CITY OF SPARKS, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2023

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CKH
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Sparks, 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 and each major fund of the City of Sparks, Georgia (the "City"), as of and for the year ended December 31, 2023, 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 and each major fund of the City as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules for the General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management, 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's basic financial statements. The schedules of projects constructed with proceeds from special purpose local option sales tax and the schedule of projects constructed with transportation special purpose local option sales tax as listed in the table of contents, 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, schedules of projects constructed with proceeds from special purpose local option sales tax and the schedule of projects constructed with transportation 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 August 15, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



CKH CPA's and Advisors, LLC
Atlanta, Georgia
August 15, 2025

CITY OF SPARKS, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 1,164,411	$ 354,131	$ 1,518,542
Restricted cash	70,527	61,625	132,152
Investments	-	319,948	319,948
Receivables (net of allowance for uncollectibles)	10,122	47,633	57,755
Taxes receivable	45,325	-	45,325
Intergovernmental receivables	21,581	-	21,581
Due from other funds	217,332	-	217,332
Prepaid items	9,974	3,800	13,774
Capital assets, nondepreciable	64,660	4,500	69,160
Capital assets, depreciable, net of accumulated depreciation	3,001,806	3,344,390	6,346,196
Total assets	4,605,738	4,136,027	8,741,765
LIABILITIES			
Accounts payable	16,986	5,110	22,096
Accrued liabilities	3,733	508	4,241
Due to other funds	-	217,332	217,332
Noncurrent liabilities due within one year			
Compensated absences	4,872	-	4,872
Lease liability	35,107	-	35,107
Note payable	21,336	-	21,336
Noncurrent liabilities due in more than one year			
Compensated absences	22,806	-	22,806
Lease liability	220,974	-	220,974
Note payable	73,238	-	73,238
Total liabilities	399,052	222,950	622,002
NET POSITION			
Net investment in capital assets	2,715,811	3,348,890	6,159,275
Restricted for:			
Transportation	132,574	-	132,574
Capital projects	613,459	-	613,459
Unrestricted	744,842	564,187	1,214,455
Total net position	$ 4,206,686	$ 3,913,077	$ 8,119,763

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

CITY OF SPARKS, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:							
Governmental activities:							
General government	$ 396,399	$ 14,100	$ -	$ -	$ (382,299)	$ -	$ (382,299)
Public safety	347,761	192,814	-	-	(154,947)	-	(154,947)
Public works	460,384	95,867	-	278,505	(86,012)	-	(86,012)
Interest on long-term debt	7,507	-	-	-	(7,507)	-	(7,507)
Total governmental activities	1,212,051	302,781	-	278,505	(630,765)	-	(630,765)
Business-type activities:							
Water and sewer	658,288	493,886	-	-	-	(164,402)	(164,403)
Total business-type activities	658,289	493,886	-	-	-	(164,402)	(164,403)
Total primary government	$ 1,870,340	$ 796,667	$ -	$ 278,505	(630,765)	(164,402)	(795,168)
General revenues:							
Property taxes					96,564	-	96,564
Sales taxes					75,874	-	75,874
Alcoholic beverage taxes					17,232	-	17,232
Franchise taxes					85,378	-	85,378
Insurance premium tax					181,130	-	181,130
Other taxes					3,587	-	3,587
Interest income					2,760	-	2,760
Miscellaneous					7,512	14,270	21,782
Transfers					(39,750)	39,750	-
Total general revenues and transfers					430,287	54,020	484,307
Change in net position					(200,478)	(110,382)	(310,861)
Net position, beginning of year					4,407,164	4,023,459	8,430,623
Net position, end of year					$ 4,206,686	$ 3,913,077	$ 8,119,762

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

CITY OF SPARKS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

ASSETS	**General Fund**	**SPLOST Fund**	**T-SPLOST Fund**	**Total**
Cash and cash equivalents	$ 434,369	$ 601,666	$ 128,376	$ 1,164,411
Restricted cash	70,527	-	-	70,527
Receivables (net of allowance for uncollectibles)	10,122	-	-	10,122
Taxes receivable	45,325	-	-	45,325
Intergovernmental receivables	5,590	11,793	4,198	21,581
Due from other funds	217,332	-	-	217,332
Prepaid items	9,974	-	-	9,974
Total assets	793,239	613,459	132,574	1,539,272
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	16,986	-	-	16,986
Accrued liabilities	3,733	-	-	3,733
Total liabilities	20,719	-	-	20,719
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	5,925	-	-	5,925
Total deferred inflows of resources	5,925	-	-	5,925
FUND BALANCES				
Nonspendable:				
Prepaid items	9,974	-	-	9,974
Restricted:				
Transportation	-	-	132,574	132,574
Capital projects	-	613,459	-	613,459
Unassigned	756,621	-	-	756,621
Total fund balances	766,595	613,459	132,574	1,512,628
Total liabilities, deferred inflows of resources, and fund balances	$ 793,239	$ 613,459	$ 132,574	

