

**CITY OF NELSON, GEORGIA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2024**

**CITY OF NELSON, GEORGIA**  
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**JUNE 30, 2024**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT**  
**CITY OF NELSON, GEORGIA**  
**JUNE 30, 2024**

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Our discussion and analysis of City of Nelson's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2024. Please review in conjunction with the City's financial statements.

**REVIEWING THE ANNUAL REPORT**

The annual report covers multiple financial statements. The Statement of Net Position and the Statement of Activities supply data about the activities of the City as a whole and provide thorough information regarding the City's finances. For government activities, these statements show how services were financed and what remains for future spending. Fund financial statements show city operations in more detail than government-wide statements as they provide information about the City's most important funds.

**FINANCIAL HIGHLIGHTS**

Due to this year's operations, the City's Net Position is as follows: Net Position of Governmental Activities was \$6,259,949 compared to \$5,779,519 in 2023.

The current year's governmental activities expenses totalled \$1,079,085 as compared to \$867,361 in 2023. The City generated \$1,559,515 in revenues for governmental activities compared to \$1,359,751 in the previous year.

**THE CITY AS A WHOLE ANALYSIS**

Since the Statement of Net Position and the Statement of Activities provide facts about the City as a whole, the statements can help determine if a City has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the City's net position and any changes in that position. However, to truly judge the condition of the City, some non-financial factors must be considered. For example, a change in the tax base could greatly affect the statements.

Governmental Activities: The City's basic services are accounted for in this section: public safety, public works, parks, general administration and economic development. Property taxes, franchise fees, business licenses, and local option sales taxes finance the majority of these activities.

**DETAILING THE MOST IMPORTANT FUNDS**

The fund financial statements cover detailed information about the most important funds of the City. Certain funds are mandated by State law and by Bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

Governmental Funds: Basic services are reported in governmental funds. This section details how money flows in and out of the funds and covers the balances left at year-end that are left on hand for disbursement. Governmental funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund statements supply a detailed short-range view of general government operations and basic services. Governmental fund data allows a city to determine the financial resources that can be spent in the long-term to finance the City's programs.

**THE CITY AS A WHOLE ANALYSIS**

The largest component of the City's net position is its investment in capital assets (i.e. land, infrastructure, buildings, equipment, and other). Outstanding debt exists on these assets in the form of a lease liability. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City has net position at year-end that is restricted for the purposes of construction of capital projects. The remaining portion of net position is unrestricted, which can be used to finance governmental operations.

The City's net position for Governmental Activities was \$6,259,949 this year compared to \$5,779,519 last year. Unrestricted net position was \$1,089,406 this year, compared to \$1,159,044 last year. Unrestricted net position is what can be used to finance every-day operations without restrictions set by legislation, debt covenants, or other legal regulations.

Total revenues for the current year were \$1,559,515 compared to \$1,359,751 last year. The total yearly cost of all programs and services were \$1,079,085 compared to \$867,361 last year.

Table 3 details the cost of the City's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the City's taxpayers by each of these programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT**  
**CITY OF NELSON, GEORGIA**  
**JUNE 30, 2024**

**TABLE 1: NET POSITION**

**Governmental Activities**

	<b>2023</b>	<b>2022</b>
Current and Other Assets	\$ 3 513 870	\$ 3 501 386
Capital Assets	2 962 955	2 566 586
<b>TOTAL ASSETS</b>	<b>\$ 6 476 825</b>	<b>\$ 6 067 972</b>
Current Liabilities	\$ 194 245	\$ 254 291
Long-Term Liabilities	22 631	34 162
<b>TOTAL LIABILITIES</b>	<b>\$ 216 876</b>	<b>\$ 288 453</b>
Net investment in capital assets	\$ 2 928 793	\$ 2 521 079
Restricted	2 172 112	2 197 106
Unrestricted	1 159 044	1 061 334
<b>TOTAL FUND BALANCES AND LIABILITIES</b>	<b>\$ 6 259 949</b>	<b>\$ 5 779 519</b>

