,205 | 71,205 |
| Capital lease obligations | 33,295 | - | 33,295 |
| Due in more than one year | | | |
| Capital lease obligations | 290,269 | - | 290,269 |
| Compensated absences | 13,842 | - | 13,842 |
| Total liabilities | $ 724,214 | $ 74,343 | $ 798,557 |
| **Net Position** | | | |
| Net investment in capital assets | $ 2,653,676 | $ 3,620,086 | $ 6,273,762 |
| Restricted for: | | | |
| Capital Projects | 603,469 | - | 603,469 |
| Unrestricted | 962,829 | 467,493 | 1,430,322 |
| Total net position | $ 4,219,974 | $ 4,087,579 | $ 8,307,553 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| Functions/Programs | Expenses | Program Revenue: Charges for Services | Program Revenue: Operating Grants and Contributions | Program Revenue: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Total |
|---|---|---|---|---|---|---|---|
| **Primary government** | | | | | | | |
| Governmental Activities | | | | | | | |
| General Government | $ 339,160 | $ 16,406 | $ 93,341 | $ - | $ (229,413) | $ - | $ (229,413) |
| Public Safety | 577,163 | 531,981 | - | - | (45,182) | - | (45,182) |
| Streets and sanitation | 561,061 | 117,628 | - | 206,321 | (237,112) | - | (237,112) |
| Total governmental activities | 1,477,384 | 666,015 | 93,341 | 206,321 | (511,707) | - | (511,707) |
| Business-type activities: | | | | | | | |
| Water and Sewer | 519,462 | 532,322 | - | - | - | 12,860 | 12,860 |
| Total business-type activities | 519,462 | 532,322 | - | - | - | 12,860 | 12,860 |
| **Total primary government** | $ 1,996,846 | $ 1,198,337 | $ 93,341 | $ 206,321 | $ (511,707) | $ 12,860 | $ (498,847) |
| **General revenues:** | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | $ 147,091 | $ - | $ 147,091 |
| Sales taxes | | | | | 71,971 | - | 71,971 |
| Alcoholic beverage taxes | | | | | 20,123 | - | 20,123 |
| Franchise fee | | | | | 79,350 | - | 79,350 |
| Business taxes | | | | | 177,067 | - | 177,067 |
| Unrestricted investment earnings | | | | | 745 | 284 | 1,029 |
| Gain on sale of assets | | | | | 2,191 | - | 2,191 |
| Total general revenues | | | | | 498,538 | 284 | 498,822 |
| Change in net position | | | | | (13,169) | 13,144 | (25) |
| Net position - beginning | | | | | 4,233,143 | 4,074,435 | 8,307,578 |
| Net position - ending | | | | | $ 4,219,974 | $ 4,087,579 | $ 8,307,553 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2021**

| | GENERAL FUND | SPECIAL SALES TAX | ARPA FUND | NON-MAJOR T - SPLOST FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 819,994 | $ 463,146 | $ 344,624 | $ 114,834 | $ 1,742,598 |
| Receivables (net): | | | | | |
| Taxes | 26,646 | - | - | - | 26,646 |
| Fines | 84,816 | - | - | - | 84,816 |
| Interest | 88 | - | - | - | 88 |
| Accounts | 14,611 | - | - | - | 14,611 |
| Due from other funds | 56,191 | - | - | - | 56,191 |
| Receivable from other governments | 7,336 | 21,973 | - | 3,965 | 33,274 |
| Prepaid expenditures | 9,174 | - | - | - | 9,174 |
| Total Assets | 1,018,856 | 485,119 | 344,624 | 118,799 | 1,967,398 |
| **LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 39,628 | - | - | - | 39,628 |
| Due to other funds | - | 350 | - | 100 | 450 |
| Other accrued expenditures | 2,378 | - | - | - | 2,378 |
| Unearned revenues | - | - | 344,624 | - | 344,624 |
| Total Liabilities | 42,006 | 350 | 344,624 | 100 | 387,080 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue | 82,205 | - | - | - | 82,205 |
| Total Deferred Inflows of Resources | 82,205 | - | - | - | 82,205 |
| Fund balances: | | | | | |
| Nonspendable | 9,174 | - | - | - | 9,174 |
| Restricted | - | 484,769 | - | 118,700 | 603,469 |
| Unassigned | 885,471 | - | - | - | 885,471 |
| Total Fund Balances | 894,645 | 484,769 | - | 118,700 | 1,498,114 |
| Total Liabilities, Deferred Inflows and Fund balances | $ 1,018,856 | $ 485,119 | $ 344,624 | $ 118,800 | $ 1,967,399 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**
**AS OF DECEMBER 31, 2021**