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, including leased assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,066,466
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.	5,925
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the	(378,333)
Net position of governmental activities.	$ 4,206,686

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

CITY OF SPARKS, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	General Fund	SPLOST Fund	T-SPLOST Fund	Total
Revenues:				
Property taxes	$ 126,899	$ -	$ -	$ 126,899
Sales taxes	75,874	-	-	75,874
Alcoholic beverage taxes	17,232	-	-	17,232
Franchise taxes	85,378	-	-	85,378
Insurance premium tax	181,130	-	-	181,130
Other taxes	3,587	-	-	3,587
Licenses and permits	14,100	-	-	14,100
Intergovernmental	-	102,439	175,869	278,308
Fines and forfeitures	192,537	-	-	192,537
Charges for services	99,714	-	-	99,714
Miscellaneous	3,942	-	-	3,942
Total revenues	800,393	102,439	175,869	1,078,701
Expenditures:				
Current:				
General government	342,704	44,568	-	387,272
Public safety	303,647	-	-	303,647
Public works	401,446	-	-	401,446
Capital outlay	-	-	312,229	312,229
Debt service:				
Principal retirements	34,188	-	12,426	46,614
Interest and fiscal charges	7,382	-	125	7,507
Total expenditures	1,089,367	44,568	324,780	1,458,715
Excess (deficiency) of revenues over expenditures	(288,974)	57,871	(148,911)	(380,014)
Other financing sources (uses):				
Interest income	2,760	197	-	2,957
Proceeds from issuance of debt	-	-	107,000	107,000
Transfers in	(12,551)	-	12,551	-
Transfers out	-	(39,750)	-	(39,750)
Total other financing sources (uses)	(9,791)	(39,553)	119,551	70,207
Net change in fund balances	(298,765)	18,318	(29,360)	(309,807)
Fund balances, beginning of year	1,065,360	595,141	161,934	1,822,435
Fund balances, end of year	$ 766,595	$ 613,459	$ 132,574	$ 1,512,628

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

CITY OF ROSWELL, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

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

Net change in fund balances - total governmental funds	$	(309,807)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		204,144
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(30,336)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(60,385)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(4,094)
Change in net position - governmental activities	$	(200,478)

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

CITY OF SPARKS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

ASSETS	**Water and Sewer Fund**	**Total**
Current assets:		
Cash & cash equivalents	$ 354,131	$ 354,131
Restricted cash	61,625	61,625
Investments	319,948	319,948
Receivables (net of allowance for uncollectibles)	47,633	47,633
Prepaid items	3,800	3,800
Total current assets	787,137	787,137
Noncurrent assets		
Capital assets:		
Capital assets, not being depreciated	4,500	4,500
Capital assets, being depreciated	3,344,390	3,344,390
Total noncurrent assets	3,348,890	3,348,890
Total assets	4,136,027	4,136,027
LIABILITIES		
Current liabilities:		
Accounts payable	5,110	5,110
Accrued liabilities	508	508
Due to other funds	217,332	217,332
Total current liabilities	222,950	222,950
NET POSITION		
Net investment in capital assets	3,348,890	3,348,382
Unrestricted	564,187	564,695
Total net position	$ 3,913,077	3,913,077

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

CITY OF SPARKS, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services		
Water sales	$ 249,696	$ 249,696
Sewer sales	217,561	217,561
Other fees	26,629	26,629
Miscellaneous revenues	14,270	14,270
Total operating revenues	508,156	508,156
OPERATING EXPENSES		
Personnel services and benefits	142,866	142,866
Purchased contract services	76,474	76,474
Supplies and maintenance	103,439	103,439
Utilities	122,115	122,115
Depreciation	213,394	213,394
Total operating expenses	658,288	658,288
Operating income (loss)	(150,132)	(150,132)
INCOME (LOSS) BEFORE TRANSFERS	(150,132)	(150,132)
Transfers in	39,750	39,750
Total transfers	39,750	39,750
Change in net position	(110,382)	(110,382)
NET POSITION, beginning of year	4,023,459	4,023,459
NET POSITION, end of year	$ 3,913,077	$ 3,913,077

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

CITY OF SPARKS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	Water and Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 520,247	$ 520,247
Payments to suppliers and service providers	(298,207)	(298,207)
Payments to employees	(142,866)	(142,866)
Net cash provided by operating activities	79,174	79,174
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in	39,750	39,750
Net cash used in noncapital and related financing activities	39,750	39,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(39,750)	(39,750)
Proceeds from interfund balances	96,144	96,144
Net cash used in capital and related financing activities	56,394	56,394
Increase (decrease) in cash	175,318	175,318
Cash:		
Beginning of year	560,386	560,386
End of year	$ 735,704	$ 735,704
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (150,132)	$ (150,132)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	213,394	213,394
(Increase) decrease in accounts receivable	12,091	12,091
(Increase) decrease in prepaid expenses	3,800	3,800
Increase (decrease) in accounts payable	21	21
Net cash provided by operating activities	$ 79,174	$ 79,174

The accompanying notes are an integral part of these financial 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, culture-recreation, 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.