**TABLE 2: CHANGES IN NET POSITION**

**Governmental Activities**

	<b>2023</b>	<b>2022</b>
Program Revenues:		
Charges for Services	\$ 73 064	\$ 44 467
Operating grants	46 230	30 000
Capital Grants/Contributions	771 293	689 775
General Revenues		
Property Taxes	232 299	199 277
Other Taxes	425 379	389 010
Other General	11 250	7 222
<b>Total Revenues</b>	<b>\$ 1 559 515</b>	<b>\$ 1 359 751</b>
Program Expenses:		
Public Works	\$ 531 561	\$ 343 211
General Government	440 925	396 150
Culture and Recreation	76 934	112 048
Loss on disposal of assets	21 838	-
Public Safety	3 590	3 590
Housing and Development	3 582	11 524
Interest on long-term debt	655	838
<b>Total Expenses</b>	<b>\$ 1 079 085</b>	<b>\$ 867 361</b>
Change in Net Position	\$ 480 430	\$ 492 390
<b>NET POSITION, BEGINNING</b>	<b>5 779 519</b>	<b>5 287 129</b>
<b>NET POSITION, ENDING</b>	<b>\$ 6 259 949</b>	<b>\$ 5 779 519</b>

**Table 3: GOVERNMENTAL ACTIVITIES**

	<b>Total Cost of Services</b>		<b>Net Cost (Revenue) of services</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Public Works	\$ 531 561	\$ 343 211	\$ 349 618	\$ 382 518
General Government	440 925	396 150	(435 170)	(361 232)
Culture & Recreation	76 934	112 048	(76 934)	(112 048)
Loss on disposal of assets	21 838	-	(21 838)	-
Public Safety	3 590	3 590	(3 590)	(3 590)
Housing and Development	3 582	11 524	71	(7 929)
Interest on long-term debt	655	838	(655)	(838)
<b>TOTALS</b>	<b>\$ 1 079 085</b>	<b>\$ 867 361</b>	<b>\$ (188 498)</b>	<b>\$ (103 119)</b>

**GOVERNMENTAL FUNDS**

This year the governmental fund revenues were \$1,559,515 compared to \$1,359,751 last year. This year's governmental fund expenditures were \$1,079,085 compared \$867,361 last year, resulting from increased expenses for public works. Fund balance was \$6,259,949 as compared to \$5,779,519 last year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT  
CITY OF NELSON, GEORGIA  
JUNE 30, 2024**

**BUDGETARY HIGHLIGHTS:**

The City Council revisits the budget several times during the year. The current year's budgets were defined as follows:

	<b>Table 4: 2024 BUDGET</b>			
	<b>ORIGINAL</b>	<b>AMENDED</b>	<b>O/A VARIANCE*</b>	<b>2024 ACTUAL EXPENSES</b>
General Fund	\$ 619 819	\$ 743 834	\$ 124 015	\$ 716 707
ARPA Fund	-	227 500	227 500	102 458
Total	<u>\$ 619 819</u>	<u>\$ 971 334</u>	<u>\$ 351 515</u>	<u>\$ 819 165</u>

\* O/A refers to the variance between the Original Budget and the Amended

As a whole, the City operated under budget by \$152,169 in expenditures. The General Fund revenues were \$71,955 over actual expenditures, due to more sales taxes received. The ARPA Fund expenses were \$125,042 under budgeted expenses.

**CITY FUNDS**

At year end, the City reported cash balances of \$3,406,978 compared to \$3,370,940 last year. Included in cash balances are accounts restricted for capital projects in the amount of \$2,340,627.

**CAPITAL ASSETS**

At the close of the year, the City had invested \$4,791,562 in Capital Assets such as land, buildings, and improvements, equipment and infrastructure. These figures are before depreciation. Last year Capital Assets before depreciation were \$4,218,106. After accumulated depreciation of \$1,862,247 the end of year total was \$2,929,315 (See the note disclosure in Note 5 for more detailed information.)

**DEBT MANAGEMENT**

At the close of the year, the City had lease liabilities in the amount of \$34,162 for equipment.

	<b>TABLE 5: OUTSTANDING DEBT AT YEAR-END</b>				
	<b>Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>End of Year</b>	<b>Amount Due in One Year</b>
Notes	<u>\$ 45 507</u>	<u>\$ -</u>	<u>\$ (11 345)</u>	<u>\$ 34 162</u>	<u>\$ 11 531</u>

**ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS**

City officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Nelson, Georgia (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Nelson, 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 and each major fund of the City as of June 30, 2024, 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.

**Global Excellence, Local Expertise.**

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 and ARPA Grant 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.