| | | |
|---|---|---|
| Total fund balance, governmental funds | $ | 1,498,114 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 2,977,240 |
| Long-term liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Government-wide Statement of Net Position. | | |
| Accrued interest | | (180) |
| Capital lease obligations | | (323,564) |
| Compensated absences | | (13,841) |
| Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements. | | 82,205 |
| Net Position of Governmental Activities in the Statement of Net Position | $ | 4,219,974 |

The accompanying notes are an integral part of these statements.

# CITY OF SPARKS, GEORGIA
# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
# GOVERNMENTAL FUNDS
# FOR THE YEAR ENDED DECEMBER 31, 2021

| | GENERAL FUND | SPECIAL SALES TAX | ARPA FUND | NON-MAJOR T - SPLOST FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes | $ 444,809 | $ 118,622 | $ - | $ 87,687 | $ 651,118 |
| Fines and forfeitures | 463,231 | - | - | - | 463,231 |
| Licenses and permits | 94,020 | - | - | - | 94,020 |
| Intergovernmental | 62,101 | - | 31,240 | - | 93,341 |
| Charges for services | 118,190 | - | - | - | 118,190 |
| Miscellaneous | 4,110 | 12 | - | - | 4,122 |
| Total Revenues | 1,186,461 | 118,634 | 31,240 | 87,687 | 1,424,022 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government | 311,292 | 128 | 23,010 | - | 334,430 |
| Public safety | 556,878 | - | 4,981 | - | 561,859 |
| Public works | 538,649 | - | 3,249 | 47,232 | 589,130 |
| Capital outlay | - | 7,000 | - | - | 7,000 |
| Total Expenditures | 1,406,819 | 7,128 | 31,240 | 47,232 | 1,492,419 |
| Excess (Deficiency) of Revenues Over Expenditures | (220,358) | 111,506 | - | 40,455 | (68,397) |
| Net Change in Fund Balances | (220,358) | 111,506 | - | 40,455 | (68,397) |
| Fund Balances - Beginning of Year | 1,115,003 | 373,263 | - | 78,245 | 1,566,511 |
| Fund Balances - Ending of Year | $ 894,645 | $ 484,769 | $ - | $ 118,700 | $ 1,498,114 |

The accompanying notes are an integral part of these statements.

# CITY OF SPARKS, GEORIA
## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE GOVERNEMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
## FOR THE YEAR ENDED DECEMBER 31, 2021

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds: | $ | (68,397) |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. | | |
| Depreciation expense | | (125,169) |
| Capital outlay | | 106,634 |
| Revenues reported on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds: | | |
| Deferred revenues | | 40,193 |
| Repayment of principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities: | | |
| Capital lease principle payments | | 32,687 |
| Accrual of interest on capital lease payable is not an expenditure in the governmental funds, but is accrued on the statement of activities: | | |
| Accrued interest expense | | 216 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | | |
| Changes in long-term compensated absences | | 667 |
| Change in Net Position of Governmental Activities | $ | (13,169) |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUND - WATER AND SEWER FUND**
**DECEMBER 31, 2021**

**ASSETS**

| | | |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ | 460,976 |
| Accounts receivable, net | | 57,595 |
| Other receivables | | 1,564 |
| Prepaid expenses | | 6,237 |
| Total Current Assets | | 526,372 |
| **Non-Current Assets** | | |
| Land | | 4,500 |
| Water and sewer system | | 7,503,639 |
| Equipment and furniture | | 72,371 |
| Total capital assets | | 7,580,510 |
| Less Accumulated depreciation | | (3,889,219) |
| Net Capital Assets | | 3,691,291 |
| Total Non-Current Assets | | 3,691,291 |
| Total Assets | $ | 4,217,663 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUND - WATER AND SEWER FUND**
**DECEMBER 31, 2021**