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 and component units 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

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 City reports the following major governmental funds:

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.

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

The ***SPLOST Fund*** accounts for the special purpose local option sales tax that is to be used for capital projects, such as recreation facilities; road, street and bridges; water and sewer improvements; and equipment.

The ***T-SPLOST Fund*** is used to account for transportation special local option sales and use tax, revenues collected in Cook County. The tax is to be used for capital projects, such as street paving and road improvements.

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 City reports the following major proprietary funds:

The ***Water and Sewer 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus (Continued)

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.

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, and grants. 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 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, franchise taxes, grants and interest.

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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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.

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.

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, 2023, 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. Restricted Cash

Funds held in separate accounts required by bond covenants are classified as restricted in the fund financial statements and the Statement of Net Position.

M. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

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:

Asset Category	Years
Buildings and improvements	20 - 50
Machinery and equipment	7 - 10
Water and sewer systems	25 - 50
Infrastructure	30 - 50

At the inception of 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.

N. Leases

Lessee

The City is a lessee for a noncancelable fire truck lease. The City recognizes a lease liability and a right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be paid during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:
1) The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
2) The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the City is reasonably certain to exercise.
3) The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

O. 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.

P. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to / due from.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “due to / due from”.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Obligations

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.

R. 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 assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose 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.

Restricted – Fund balances are reported as restricted when they include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed – Fund balances are reported as committed when they include amounts that can be used only for the specific purposes determined by a formal action (i.e., ordinance) of the City Council. The same formal action is required to modify or rescind a fund balance commitment.

Assigned – Fund balances are reported as assigned when they include amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The City Council, through resolution, has delegated to the Director of Finance the authority to assign funds for a particular purpose.

Unassigned – Fund balances are reported as unassigned as the residual classification for the City’s general fund and includes all spendable amounts not contained in the other classifications. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used or restricted fund balance as described in the section above. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

S. Management Estimates

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. New GASB pronouncements

GASB Standards Issued (June 2022 - September 2024)

1. GASB Statement No. 100 – Accounting Changes and Error Corrections

Issued: June 2022

Summary: GASB 100 establishes guidance on accounting for and reporting changes in accounting principles, accounting estimates, and error corrections. It replaces the guidance previously included in GASB 62 and introduces improvements to enhance clarity, consistency, and transparency in financial reporting.

Effective Date: Periods beginning after June 15, 2023.

2. GASB Statement No. 101 – Compensated Absences

Issued: October 2022

Summary: GASB 101 establishes updated guidance on recognizing and measuring compensated absences, which include paid leave benefits like vacation, sick leave, and sabbaticals. This statement replaces the previous standards under GASB 16 and aims to improve the clarity, consistency, and usefulness of information provided in financial statements.

Effective Date: Periods beginning after December 15, 2023 (earlier application encouraged).

3. GASB Statement No. 102 – Certain Risk Disclosures

Issued: December 2023

Summary: GASB 102 focuses on improving transparency regarding risks arising from concentrations or constraints that could substantially impact a government's financial health or its ability to provide services. These disclosures aim to inform stakeholders about specific vulnerabilities faced by governments, which may not have been routinely disclosed previously.

Effective Date: Periods beginning after June 15, 2024 (earlier application encouraged).

4. GASB Statement No. 103 – Financial Reporting Model Improvements

Issued: April 2024

Summary: GASB Statement No. 103 introduces significant updates to the financial reporting model for state and local governments. Its primary goal is to enhance the usefulness of financial reports by addressing identified application issues and refining the structure and content of key components such as Management's Discussion and Analysis (MD&A) and certain financial statement presentations.

Effective Date: Periods beginning after June 15, 2025 (earlier application encouraged).

5. GASB Statement No. 104 – Disclosure of Certain Capital Assets

Issued: September 2024

Summary: GASB Statement No. 104 introduces new disclosure requirements for specific categories of capital assets in governmental financial statements, aiming to enhance transparency and facilitate better decision-making.

Effective Date: Periods beginning after June 15, 2025 (earlier application encouraged).