### ***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 accompanying Schedules of Projects Constructed with Proceeds from Special Purpose Local Option Sales Taxes 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, the Schedules of Projects Constructed with Proceeds from Special Purpose Local Option Sales Taxes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



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

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2024 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 CPAs and Advisors, LLC*

CKH CPA's and Advisors, LLC  
Atlanta, Georgia  
October 29, 2024





**CITY OF NELSON, GEORGIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Current assets:	
Cash	\$ 1 066 351
Restricted cash	2 340 627
Accounts receivable	3 005
Property taxes receivable, net	6 526
Other taxes receivable	4 033
Receivable from other governments	83 435
Prepaid items	9 893
Non-current assets:	
Capital assets, not being depreciated	705 923
Capital assets, net of accumulated depreciation and amortization	2 223 392
Leased assets, net of accumulated amortization	33 640
Total assets	<u>\$ 6 476 825</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	\$ 48 230
Accrued payroll liabilities	11 275
Unearned revenue	123 209
Lease liability	11 531
Noncurrent liabilities:	
Lease liability	22 631
Total liabilities	<u>216 876</u>
Total liabilities and deferred inflows of resources	<u>216 876</u>
<b>Net Position</b>	
Net investment in capital assets	2 928 793
Restricted for:	
Capital projects	2 172 112
Unrestricted	1 159 044
Total net position	<u>\$ 6 259 949</u>

**CITY OF NELSON, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024**

Program Activities	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Fees, and Charges for	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental activities:</b>					
General government	\$ 440 925	\$ 5 755	\$ -	\$ -	\$ (435 170)
Public safety	3 590	-	-	-	(3 590)
Public works	531 561	63 656	46 230	771 293	349 618
Culture and recreation	76 934	-	-	-	(76 934)
Housing and development	3 582	3 653	-	-	71
Loss on disposal of capital assets	21 838	-	-	-	(21 838)
Interest	655	-	-	-	(655)
<b>Total governmental activities</b>	<b>\$ 1 079 085</b>	<b>\$ 73 064</b>	<b>\$ 46 230</b>	<b>\$ 771 293</b>	<b>\$ (188 498)</b>
General revenues:					
Taxes:					
Property taxes				\$	232 299
General sales and use					274 144
Franchise and miscellaneous taxes					49 405
Insurance premium taxes					101 830
Unrestricted investment earnings					3 703
Miscellaneous					7 547
Total general revenues and transfers					668 928
Change in net position					480 430
Net position - beginning					5 779 519
Net position - ending				\$	6 259 949

The notes to the financial statements are an integral part of this statement.

**CITY OF NELSON, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024**

	<b>General Fund</b>	<b>SPLOST Fund</b>	<b>American Rescue Plan Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>				
Cash	\$ 1 066 351	\$ -	\$ -	\$ 1 066 351
Restricted cash	-	2 147 374	193 253	2 340 627
Accounts receivable	3 002	-	-	3 002
Due from other funds	69 638	-	-	69 638
Property taxes receivable, net	6 526	-	-	6 526
Other taxes receivable	4 033	-	-	4 033
Receivable from other governments	24 002	59 433	-	83 435
Prepaid items	9 893	-	-	9 893
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1 183 445</u>	<u>\$ 2 206 807</u>	<u>\$ 193 253</u>	<u>\$ 3 583 505</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities				
Accounts payable	\$ 8 490	\$ 34 695	\$ 5 045	\$ 48 230
Accrued payroll liabilities	11 272	-	-	11 272
Due to other funds	-	-	69 638	69 638
Unearned revenue	4 639	-	118 570	123 209
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	24 401	34 695	193 253	252 349
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred inflows of resources				
Deferred revenue	5 108	-	-	5 108
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows	29 509	34 695	193 253	257 457
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances:				
Nonspendable:				
Prepaid items	9 893	-	-	9 893
Restricted for:				
Capital projects funds	-	2 172 112	-	2 172 112
Unassigned	1 144 043	-	-	1 144 043
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	1 153 936	2 172 112	-	3 326 048
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1 183 445</u>	<u>\$ 2 206 807</u>	<u>\$ 193 253</u>	<u>\$ 3 583 505</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NELSON, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO**  
**NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2024**

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Total fund balances - Governmental Funds	\$	3 326 048
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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.

Cost of capital assets	4 791 562	
Less accumulated depreciation	(1 862 247)	2 929 315

Leased intangible right of use 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.

Cost of leased assets	57 669	
Less accumulated amortization	(24 029)	33 640

Some of the City's revenues will be collected after the fiscal year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred on the fund financial statements.