| | | |
|---|---|---|
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable | $ | 2,710 |
| Accrued expenses | | 428 |
| Due to other funds | | 55,741 |
| Current portion of long-term debt - notes payable | | 71,205 |
| Total Current Liabilities | | 130,084 |
| Total Liabilities | $ | 130,084 |
| **NET POSITION** | | |
| Net investment in capital assets | $ | 3,620,086 |
| Unrestricted | | 467,493 |
| Total Net Position | $ | 4,087,579 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**
**PROPRIETARY FUND - WATER AND SEWER FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | |
|---|---|
| **Revenues** | |
| Charges for services | $ 532,322 |
| Total Operating Revenues | 532,322 |
| **Operating Expenses** | |
| Personal services | 39,088 |
| Contractual services | 11,392 |
| Utilities | 143,957 |
| Capital outlay | 60,234 |
| Repairs and maintenance | 27,895 |
| Other supplies and expenses | 16,800 |
| Miscellaneous expenses | 13,673 |
| Depreciation expense | 201,522 |
| Total Operating Expenses | 514,561 |
| Operating Income | 17,761 |
| **Non-Operating Revenues (Expenses)** | |
| Interest and investment revenue | 284 |
| Interest expense | (4,901) |
| Total Non-Operating Revenues (Expenses) | (4,617) |
| Change in net position | 13,144 |
| Total net position - beginning | 4,074,435 |
| Total net position - ending | $ 4,087,579 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND - WATER AND SEWER FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | | |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash received from customers: | $ | 517,707 |
| Cash paid to suppliers | | (263,784) |
| Cash paid to employees | | (39,908) |
| Net Cash Provided By Operating Activities | | 214,015 |
| **Cash Flows From Capital And Related Financing Activities** | | |
| Principal paid on notes payable | | (181,921) |
| Interest payments | | (4,901) |
| Net Cash (Used In) Capital And Related Activities | | (186,822) |
| **Cash Flows From Investing Activities** | | |
| Interest on cash deposits | | 284 |
| Net Cash Provided By Investing Activities | | 284 |
| Net Increase In Cash | | 27,477 |
| Cash, Cash Equivalents, and Restricted Cash at Beginning of Year | | 433,499 |
| Cash, Cash Equivalents, and Restricted Cash at End of Year | $ | 460,976 |

The accompanying notes are an integral part of these statements.

**CITY OF SPARKS, GEORGIA**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND - WATER AND SEWER FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | | |
|---|---|---|
| Operating Income | $ | 17,761 |
| Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities: | | |
| Depreciation | | 201,522 |
| Change in Assets and Liabilities: | | |
| Accounts receivable | | (14,615) |
| Prepaid expenses | | 5,127 |
| Accrued expenses | | (820) |
| Due to other funds | | 5,040 |
| Net Cash Provided By Operating Activities | $ | 214,015 |
| | | |
| Cash Cash Equivalents, and Restricted Cash Per Financial Statements, Including Investments | $ | 460,976 |
| Total Cash, Cash Equivalents, and Restricted Cash | $ | 460,976 |

The accompanying notes are an integral part of these statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sparks, Georgia (the City) was incorporated by an act of the Georgia Legislature in 1888. The City is governed by a mayor-council form of government. The following services are provided to the citizens of Sparks by the City and Cook County: public safety (fire and police), highways and streets, water, sewer, sanitation, health and social services, culture-recreation, education, public improvements, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB, in which case, GASB prevails. Listed Below is a summary of the more significant policies:

### A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

### Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

### Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

### B. Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; of (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

There is no component unit that meets the criteria for component units requiring discrete presentation in the primary government financial reporting entity.

### C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

### Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

**General Fund** - The General Fund is used to account for all revenues and expenditures applicable to the general operations of City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the general fund.

**Special Sales Tax Fund** - The Special Sales Tax Fund is used to account for all revenues and expenditures applicable to capital projects financed with special purpose local option sales tax.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**ARPA Fund -** The fund accounts for the American Rescue Plan Act funds provided by the federal government. The revenue is restricted to the stated purposes of the federal law that provided for the funds.

The other governmental funds of the City account for other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital projects.

**Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Water & Sewer Fund** The fund accounts for financing and costs of providing water and sewer services to residents of the City.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and service. Operating expenses for enterprise 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 nonoperating revenues and expenses.