NOTE 2. LEGAL COMPLIANCE – BUDGETS

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

For the year ended December 31, 2023, actual amounts exceeded expenditures as follows:

	Budgeted Amounts		Actual on a Budgetary	Variance with Final Budget
	Original	Final		
Debt service:				
Principal retirements	$ -	$ -	$ 34,188	$ (34,188)
Interest and fiscal charges	-	-	7,382	(7,382)

The actual debt service expenditures exceeded the budget by $34,188 for principal retirements and $7,382 for interest and fiscal charges. However, these expenditures are included within the Public Safety department's overall budget. When considered in total, the Public Safety department remained within its approved budget.

NOTE 3. CASH DEPOSITS

Primary Government

As of December 31, 2023, the carrying amount of the City's bank deposits was $1,924,214 and the respective bank balances totaled $1,937,868. Of the total bank balance, $499,861 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining $1,438,007 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.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments and the Georgia Fund 1) to be collateralized by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2023, the financial institutions holding all of the City's deposits are participants of the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. As of December 31, 2023, all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

	Carrying value	Bank balance
Bank deposits	$ 1,924,214	$ 1,937,868
Petty cash	309	-
Total	$ 1,924,523	$ 1,937,868

NOTE 4. RECEIVABLES

Primary Government

Receivables at December 31, 2023, for the City's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	SPLOST Fund	T-SPLOST Fund	Water and Sewer Fund
Receivables:				
Taxes	$ 45,325	$ -	$ -	$ -
Intergovernmental	5,590	11,793	4,198	-
Accounts	10,122	-	-	58,865
Gross receivables	61,037	11,793	4,198	58,865
Less allowance for uncollectibles	-	-	-	(11,232)
Net receivables	$ 61,037	$ 11,793	$ 4,198	$ 47,633

Property taxes for the 2023 fiscal year were levied in September 2023, with property values assessed as of January 1, 2023. Bills are payable on or before December 15, 2023.

NOTE 5. CAPITAL ASSETS

Primary Government

Capital asset activity of governmental activities for the year ended December 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 64,660	$ -	$ -	$ 64,660
Total capital assets, not being depreciated	64,660	-	-	64,660
Capital assets, being depreciated:				
Buildings and improvements	395,726	-	-	395,726
Machinery and equipment	1,330,772	-	-	1,330,772
Infrastructure	2,482,958	312,228	-	2,795,186
Total capital assets, being depreciated	4,209,456	312,228	-	4,521,684
Less accumulated depreciation for:				
Buildings and improvements	176,027	11,477	-	187,504
Machinery and equipment	950,182	43,826	-	994,008
Infrastructure	285,585	52,781	-	338,366
Total accumulated depreciation	1,411,794	108,084	-	1,519,878
Total capital assets, being depreciated, net	2,797,662	204,144	-	3,001,806
Governmental activities capital assets, net	$ 2,862,322	$ 204,144	$ -	$ 3,066,466

Capital asset activity of business-type activities for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated					
Land and improvements	$ 4,500	$ -	$ -	$ -	$ 4,500
Construction in progress	39,750	39,750		(79,500)	-
Total capital assets, not being depreciated	44,250	39,750	-	(79,500)	4,500
Capital assets, being depreciated:					
Water and sewer system	7,503,639	-	-	79,500	7,583,139
Machinery and equipment	72,371	-	-	-	72,371
Total capital assets, being depreciated	7,576,010	-	-	79,500	7,655,510
Less accumulated depreciation for:					
Water and sewer system	4,031,868	212,509	-	-	4,244,377
Machinery and equipment	65,858	885	-	-	66,743
Total accumulated depreciation	4,097,726	213,394	-	-	4,311,120
Total capital assets, being depreciated, net	3,478,284	(213,394)	-	79,500	3,344,390
Business-type activities capital assets, net	$ 3,522,534	$ (173,644)	$ -	$ -	$ 3,348,890

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

Governmental activities:	
General government	$ 6,405
Public safety	42,742
Public works	58,936
Total depreciation expense - governmental activities	$ 108,084
Business-type activities:	
Water and Sewer Fund	$ 213,394
Total depreciation expense - business-type activities	$ 213,394

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2023, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Water and Sewer Fund	$ 217,332

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended December 31, 2023 were as follows:

Transfers In	Transfers Out	Amount
Water and Sewer Fund	SPLOST Fund	$ 39,750
TSPLOST Fund	General Fund	12,551
		$ 52,301

Interfund transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is authorized to expend them, (2) provide funding for capital asset purchases in the fund where the asset will be capitalized, (3) allocate loan repayment activity to the fund originally responsible for the debt, and (4) cover operating shortfalls in certain funds.