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Liabilities not due and payable in the current period are not reported in the governmental fund financial statements, but are included in the governmental activities of the Statement of Net Position. These liabilities include the following:

Lease liabilities		(34 162)
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Net position of governmental activities	\$	6 259 949
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**The notes to the financial statements are an integral part of this statement.**

**CITY OF NELSON, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	<b>General Fund</b>	<b>SPLOST Fund</b>	<b>American Rescue Plan Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Taxes	\$ 658 180	\$ -	\$ -	\$ 658 180
Licenses and permits	9 408	-	-	9 408
Intergovernmental	46 230	637 678	101 041	784 949
Charges for services - sanitation	63 597	-	-	63 597
Interest income	3 703	31 157	1 417	36 277
Miscellaneous	7 544	-	-	7 544
Total revenues	<u>788 662</u>	<u>668 835</u>	<u>102 458</u>	<u>1 559 955</u>
<b>EXPENDITURES:</b>				
Current:				
General government	276 484	6 917	-	283 401
Public works	260 289	285 452	-	545 741
Culture and recreation	13 827	-	-	13 827
Housing and development	3 578	-	-	3 578
Capital outlay:				
Public works	-	364 802	102 458	467 260
Culture and recreation	-	36 658	-	36 658
Intergovernmental - Public safety	150 529	-	-	150 529
Debt service:				
Principal repayment	11 345	-	-	11 345
Interest charges	655	-	-	655
Total expenditures	<u>716 707</u>	<u>693 829</u>	<u>102 458</u>	<u>1 512 994</u>
Excess (deficiency) of revenues over expenditures	<u>71 955</u>	<u>(24 994)</u>	<u>-</u>	<u>46 961</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	26 200	-	-	26 200
Total other financing sources (uses)	<u>26 200</u>	<u>-</u>	<u>-</u>	<u>26 200</u>
<b>NET CHANGE IN FUND BALANCES</b>	98 155	(24 994)	-	73 161
<b>FUND BALANCES - BEGINNING</b>	<u>1 055 781</u>	<u>2 197 106</u>	<u>-</u>	<u>3 252 887</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1 153 936</u>	<u>\$ 2 172 112</u>	<u>\$ -</u>	<u>\$ 3 326 048</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF NELSON, GEORGIA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES TO THE GOVERNMENTAL-WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Net change in Fund Balances - Total Governmental Funds	\$	73 161
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. This is the amount by which capital outlay of \$621,494 exceeded depreciation expense of \$165,553 in the current period.		455 941
Governmental funds report outlays for leased intangible right of use 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 amortization expense for the period. This is the amount by which amortization expense of \$11,534 exceeded capital outlay in the current period		(11 534)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the government-wide statement of activities.		11 345
The cost of capital assets that are disposed of or sold, net of accumulated depreciation, are reported in the government-wide statement of activities but not reported at the fund financial reporting level. Capital assets sold		(48 038)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues at the fund financial reporting level.		
Property taxes:		
Deferred, as of June 30, 2023	(4 839)	
Deferred, as of June 30, 2024	4 335	(504)
Sanitation fees:		
Deferred, as of June 30, 2023	(717)	
Deferred, as of June 30, 2024	773	56
Change in net position of governmental activities in the Statement of Activities	\$	<u>480 430</u>

**The notes to the financial statements are an integral part of this statement.**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF NELSON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The financial statements of the City of Nelson, Georgia ("the City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**B. The Financial Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The City's financial statements include the City's accounts of all operations. The criteria for including organizations within the City's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity," as amended by Statement No. 61 (GASB 61), is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. As of June 30, 2024, there are no component units included in the financial statements of the City.

**C. Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The City's funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. Governmental funds include the general and capital projects funds.

**D. Measurement Focus, Basis Of Accounting, And Financial Statement Presentation**

*Government-wide Financial Statement*

The government-wide financial statements report on all non-fiduciary activities of the primary government. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Transfers between funds reported in the governmental activities column are eliminated. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each governmental program of the City. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. It is the City's policy to utilize restricted resources, when available for use, before utilizing unrestricted resources.

*Fund Financial Statements*

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

*Governmental Funds*

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Revenue Recognition*

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, fines and forfeitures, sanitation fees and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes, though measurable, are not always available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded, and the portion not received in the first 60 days of the subsequent fiscal year are deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received.

#### *Expenditure Recognition*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The City reports the following major governmental funds:

**General Fund:** This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**SPLOST Fund:** The SPLOST Fund is a capital projects fund used to account for the revenues and expenditures relating to the special purpose local option sales tax as approved in voter referendums that are restricted to expenditures for specified capital projects.