**D. Measurement Focus**

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

### E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses verses expenditures.

### F. Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes are recognized in the year for which the taxes are levied. Revenues from sales taxes are recognized in the period in which the sales are made. Revenues from grants, entitlements, and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the year when use is first permitted; matching requirements in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: property taxes, sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes, grants, interest, and rent.

### G. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has unavailable revenue, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category on the governmental funds balance sheet.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following amounts are deferred and recognized as an inflow of resources in the period that the amounts become available:

| | General Fund |
|---|---|
| Property taxes | $ 13,455 |
| Fines revenue | 68,750 |
| | $ 82,205 |

### H. Expenses/ Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

### I. FASB Statements and Interpretations

For Proprietary activities, all FASB Statements and Interpretations issued after November 30, 1989 have been applied except for those that conflict with or contradict GASB pronouncements.

### J. Budgets and Budgetary Accounting

An annual budget is adopted (as required by law) by the City for the general and special revenue funds. The budgets are adopted on a basis substantially consistent with generally accepted accounting principles.

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

1. Each year the city clerk prepares and compiles a tentative worksheet with estimated cash expenditures for the next calendar year of all funds of the City based on the prior year's expenditures.

2. After review and revisions in December by the mayor and council the proposed budgets are compiled.

3. The budgets are usually formally adopted in January and notice of the budget's availability for inspection is published.

4. During the year, as the need arises, the mayor and council make any necessary budget amendments.

5. Formal budgetary integration is the management tool used as a control device during the year for the general and proprietary funds.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were adopted.

OCGA 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund and requires a project-length balanced budget for each capital project fund. For the year ended, December 31, 2021, an annual budget was adopted for the general fund.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

All unexpected annual appropriations lapse at year-end.

### K. Cash and Cash Equivalents

For the proprietary fund types a statement of cash flows is presented, as is required by GASB Statement 9, instead of a statement of changes in financial position. For this statement, cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less when purchased, that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant rates of changes in value because of changes in interest rates.

### L. Capital Assets

General capital assets are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

The cost of infrastructure assets, including roads, bridges, curbs and gutters, streets, sidewalks, drainage systems and lighting systems acquired during the current fiscal year is recorded in the government-wide financial statements. The City is not required to and will not record acquisitions prior to December 31, 2004.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and improvements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|---|---|
| Buildings and Improvements | 20-50 years |
| Machinery and Equipment | 7-10 years |
| Distribution Systems | 25-50 years |
| Infrastructure Assets | 30-50 years |

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

### M. Allowance For Doubtful Accounts

The City provides an allowance for the Water and Sewer Fund accounts receivable and the General Fund ad valorem tax and fines receivable that may be uncollectible. At December 31, 2021, the allowances are $1,813 and $21,462, respectively. No other allowances for uncollectible accounts receivable are necessary. All other accounts receivable is considered collectible as reported at December 31, 2021.

### N. Compensated Absences

Vacation and sick pay benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to service already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. It is the policy of the City to permit employees to accumulate earned but unused vacation and sick pay benefits. All sick pay is accrued when earned in the government-wide and proprietary fund financial statements. Employees will be compensated for a maximum of 160 hours upon termination. Vacation pay is not eligible for carryover from one year to the next. The City records a liability for accumulated unused vacation and sick pay time when earned for all employees.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

### O. Accrued and Long - Term Liabilities

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable form the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

### P. 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 classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

*Nonspendable* – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

*Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use wither 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 adoption of a resolution. The City Council also may modify or rescind the commitment by the same formal action.

*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 Clerk 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 funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position - Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when as described in the fund balance section above. All other net position is reported as unrestricted.

### Q. Prepaid Expenditures

Payments made to various vendors for items or services for a future period are recorded as prepaid expenditures.

### R. Estimates

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

### S. Property Taxes

The City Council establishes the tax millage rate annually. The property tax calendar for the fiscal year ended December 31, 2021, is as follows:

Levy Date-October 20, 2021
Due Date-December 20, 2021
Delinquent Date-January 1, 2022
Collection Dates-October 21, 2021 through December 31, 2021

## NOTE 2 – CASH DEPOSITS

As of December 31, 2021, the carrying amount of the City's bank deposits was $2,203,574 and the respective bank balances totaled $2,225,137. Of the total bank balance, $670,219 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining $1,554,918 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the city.