NOTE 7. LONG-TERM DEBT

Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Lease liability	$ 290,270	$ -	$ (34,189)	$ 256,081	$ 35,107
Note payable	-	107,000	(12,426)	94,574	21,336
Compensated absences*	23,584	4,094	-	27,678	4,872
Governmental activities long-term liabilities	$ 313,854	$ 111,094	$ (46,614)	$ 378,333	$ 61,315

*For governmental and business activities, compensated absences are liquidated in the funds from which the employees' salaries are paid, which include the General Fund and Water and Sewer Fund, as applicable. The change in compensated absences for governmental activities and business-type activities is the net change in these liabilities.

Governmental Activities

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 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 annually in the amount of $41,571 with a maturity date of September 15, 2030. The accumulated depreciation on the fire truck was $54,634 as of December 31, 2023 and a depreciation expense of $24,282 was recognized for the year.

The City's debt service requirements to maturity on the leases are as follows:

Year ending December 30,	Principal	Interest	Total
2024	$ 35,107	$ 6,463	$ 41,571
2025	36,051	5,520	41,571
2026	37,019	4,552	41,571
2027	38,014	3,557	41,571
2028	39,035	2,536	41,571
2029-2030	70,855	1,153	72,007
Total	$ 256,081	$ 23,781	$ 279,862

NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government (Continued)

Governmental Activities (Continued)

The City has entered into a loan agreement for $107,000 at 0.210% interest on November 4, 2022 with the Georgia Transportation Infrastructure Bank (the "GTIB") for financing the leveling and resurfacing improvements to Brush Creek Road. Payments are due monthly in the amount of $1,793 with a maturity date of June 1, 2028. The construction was completed by June 30, 2023.

The City's debt service requirements to maturity on the leases are as follows:

Year ending December 30,	Principal	Interest	Total
2024	$ 21,336	$ 180	$ 21,516
2025	21,381	135	21,516
2026	21,426	90	21,516
2027	21,471	45	21,516
2028	8,960	5	8,965
Total	$ 94,574	$ 455	$ 95,029

NOTE 8. DEFERRED COMPENSATION PLAN

Primary Government

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 was $nil. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 9. 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 10. COMMITMENTS AND CONTINGENCIES

There were no known contingent liabilities at December 31, 2023. As of December 31, 2023, there were no pending litigation that would have a material effect on the financial statements.

NOTE 11. JOINT VENTURES

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.

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

CITY OF SPARKS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual on a	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Property taxes	$ 201,500	$ 201,500	$ 126,899	$ (74,601)
Sales taxes	141,600	141,600	75,874	(65,726)
Alcoholic beverage taxes	23,000	23,000	17,232	(5,768)
Franchise taxes	90,000	90,000	85,378	(4,622)
Insurance premium tax	190,000	190,000	181,130	(8,870)
Other taxes	-	-	3,587	3,587
Licenses and permits	16,000	16,000	14,100	(1,900)
Fines and forfeitures	588,000	588,000	192,537	(395,463)
Charges for services	155,200	155,200	99,714	(55,486)
Miscellaneous	2,500	2,500	3,942	1,442
Total revenues	1,407,800	1,407,800	800,393	(607,407)
Expenditures:				
Current:				
General government	371,114	371,114	342,704	28,410
Public safety	601,109	601,109	303,647	297,462
Public works	511,327	511,327	401,446	109,881
Debt service:				
Principal retirements	-	-	34,188	(34,188)
Interest and fiscal charges	-	-	7,382	(7,382)
Total expenditures	1,483,550	1,483,550	1,089,367	394,183
Excess of revenues over expenditures	(75,750)	(75,750)	(288,974)	(213,224)
Other financing sources (uses):				
Interest income	750	750	2,760	2,010
Transfers out	-	-	(12,551)	(12,551)
Total other financing sources (uses)	750	750	(9,791)	(10,541)
Net change in fund balances (budgetary basis)	$ (75,000)	$ (75,000)	(298,765)	$ (223,765)
Fund balances, beginning			1,065,360	
Fund balances, end of year			$ 766,595	

Note:

(i) The expenditures exceeded appropriations in the Principal retirements and Interest and fiscal charges with $34,188 and $7,382 respectively.
(ii) The City's legal level of budgetary control is at the department level within each fund. No budget amendments or transfers within, or between, departments were made for the year ended December 31, 2023.