**American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund:** This fund is a special revenue fund used to account for revenues and expenditures of the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund.

### **E. Budgetary Information**

The Finance Committee prepares a rough draft of the annual budgets from which the Mayor and City Council prepare proposed budgets. The City advertises in the local newspaper to give notice regarding a public hearing in which local citizens may give their input relating to the proposed budgets. The City also places a copy of the proposed budget on file for public inspection prior to the actual approval. Once these steps have been completed, the City Council then formally adopts the annual balanced budgets in a legally permissible manner.

The budgetary data reflected in the financial statements are established and adopted by the City Council and Mayor at the department level. Any change to the original budget for a department must be approved by the Council.

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Because the City adopts each of its operating budgets at the department level, the applicable statutes require that total expenditures not exceed the total amount of appropriations at the departmental level. This constitutes the legal level of control. Unspent appropriations lapse at year-end.

An annual budget was adopted for the General Fund, the special revenue fund, and the capital project funds. Each budget was adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies. Budgets for governmental funds are established in a legally permissible manner. The City considers expenditures in excess of appropriations by 10% or greater to be a material violation.

Revenues are budgeted by source. Expenditures are budgeted by department and may not exceed appropriations at this level. Budget revisions are subject to review and approval by the City Council.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded to reserve that portion of applicable appropriation, is not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

#### G. Cash and Investments

The City considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Cash includes amounts in demand deposits. Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U.S. Government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

#### H. Property Tax Calendar

The City of Nelson, Georgia's property tax calendar for the 2023 levy applicable to fiscal year 2024 was as follows:

Lien date:	No lien date established
Levy date:	October 2, 2023
Due date:	November 15, 2023
Delinquent date:	November 16, 2023

The city is compliant with HB960, which was established July 1, 2016. According to the interest provision of HB960, interest is added monthly at an annual rate equal to the Federal Prime Rate plus 3% after the delinquent date. A penalty of 5% is assessed 120 days after the delinquent date, with an additional 5% assessed after each successive 120 days to a maximum of 20% of the principal amount due. FICA's can be filed for uncollected taxes.

#### I. Capital Assets

All assets over the capitalization threshold of \$5,000 with a useful life extending beyond three years are capitalized and depreciated over time using the straight-line method. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets include all roads and bridges and other infrastructure assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30 years
Buildings	50 years
Building improvements	20 years
Land improvements	10 to 15 years
Machinery and equipment	3 to 15 years
Vehicles	2 to 15 years

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2024 are recorded as prepaid items. Prepaid insurance were \$9,893, for total prepaid assets of \$9,893 as of June 30, 2024.

#### K. Compensated Absences

The payment for compensated absences is recorded in the year such absences are taken by employees. It is the policy of the City that unused leave accumulated at the end of a calendar year expires in the first quarter of the subsequent calendar year. No liability existed on June 30, 2024.

#### L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types recognize the face amount of debt issued in the current period as other financing sources.

#### M. Unearned Revenue And Deferred Outflows/Inflows Of Resources

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period (60 days after year end) have been reported as unearned revenue (i.e., they are measurable but not available) rather than as revenue.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, if applicable. This element represents 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.

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This element represents 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. Fines and other receivables not collected within sixty days of year-end have been recorded as deferred revenue at the fund reporting level.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

#### N. Fund Equity

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

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

- Nonspendable - Fund balances are reported as nonspendable when 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 there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- Assigned - The assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 in the following order:

- Restricted
- Unassigned

Net position – Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings 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 as described in the fund balance section above. All other net position is reported as unrestricted.

Minimum Fund Balance Policy – The Mayor and Council of the City of Nelson established a minimum fund balance policy. This policy requires the City to always maintain 20% of the upcoming year's budget in fund balance, with provisions for replenishing fund balance in the event that this threshold is not met in any given year. At the end of fiscal year 2024, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

#### O. Use Of Estimates

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

#### P. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables and payables." These amounts are eliminated in the governmental activity column of the statement of net position.

### NOTE 2 SUMMARY OF DEPOSIT BALANCES

Custodial 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 and state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities.

As of June 30, 2024, the carrying value of cash was \$3,406,978, and the cash amount held at the financial institution is \$3,422,114. The City's bank balances were fully collateralized in all material respects in compliance with State requirements for balances exceeding FDIC coverage.