As of December 31, 2021, the City's carrying amount of deposits, related bank balances, and other cash, were as follows:

| | Carrying Amount | Bank Balance |
|---|---|---|
| Bank deposits | $ 2,203,265 | $ 2,225,137 |
| Petty Cash | 309 | - |
| Totals | $ 2,203,574 | $ 2,225,137 |

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City has a policy to reduce its exposure to this risk by requiring deposits to be collateralized in accordance with State law. As of December 31, 2021, $1,554,918 of the City's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

## NOTE 3 – DUE FROM OTHER GOVERNMENTS

A summary of the amounts due from other governments is as follows:

| | | |
|---|---|---|
| General Fund | | |
| Sales Tax | | |
| Georgia Department of Revenue | $ | 7,336 |
| Capital Projects Funds | | |
| Special Sales Tax Fund | | |
| Cook County | | 21,973 |
| Transportation Special Sales Tax Fund | | |
| Cook County | | 3,965 |
| Total - Capital Projects Funds | | 25,938 |
| Total - Due from Other Governments | $ | 33,274 |

## NOTE 4 – INTERFUND RECEIVABLE AND PAYABLE BALANCES

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of December 31, 2021, balances of interfund amounts receivable or payable have been recorded.

Individual fund interfund receivable and payable balances at December 31, 2021, are as follows:

| | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ 56,191 | $ - |
| Special Sales Tax Fund | - | 350 |
| Non-major Governmental Funds | - | 100 |
| Water Sewer Fund | - | 55,741 |
| | $ 56,191 | $ 56,191 |

## NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

| | Balance December 31, 2020 | Additions | Deletions | Balance December 31, 2021 |
|---|---|---|---|---|
| **Primary Government** | | | | |
| Governmental Activities: | | | | |
| Nondepreciable Capital Assets: | | | | |
| Land | $ 64,660 | $ - | $ - | $ 64,660 |
| Construction in Progress | 736,072 | 106,634 | 842,706 | - |
| Total Nondepreciable Capital Assets | 800,732 | 106,634 | 842,706 | 64,660 |
| Depreciable Capital Assets: | | | | |
| Buildings | 395,726 | - | - | 395,726 |
| Machinery and Equipment | 1,330,772 | - | - | 1,330,772 |
| Infrastructure | 1,640,252 | 842,706 | - | 2,482,958 |
| Total Capital Assets | 4,167,482 | 949,340 | 842,706 | 4,274,116 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | (153,073) | (11,477) | - | (164,550) |
| Machinery and Equipment | (823,940) | (72,460) | - | (896,400) |
| Infrastructure | (194,694) | (41,232) | - | (235,926) |
| Governmental Activities Capital Assets, Net | $ 2,995,775 | $ 824,171 | $ 842,706 | $ 2,977,240 |

## NOTE 5 - CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Governmental Activities: | |
| General Government | $ 6,405 |
| Public Safety | 68,711 |
| Streets and Sanitation | 50,053 |
| Total Depreciation Expense-Governmental Activities | $ 125,169 |

A summary of changes in capital assets for the City's enterprise fund for the year ended December 31, 2021, is as follows:

| | Balance December 31, 2020 | Additions | Deletions | Balance December 31, 2021 |
|---|---|---|---|---|
| Business-Type Activities: | | | | |
| Nondepreciable Capital Assets: | | | | |
| Land and Improvements | $ 4,500 | $ - | $ - | $ 4,500 |
| Total Nondepreciable Capital Assets | 4,500 | - | - | 4,500 |
| Depreciable Capital Assets: | | | | |
| Water and sewer system | 7,503,639 | - | - | 7,503,639 |
| Machinery and Equipment | 72,371 | - | - | 72,371 |
| Total Capital Assets | 7,580,510 | - | - | 7,580,510 |
| Less Accumulated Depreciation For: | | | | |
| Water and sewer system | (3,625,265) | (199,394) | - | (3,824,659) |
| Machinery and Equipment | (62,432) | (2,128) | - | (64,560) |
| Business-Type Activities Capital Assets, Net | $ 3,892,813 | $ (201,522) | $ - | $ 3,691,291 |