CITY OF SPARKS, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH PROCEEDS FROM
SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

PROJECT	ESTIMATED COST		EXPENDITURES			PROJECT
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	COMPLETION
Recreation Facilities	$ 20,000	$ 20,000	$ -	$ -	$ -	0.00%
Road, Streets and Bridges	120,000	120,000	7,128	-	7,128	5.94%
Water and Sewer Improvements	255,000	255,000	39,750	39,750	79,500	31.18%
Equipment	100,000	100,000	1,435	44,568	49,386	49.39%
TOTAL SPLOST	$ 495,000	$ 495,000	$ 48,313	$ 84,318	$ 136,014	

CITY OF SPARKS, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH PROCEEDS FROM
TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX (T-SPLOST)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

PROJECT	ESTIMATED COST		EXPENDITURES			PROJECT COMPLETION
	ORIGINAL	CURRENT	PRIOR	CURRENT	TOTAL	
Street paving and road improvements	$ 588,000	$ 588,000	$ 47,232	$ 324,780	$ 372,012	63.27%
TOTAL SPLOST	$ 588,000	$ 588,000	$ 47,232	$ 324,780	$ 372,012	

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

To the 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 and each major fund of City of Sparks, Georgia's (the "City"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated August 15, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 2023-3 to 2023-7 to be significant deficiencies, and the deficiencies described in 2023-1 and 2023-2 to be material weaknesses.

2023-1 **Lack of segregation of duties (repeat comment):** During the audit, we noted that the City has not implemented adequate segregation of duties in the financial processes. This increases the risk of errors, fraud and mismanagement going undetected. Management should implement segregation of duties across critical processes, such as cash handling, payroll and accounts receivable. Where segregation is not feasible, compensating controls such as independent reviews and reconciliations should be implemented.

2023-2 **Insufficient controls over cash and bank reconciliation (repeat comment):** During the audit, we noted that the City has insufficient controls over cash and bank reconciliation. This may result in misappropriation or loss of funds and errors in cash handling remaining undetected. Management should implement strengthened cash handling procedures, such as timeous reconciliations and recording of cash transactions.

2023-3 **Inadequate maintenance of accounting records:** During the audit, we noted a lack of review and oversight in the maintenance of accounting records. This increases the risks of undetected errors or fraud and delays the timely preparation of financial statements. Management should establish a structured review and oversight process for maintaining accounting records. This should include a formalized month-end closing checklist, supervisory reviews of key reconciliations, and regular training for staff to ensure compliance with accounting standards and internal policies.

2023-4 **Inadequate Review or Approval Processes:** Internal controls should include proper review and approval of financial transactions to ensure accuracy, legitimacy, and compliance with policies. During our audit, we noted that financial transactions (including vendor disbursements and journal entries) were processed without consistent documentation of review or approval by an authorized individual.

2023-5 **Incomplete Personnel Files:** Federal and State Labor Laws, along with best practices, require that personnel files include essential employment documentation (e.g., I-9 forms, W-4s, employment applications, employment contracts, etc.). A review of selected personnel files revealed that several files were incomplete or missing critical documents.

2023-6 **Payroll Processed Without Secondary Review or Approval:** Sound internal controls over payroll require that all payroll runs be reviewed and approved by someone independent of payroll processing. Payroll is processed by one individual without independent verification or supervisory approval prior to issuance.

2023-7 **Audit Adjustments and Journal Entry Issues:** Governments should prepare year-end financial statements that are materially correct. Journal entries should be accurate and properly reviewed and approved. Several material audit adjustments were required to correct financial reporting errors. In addition, some journal entries lacked documentation or approval.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described below.

2023-8 **Budget amendments and monitoring:** In accordance with O.C.G.A. § 36-81-3 and § 36-81-6, Georgia local governments are required to operate under an annual balanced budget for each fund, and actual expenditures may not legally exceed the final approved budget at the department level within each fund. This ensures fiscal accountability and compliance with state law. During our review, we noted that in one of the City's funds, actual expenditures exceeded the legally adopted budget in two departments. This indicates that budgetary controls were not properly enforced, and expenditures were not adequately monitored throughout the fiscal year.

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.

CKH CPAs and Advisors, LLC

CKH CPA's and Advisors, LLC
Atlanta, Georgia
August 15, 2025

CITY OF SPARKS, GEORGIA
CITY'S RESPONSE TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-1 Segregation of duties

Criteria: A sound system of internal control requires that duties be adequately segregated so that no one individual has control over all aspects of a financial transaction. This includes initiation, authorization, processing, recording, and reviewing financial transactions, which reduces the risk of errors or fraudulent activity going undetected.

Condition: We noted that many of the finance functions are carried out by the City Clerk, resulting in inadequate segregation of duties. This allows the City Clerk to control financial records and reports without independent oversight.

Cause: The City appears to have limited personnel available to handle financial operations, resulting in multiple key functions being centralized in a single individual without sufficient oversight or cross-checks.

Effect: Concentration of duties increases the risk of errors, misstatements, or fraudulent transactions occurring and going undetected. It also compromises the integrity and reliability of financial reporting.