### NOTE 3 INTERFUND BALANCES AND ACTIVITY

A summary of interfund transfers for the year ended June 30, 2024 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund	\$ 69 638

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) move capital assets and the related accumulated depreciation between funds. An amount of \$69,638 was transferred from the General Fund to the ARPA Fund for the acquisition of infrastructure.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 ACCOUNTS RECEIVABLE

#### A. Accounts Receivable

Accounts receivable is stated at gross amounts receivable less an allowance for estimated uncollectible amounts, if material. Sanitation receivable for the fiscal year ended 2024 totaled \$2,893. This receivable balance is likely to be collected and no allowance for uncollectible sanitation has, therefore, been recorded.

On June 30, 2024, the City estimated that a small portion of taxes receivable was unlikely to be collected. Therefore, an allowance for uncollected taxes of \$1,183 was established, which is included in the net tax receivable balance. The net property taxes receivable balance is \$6,526 at June 30, 2024.

#### B. Receivable From Other Governments

The following amounts are due from other governments at year end:

<u>General Fund:</u>	<u>Amount</u>
Cherokee County	\$ 157
Georgia Department of Revenue	23 765
Pickens County	80
	<u>\$ 24 002</u>
<u>SPLOST Fund:</u>	
Cherokee County	\$ 34 760
Pickens County	24 673
	<u>\$ 59 433</u>

### NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July, 1	Additions	Transfers	Deletions	Balance June, 30
<b>Governmental Activities:</b>					
Capital assets not being depreciated					
Land	\$ 247 323	\$ 503 357	\$ -	\$ 48 038	\$ 702 642
Construction in progress	20 309	-	(17 028)	-	3 281
Total capital assets, not being depreciated	<u>267 632</u>	<u>503 357</u>	<u>(17 028)</u>	<u>48 038</u>	<u>705 923</u>
Capital assets, being depreciated or amortized					
Intangibles	42 145	-	-	-	42 145
Infrastructure	2 562 937	71 349	17 028	-	2 651 314
Buildings and improvements	391 442	28 063	-	-	419 505
Land improvements	205 776	-	-	-	205 776
Machinery and equipment	420 117	18 725	-	-	438 842
Vehicles	328 057	-	-	-	328 057
Total capital assets, being depreciated or amortized	<u>3 950 474</u>	<u>118 137</u>	<u>17 028</u>	<u>-</u>	<u>4 085 639</u>
Less accumulated depreciation or amortization for:					
Intangibles	10 111	5 610	-	-	15 721
Infrastructure	1 105 955	91 548	-	-	1 197 503
Buildings and improvements	149 135	9 259	-	-	158 394
Land improvements	142 713	8 798	-	-	151 511
Machinery and equipment	107 596	26 968	-	-	134 564
Vehicles	181 184	23 370	-	-	204 554
Total accumulated depreciation and amortization	<u>1 696 694</u>	<u>165 553</u>	<u>-</u>	<u>-</u>	<u>1 862 247</u>
Total capital assets, being depreciated or amortized, net	<u>2 253 780</u>	<u>(47 416)</u>	<u>17 028</u>	<u>-</u>	<u>2 223 392</u>
Governmental activities capital assets, net	<u>\$ 2 521 412</u>	<u>\$ 455 941</u>	<u>\$ -</u>	<u>\$ 48 038</u>	<u>\$ 2 929 315</u>
Lease assets, net (Note 6)					33 640
Total Governmental activities capital assets, net as reported in the statement of net position					<u>\$ 2 962 955</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 9 928
Public works	125 586
Culture and recreation	26 449
Total	<u>\$ 161 963</u>

Amortization expense was charged to functions/programs as follows:

Governmental Activities:	
Public works	\$ 3 590
Total	<u>\$ 3 590</u>

### NOTE 6 INTANGIBLE RIGHT TO USE LEASES

A summary of leased asset activity during the year ended June 30, 2024 is as follows:

	Balance July, 1	Additions	Deletions	Balance June, 30
Leased assets:				
Equipment	\$ 57 669	\$ -	\$ -	\$ 57 669
Less accumulated amortization:				
Equipment	12 495	11 534	-	24 029
Total lease assets, net	<u>\$ 45 174</u>	<u>\$ (11 534)</u>	<u>\$ -</u>	<u>\$ 33 640</u>

Amortization expense was charged to public works in the amount of \$11,534 for the fiscal year ending June 30, 2024.

### NOTE 7 LEASE LIABILITIES

The City, as a lessee, has entered into one lease agreement for the use of land to store public works equipment. The total of the City's leased asset is recorded at a cost of \$57,669, less accumulated amortization of \$24,029.