Depreciation expense was charged to business-type functions as follows:

| | |
|---|---|
| Business-type Activities: | |
| Water and Sewer | $ 201,522 |
| Total Depreciation Expense-Business-type Activities | $ 201,522 |

## NOTE 6 – CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2021:

| | Balance December 31, 2020 | Issues or Additions | Payments or Expenditures | Balance December 31, 2021 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Compensated absences | $ 14,509 | $ - | $ 667 | $ 13,842 | $ - |
| Capital leases payable | 356,251 | - | 32,687 | 323,564 | 33,295 |
| Total Governmental Activities | 370,760 | - | 33,354 | 337,406 | 33,295 |
| Business-Type Activities | | | | | |
| Notes payable | $ 253,125 | $ - | $ 181,920 | $ 71,205 | $ 71,205 |
| Total Business-Type Activities | 253,125 | - | 181,920 | 71,205 | 71,205 |
| Total All Funds | $ 623,885 | $ - | $ 215,274 | $ 408,611 | $ 104,500 |

## NOTE 7 - CAPITAL LEASE

The City has entered into a lease agreement for $364,227 at 2.660% interest on September 23, 2020 with the Georgia Municipal Association, Inc. as lessee for financing the acquisition of a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the date of its inception. Payments are due quarterly in the amount of $10,393 with a maturity date of September 15, 2030.

The future minimum lease payments under the capital lease are as follows:

| Year Ending December 31: | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 33,295 | $ 8,276 | $ 41,571 |
| 2023 | 34,189 | 7,382 | 41,571 |
| 2024 | 35,108 | 6,463 | 41,571 |
| 2025 | 36,051 | 5,520 | 41,571 |
| 2026 | 37,019 | 4,552 | 41,571 |
| 2027-2030 | 147,902 | 8,024 | 155,926 |
| Total | $ 323,564 | $ 40,217 | $ 363,781 |

The accumulated amortization on the fire truck was $30,352 as of December 31, 2021. The amortization expense for fiscal year 2021 of $24,282 was included in the depreciation expense.

## NOTE 8 – NOTE PAYABLE

### Business Type Activities

On July 28, 2000, the City borrowed $2,512,234 from the State of Georgia Revolving Loan Fund to finance water and sewer system improvements. The note bears interest at 3% and is due in 78 quarterly installments of $43,302 beginning February 3, 2003. On December 31, 2021, the balance on the note payable was $71,205 and will be fully paid during fiscal year 2022.

## NOTE 9 – FUND EQUITY

Fund balances at December 31, 2021 are classified as follows:

Non-spendable – The following fund balances are non-spendable because they are allocated to:

| | |
|---|---|
| General Fund: | |
| Prepaid items | $ 9,174 |
| Total | $ 9,174 |

Restricted – The following fund balances are restricted for:

| | |
|---|---|
| Capital Projects Funds: | |
| *Special Sales Tax Fund* - used to account for capital projects financed with special purpose local option sales tax that was approved by referendum. | 484,769 |
| *T-Splost Fund* - used to account for capital projects financed with transportation special purpose local option sales tax. | 118,700 |
| Total Restricted Fund Balance - Capital Project Funds | 603,469 |
| Total Restricted Fund Balance | $ 603,469 |

Unassigned – The following fund balances are unassigned:

| | |
|---|---|
| General Fund | $ 885,473 |

## NOTE 10 – DEFERRED COMPENSATION PLAN

The City of Sparks offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City of Sparks Group Plan is a defined contribution plan and is administered for the City by Metropolitan Life Insurance Company and was established through local legislation of the City Council. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The City, through local legislation, has agreed to match employee contributions to the plan up to a maximum of 5% of each employee's compensation. Total contributions to the plan during the year were $7,410; $3,705 employee contributions and $3,705 City contributions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

## NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has joined together with other municipalities in the state as of the Georgia Interlock 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 Government is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the Government 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 the 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 coverage.

## NOTE 12 – CONTINGENT LIABILITIES

There were no known contingent liabilities at December 31, 2021. As of December 31, 2021, there were no pending litigation that would have a material effect on the financial statements.

## NOTE 13 – JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten county South Georgia area, participates in the Southern Regional Commission (SGRC). Membership in the SGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the SGRC in Georgia. The SGRC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a commission.