Recommendation: The City should assess its staffing and internal control structure and segregate duties where possible, even if through periodic oversight, secondary review, or rotation of responsibilities. If staffing constraints persist, management should implement compensating controls, such as increased supervisory reviews, independent reconciliations, or periodic external oversight.

City's Response: We acknowledge this finding and understand the importance of proper segregation of duties. Due to limited staffing, multiple financial functions have been assigned to the City Clerk. We are reviewing internal processes to reassign responsibilities where possible and will implement compensating controls, such as increased oversight. We will also explore longer-term solutions, including additional staffing or external support, to strengthen internal controls.

2023-2 Insufficient controls over cash and bank reconciliations

Criteria: Sound internal controls require that bank reconciliations be performed on a regular (preferably monthly) basis to ensure the accuracy of cash records. Additionally, cash collections should be promptly recorded, reviewed, and monitored to prevent errors or misappropriation.

Condition: Bank reconciliations were only performed at year-end, and there are limited internal controls in place over cash collection processes throughout the year.

Cause: The City currently lacks sufficient staffing resources with the capacity to perform monthly bank reconciliations and implement consistent oversight of cash collections.

Effect: Without regular reconciliations and adequate cash controls, the accounting records may be inaccurate or incomplete, increasing the risk of errors, undetected discrepancies, or potential misappropriation of funds.

Recommendation: We recommend that the City assign a dedicated individual to perform monthly bank reconciliations and implement appropriate controls over cash handling and collections. This should include periodic reviews and documented procedures to ensure ongoing compliance and accountability.

City's Response: We agree with this finding. An external consultant has been engaged to assist the finance team in performing bank reconciliations, and we will review and enhance existing processes related to cash collections.

2023-3 Inadequate maintenance of accounting records

Criteria: Government entities are required to maintain complete and accurate accounting records, including supporting documentation such as invoices, in accordance with record retention policies. These records must be safeguarded and readily accessible when needed, particularly for audit and accountability purposes.

Condition: During the audit, there were several instances where requested invoices could not be provided as support for recorded transactions.

Cause: The City lacks a structured and reliable filing system for organizing and safeguarding physical documents.

Effect: The absence of supporting documentation required for audit purposes led to increased time spent performing alternative procedures and reduced the efficiency of the audit process. It also increases the risk of noncompliance and undetected errors.

Recommendation: We recommend that the City implement a formal document management system for physical records, including standardized procedures for filing and tracking documents upon receipt, to ensure they are secure and easily retrievable when needed.

City's Response: All entries will now require supporting documents and brief descriptions. A standardized form and review protocol will be implemented immediately.

2023-4 Inadequate Review or Approval Processes

Criteria: Internal controls should include proper segregation of duties and documented review and approval of financial transactions to ensure the accuracy, legitimacy, and accountability of financial reporting. This is essential for safeguarding public resources and minimizing errors or fraudulent activity.

Condition: During the audit, it was noted that vendor disbursements, journal entries, and budget adjustments were being processed without consistent, documented evidence of supervisory review or approval. Invoices were sometimes paid without a manager’s sign-off, and entries were posted directly to the ledger without review.

Cause: The City does not have a formal written policy requiring supervisory review of financial transactions. Limited staffing contributes to a concentration of financial duties among a few individuals, which reduces oversight.

Effect: Failure to implement adequate approval procedures increases the risk of unauthorized or erroneous transactions being processed and remaining undetected. This weakens the City’s control environment and may undermine the accuracy of financial reporting.

Recommendation: We recommend that the City establish formal written procedures that clearly define review and approval responsibilities for all types of financial transactions. These procedures should include sign-offs on invoices, journal entry review by someone independent of the preparer, and documentation of review on bank reconciliations and financial reports.

City's Response: The City will implement formal policies requiring documented approvals for financial transactions. Staff will be trained, and a review process will be in place by the next fiscal quarter.

2023-5 Incomplete Personnel Files

Criteria: Under federal and state labor laws, employers are required to maintain complete and accurate personnel records, including Form I-9, W-4, job applications, certifications, and performance evaluations. These records help ensure compliance and protect the employer during audits or legal proceedings.

Condition: A sample review of personnel files revealed that several files were missing key documents. For example, some files did not include Form I-9, evidence of background checks, or copies of certifications required for specific job roles.

Cause: The City lacks a standardized onboarding and personnel file maintenance process. No checklist is in place to ensure all required documents are collected and retained for each employee.

Effect: Incomplete personnel records can lead to noncompliance with labor laws and grant requirements. It may also hinder the City's ability to verify employee qualifications or defend against personnel-related disputes.

Recommendation: We recommend that the City develop and implement a personnel file checklist to ensure all required documents are obtained and maintained. Periodic internal reviews of personnel files should be conducted to monitor compliance and address any deficiencies.