	Balance July, 1	Additions	Deletions	Balance June, 30	Amounts Due in One Year
Leased liabilities:	<u>\$ 45 507</u>	<u>\$ -</u>	<u>\$ 11 345</u>	<u>\$ 34 162</u>	<u>\$ 11 531</u>

The future lease payments under lease agreements are as follows:

	Principal	Leases Interest	Total
2025	\$ 11 531	\$ 469	\$ 12 000
2026	11 719	281	12 000
2027	10 912	88	11 000
Total	<u>\$ 34 162</u>	<u>\$ 838</u>	<u>\$ 35 000</u>

Interest expense related to lease liabilities in the amount of \$369 is shown on the Statement of Revenues, Expenses, and Changes in Fund Balances, General Fund.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8 DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

Revenue received in advance for services not yet rendered or taxes not yet levied are depicted as unearned revenue on the fund-level and government-wide financial statements for the following revenue sources:

Sanitation fees paid in advance of service	\$	4 639
ARPA revenue received		118 570
Total unearned revenue	\$	<u>123 209</u>

Receivables recorded at the end of the fiscal year that will not be available within 60 days subsequent to year end for the payment of related current expenditures are shown as deferred inflows of resources in the fund financial statements:

Property taxes	\$	4 335
Sanitation fees		773
Total unearned revenue	\$	<u>5 108</u>

### NOTE 9 RESTRICTED ASSETS AND NET POSITION

Cash of \$ 2,147,374 in the SPLOST Fund is restricted for the purposes specified in voter approved referendums. The source of these funds consists of proceeds from special one percent local option sales taxes levied by Cherokee and Pickens Counties. Net position totaling \$2,172,112 in the government-wide financial statements is restricted by enabling legislation related to SPLOST funds. A corresponding amount of fund balance is also shown as restricted in the fund statements.

Cash of \$193,253 in the American Rescue Plan (ARP) Act of 2021 Local Fiscal Recovery Fund is restricted. Funds may be used for: 1) investments in water, sewer, and broadband, 2) assistance to mitigate public health/negative economic impacts, 3) provide premium pay, and 4) revenue loss.

### NOTE 10 CLASSIFICATION OF EQUITY

Fund balances are classified as follows:

• Nonspendable General Fund:		
Prepaid items		<u>\$ 9 893</u>
• Restricted Capital Projects Fund:		
Special Purpose Local Option Sales Tax Fund (SPLOST) – Used to account for capital projects financed with SPLOST		<u>\$ 2 172 112</u>

### NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation for which the City carries the following insurance coverage. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

The City is a member of the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary. The City has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims that the City is liable (up to the applicable deductible) which were outstanding and unpaid on June 30, 2024. No provisions have been made in the financial statements for the year ended June 30, 2024 for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12 RELATED ORGANIZATION

The City, in conjunction with cities and counties in a fifteen (15) county area, is a member of the Northwest Georgia Regional Commission (NWGRC). Membership in a Regional Commission (RC) is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989 and House Bill 1216) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The City paid annual dues to the NWGRC during the fiscal year 2023 in the amount of \$1,169. The RC Board membership includes the chief elected official of each County and the chief elected official of each municipality. The County board members and municipal board members from the same County elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

The GMRC Board Membership includes the chief elected official of each County and appointed mayors from municipalities in the area. Georgia law also provides that member governments are liable for any debts or obligations of the GMRC (O.C.G.A. 50-8-39-1). Separate financial statements can be provided by contacting the GMRC directly at:

### NOTE 13 SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 29, 2024, the date which the financial statements were available to be issued. There were no items noted that required modification to the financial statements on June 30, 2024.