## NOTE 13 – JOINT VENTURE, CONTINUED

Information concerning the financial statements may be obtained from the Southern Georgia Regional Commission, P.O. Box 1223, Valdosta, Georgia 31603.

## NOTE 14 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 2, 2024, which is the date the financial statements were available to be issued.

**CITY OF SPARKS, GEORGIA**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| | Original | Final | | |
| **Revenues** | | | | |
| Taxes | $ 559,500 | $ 559,500 | $ 444,809 | $ (114,691) |
| Fees and fines | 618,000 | 618,000 | 463,231 | (154,769) |
| Licenses and permits | 101,000 | 101,000 | 94,020 | (6,980) |
| Intergovernmental | 34,000 | 34,000 | 62,101 | 28,101 |
| Charges for services | 131,050 | 131,050 | 118,190 | (12,860) |
| Miscellaneous | 42,300 | 42,300 | 4,110 | (38,190) |
| Total Revenues | 1,485,850 | 1,485,850 | 1,186,461 | (299,389) |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 355,900 | 355,900 | 311,292 | (44,608) |
| Public safety | 601,500 | 601,500 | 556,878 | (44,622) |
| Public works | 546,150 | 546,150 | 538,649 | (7,501) |
| Total Expenditures | 1,503,550 | 1,503,550 | 1,406,819 | (96,731) |
| (Deficiency) Of Revenues Over Expenditures | (17,700) | (17,700) | (220,358) | (202,658) |
| Fund Balances - Beginning of Year | 1,115,003 | 1,115,003 | 1,115,003 | - |
| Fund Balances - Ending of Year | $ 1,097,303 | $ 1,097,303 | $ 894,645 | $ (202,658) |

**CITY OF SPARKS, GEORGIA**
**ARPA FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**
**IN FUND BALANCE COMPARED TO BUDGET**
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS BUDGETARY BASIS | VARIANCE WITH FINAL BUDGET OVER (UNDER) |
|---|---|---|---|---|
| | ORIGINAL | FINAL | | |
| Revenues: | | | | |
| Intergovernmental | $ - | $ - | $ 31,240 | $ 31,240 |
| Total Revenues | - | - | 31,240 | 31,240 |
| Expenditures: | | | | |
| Premium payments - personnel | - | - | 31,240 | (31,240) |
| Total Expenditures | - | - | 31,240 | (31,240) |
| Revenues And Other Financing Sources Over Expenditures | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | $ - | $ - | $ - | $ - |

**CITY OF SPARKS, GEORGIA**
**SPECIAL SALES TAX**
**SPLOST 2016**
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| PROJECT | ORIGINAL ESTIMATED COST | CURRENT ESTIMATED COST | PRIOR YEARS | CURRENT YEAR | TOTAL | ESTIMATED PERCENTAGE OF COMPLETION |
|---|---|---|---|---|---|---|
| Recreation facilities, Roads and Bridges, and Water and Sewer Improvements, and Equipment | $ 495,000 | $ 495,000 | $ - | $ 7,128 | $ 7,128 | 1.44% |
| Totals | $ 495,000 | $ 495,000 | $ - | $ 7,128 | $ 7,128 | |

**CITY OF SPARKS, GEORGIA**
**T SPLOST**
**T SPLOST 2021**
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| PROJECT | ORIGINAL ESTIMATED COST | CURRENT ESTIMATED COST | PRIOR YEARS | CURRENT YEAR | TOTAL | ESTIMATED PERCENTAGE OF COMPLETION |
|---|---|---|---|---|---|---|
| Street paving and road improvements | $ 588,000 | $ 588,000 | $ - | $ 47,232 | $ 47,232 | 8.03% |
| Totals | $ 588,000 | $ 588,000 | $ - | $ 47,232 | $ 47,232 | |

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

To the Honorable Mayor and Members of the City Council
City of Sparks, 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, each major fund, and the aggregate remaining fund information City of Sparks, Georgia, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Sparks, Georgia's basic financial statements, and have issued our report thereon dated September 2, 2024.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-1 and 2021-2 to be material weaknesses.

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 of findings and questioned costs as items 2021-3 to be significant deficiencies.