City's Response: A personnel file checklist is being developed, and a full review of current files will be completed within 90 days. Procedures will be updated to ensure future compliance.

2023-6 Payroll Processed Without Secondary Review or Approval

Criteria: Best practices in payroll processing and internal controls require that payroll transactions be reviewed and approved by someone independent of payroll preparation to prevent errors or fraudulent activity.

Condition: The audit revealed that payroll is prepared, processed, and submitted by a single individual, without documented approval by a department head, finance officer, or governing body representative.

Cause: Due to staffing limitations, payroll responsibilities have not been adequately segregated. No formal procedures exist requiring independent review before payroll is finalized.

Effect: Without independent review, errors in pay rates, hours, or benefit calculations could go unnoticed. This could result in overpayments, underpayments, or potential misuse of public funds.

Recommendation: We recommend the City implement a process that requires supervisory review and approval of payroll prior to submission. A payroll summary report should be generated and reviewed for accuracy by someone other than the preparer. If staffing remains limited, consider periodic external review or use of a third-party payroll service with built-in approval controls.

City's Response: The City will implement a policy requiring payroll review by a supervisor prior to processing. This will be effective with the next payroll cycle.

2023-7 Audit Adjustments and Journal Entry Issues

Criteria: Financial statements should be prepared in accordance with generally accepted accounting principles (GAAP). Adjusting entries must be supported, reviewed, and approved to ensure accuracy and integrity of financial reporting.

Condition: Numerous material audit adjustments were required to correct errors in year-end balances, including adjustments to receivables, liabilities, and fund balances. Additionally, several journal entries were posted without supporting documentation or evidence of review.

Cause: The City does not utilize a comprehensive year-end closing checklist, and journal entries are not consistently documented or reviewed by supervisory personnel.

Effect: The need for multiple audit adjustments suggests internal accounting controls are not functioning effectively. Inadequate documentation reduces the audit trail and accountability over financial reporting.

Recommendation: We recommend that the City implement a formal year-end closing process with a checklist of required adjustments and reconciliations. All journal entries should be prepared with supporting documentation, and reviewed and approved by someone independent of the preparer before posting.

City's Response: A year-end close checklist and journal entry review process will be implemented. Staff will be trained to ensure all entries are supported and approved.

2023-8 Budget Amendments and monitoring

Criteria: In accordance with O.C.G.A. § 36-81-3 and § 36-81-6, Georgia local governments must adopt a balanced annual budget for each fund, and actual expenditures may not exceed the legally adopted budget at the department level within each fund. Compliance with these requirements promotes fiscal responsibility and transparency.

Condition: During our review, we noted that in one of the City’s funds, actual expenditures exceeded the legally adopted budget in two departments, in violation of state budgetary control requirements.

Cause: The City did not adequately monitor departmental expenditures throughout the year and failed to amend the budget to reflect changes in spending needs. Additionally, there may have been a lack of communication between departments and finance staff regarding budget limitations and available appropriations.

Effect: Exceeding the legally adopted budget increases the risk of fiscal mismanagement and noncompliance with state laws. It may also impact the City's ability to plan and allocate resources effectively and could result in findings from oversight bodies or grantors.

Recommendation: Management should implement regular budget-to-actual reviews throughout the fiscal year and ensure that any expected overages are addressed through timely budget amendments approved by the governing body. Department heads should be trained on budget compliance responsibilities, and stronger coordination between departments and finance personnel should be enforced.

City's Response: We agree with this finding. We will enhance our budget monitoring procedures by performing more frequent reviews and improving communication between departments and finance staff. Where necessary, we will initiate timely budget amendments to ensure compliance with state requirements and prevent future overages.

CITY OF SPARKS, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

2022-1 **Segregation of duties**
Status: Unresolved - refer to finding 2023-1

2022-2 **Insufficient controls over cash and bank reconciliations**
Status: Unresolved - refer to finding 2023-2

2022-3 **Inadequate maintenance of accounting records**
Status: Unresolved - refer to finding 2023-3

2022-4 **Inadequate Review or Approval Processes**
Status: Unresolved - refer to finding 2023-4

2022-5 **Incomplete Personnel Files**
Status: Unresolved - refer to finding 2023-5

2022-6 **Payroll Processed Without Secondary Review or Approval**
Status: Unresolved - refer to finding 2023-6

2022-7 **Audit Adjustments and Journal Entry Issues**
Status: Unresolved - refer to finding 2023-7

2022-8 **Budget Amendments and monitoring**
Status: Unresolved - refer to finding 2023-8

2022-9 **Inadequate Documentation and Tracking of ARPA Funds**
Status: Resolved - there were no funds received or expended during the 2023 financial year.