**Report on Compliance and Other Matters**

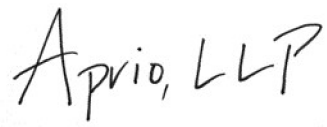
As part of obtaining reasonable assurance about whether City of Sparks, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

**City of Sparks, Georgia's Response to Findings**

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




Valdosta, Georgia
September 2, 2024

# CITY OF SPARKS, GEORGIA
# SCHEDULE OF FINDINGS AND RESPONSES

Material Weakness

21-1 Segregation of Duties (Repeat)

The City of Sparks, Georgia, has experienced significant turnover in accounting personnel and does not employ sufficient personnel to provide for the adequate segregation
of duties.
Criteria-Weakness in internal control.
Effect-Improper segregation of duties can allow for the misappropriation of funds.
Recommendation-Additional personnel should be hired, and any conflicting duties segregated.
Management's Response: The City agrees with the finding; however, the City believes that it is not financially viable to employ the additional staff needed to accomplish a complete segregation of duties. The Mayor and Council are getting more involved in the financial matters and are reviewing the financial reports monthly at the Council meetings, as well as engaging with third-party contractors to assist the finance function.

21-2 Failure to Reconcile Bank Statements Timely

The City of Sparks, Georgia experienced both employee turnover and a software conversion which hindered timely reconciliation of bank statements.
Criteria – Weakness in internal control
Effect - Failure to reconcile the cash balances on a timely basis increases the risk that financial decisions will be made based on incomplete or inaccurate information. Additionally, failure to complete these reconciliations in a timely manner creates a systemic weakness in internal controls due to the reconciliation of cash being a critical step across multiple internal control systems.
Recommendation – Bank reconciliations should be completed monthly and be reviewed and approved by city management.
Management's Response: The City agrees that monthly cash balance reconciliations should be performed promptly and has taken measures to update the accounting records by engaging third-party contractors. In addition, the accounting staff will obtain the necessary training to perform account reconciliations using the City's accounting software.

Significant Deficiencies

21-3 Financial Statement Preparation (Repeat)
The management of the City of Sparks, Georgia, does not have the skills needed to prepare its financial statements in accordance with generally accepted accounting principles.
Criteria-Weakness in internal control.
Effect-The governing board is not provided generally accepted accounting principles basis financial statements for monitoring the City's financial performance and compliance with established budgets.
Recommendation-City personnel need to receive additional training in preparing financial statements in accordance with generally accepted accounting principles. The City Council should be provided with financial statements at every council meeting, and the financial statements should be reviewed for compliance with approved budgets. Significant variances between the financial statements and the approved budget and prior periods should be subject to further investigation. Nonroutine events and transactions should be analyzed and reviewed to ensure they are accounted for correctly in the financial statements.
Management's Response: The City agrees that proper review of the financial statements is required on a regular basis, therefore, the Mayor and Council are getting more involved in the financial matters. The City clerk is preparing financial reports from the accounting software that are reviewed monthly at the Council meetings.

# CITY OF SPARKS, GEORGIA
# SCHEDULE OF FINDINGS AND RESPONSES

Status of Prior Year

Material Weakness

20-1 Segregation of Duties (Repeat)
The City of Sparks, Georgia, does not employ sufficient personnel to provide for the adequate segregation of duties.
Criteria-Weakness in internal control.
Effect-Improper segregation of duties can allow for the misappropriation of funds.
Recommendation-Additional personnel should be hired and any conflicting duties segregated.
Management's Response-The City concurs with this finding. However, the City believes that it is not economically feasible to hire the additional personnel needed to accomplish a complete segregation of duties. The mayor and council members review monthly financial information. Either the mayor or a council member reviews invoices for payment and signs all checks. Cash receipts procedures have been implemented to help segregate conflicting duties to the extent possible.

Significant Deficiencies

20-2 Financial Statement Preparation (Repeat)
The management of the City of Sparks, Georgia, does not have the skills needed to prepare its financial statements in accordance with generally accepted accounting principles.
Criteria-Weakness in internal control.
Effect-Governing board is provided generally accepted accounting principles basis financial statements on an annual basis only.
Recommendation-City personnel need to receive additional training in preparing financial statements in accordance with generally accepted accounting principles.
Management's Response-Hiring additional personnel with adequate professional training is not economically feasible. The city clerk receives training as practical and prepares a monthly financial report for the governing board.