### NOTE 14 COMMITMENTS AND CONTINGENCIES

The City, from time to time, may be involved in litigation, disputes and claims arising in the ordinary course of business. These matters arise from a variety of sources, including the day-to-day operations of the City and contracts/agreements related to its services and vendors. At the close of fieldwork, the City had no pending litigation claims.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NELSON, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Property taxes	\$ 240 085	\$ 243 722	\$ 232 803	\$ (10 919)
Sales taxes	141 846	211 684	274 144	62 460
Franchise taxes	47 600	55 900	49 403	(6 497)
Insurance premium tax	117 760	110 000	101 830	(8 170)
Licenses and permits	7 830	7 030	9 408	2 378
Intergovernmental revenue	20 948	20 948	46 230	25 282
Charges for services	38 000	63 000	63 597	597
Interest income	1 300	1 300	3 703	2 403
Miscellaneous revenue	3 550	4 050	7 544	3 494
<b>Total revenues</b>	<u>618 919</u>	<u>717 634</u>	<u>788 662</u>	<u>71 028</u>
<b>Expenditures</b>				
Current:				
General government	229 342	280 974	276 483	4 491
Public works	240 077	279 110	260 289	18 821
Culture and recreation	15 600	15 600	13 827	1 773
Housing and development	17 500	4 350	3 579	771
Intergovernmental - Public safety	117 300	150 800	150 529	271
Debt service:				
Principal repayment	-	13 000	11 345	1 655
Interest charges	-	-	655	(655)
<b>Total expenditures</b>	<u>619 819</u>	<u>743 834</u>	<u>716 707</u>	<u>27 127</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(900)</u>	<u>(26 200)</u>	<u>71 955</u>	<u>98 155</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds on disposal of fixed assets	-	26 200	26 200	-
Transfer out	-	-	-	-
<b>Total other financing (uses)</b>	<u>-</u>	<u>26 200</u>	<u>26 200</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ (900)</u>	<u>\$ -</u>	<u>98 155</u>	<u>\$ 98 155</u>
Fund balance at beginning of year			<u>1 055 781</u>	
<b>Fund balance at end of year</b>			<u>\$ 1 153 936</u>	

See notes to the required supplementary information.

**CITY OF NELSON, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - ARPA FUND  
FOR THE YEAR ENDED JUNE 30, 2024**

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 257 111	\$ 227 000	\$ 101 041	\$ (125 959)
Interest income	-	500	1 417	917
<b>Total revenues</b>	<u>257 111</u>	<u>227 500</u>	<u>102 458</u>	<u>(125 042)</u>
<b>Expenditures</b>				
Current:				
Public works	-	10 000	-	10 000
Capital outlay - Public works	-	217 500	102 458	115 042
<b>Total expenditures</b>	<u>-</u>	<u>227 500</u>	<u>102 458</u>	<u>125 042</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	257 111	-	-	-
<b>Other Financing (Uses)</b>				
Transfer in	-	-	-	-
<b>Total other financing (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ 257 111</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance at beginning of year			-	
<b>Fund balance at end of year</b>			<u>\$ -</u>	

The City's planned project started much later in the year than what the City expected, which led to the lower revenues and expenditures compared to budgeted amounts.

See notes to the required supplementary information.

**CITY OF NELSON, GEORGIA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2024**

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**NOTE 1 BUDGETARY BASIS OF ACCOUNTING**

Annual appropriated budgets are adopted for all funds, except capital project funds, which have project length budgets. The governmental fund budgets are adopted on a budgetary basis, which includes budgetary expenditures. Proprietary fund budgets are adopted on a budgetary basis, which includes inflows from the issuance of debt as financing sources and related outflows as capital expenses.

Each year, no later than 60 days prior to the beginning of each fiscal year, the Mayor submits the proposed operating budget to the City Council. All supporting documents shall be filed in the office of the City Clerk and shall be open to public inspection.

The City Council, by ordinance, shall adopt the final operating budget for the ensuing fiscal year no later than the first day of the fiscal year. The City Council may amend the operating budget proposed by the Mayor. Total appropriations from any fund shall not exceed the estimated fund balance, reserves, and revenues.

Appropriations lapse at year end.

## **SUPPLEMENTARY INFORMATION**

**CITY OF NELSON, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior years	Current	Total	
<b><u>CHEROKEE COUNTY, SPLOST #4</u></b>						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment	\$ 720 000	\$ 720 000	\$ -	\$ -	\$ -	94.26%
Roads/Transportation facilities and improvements	-	-	376 370	435	376 805	
Parks and Recreation facilities	-	-	220 751	36 658	257 409	
Public safety:						
Vehicles	-	-	29 657	-	29 657	
Equipment	-	-	14 793	-	14 793	
<b>Total</b>	<u>\$ 720 000</u>	<u>\$ 720 000</u>	<u>\$ 641 571</u>	<u>\$ 37 093</u>	<u>\$ 678 664</u>	
<b><u>CHEROKEE COUNTY, SPLOST #5</u></b>						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment						31.89%
Government buildings, facilities, vehicles, equipment and improvements	\$ 500 000	\$ 500 000	\$ -	\$ -	\$ -	
Emergency communications system improvements	32 043	32 043	32 043	-	32 043	
Transportation facilities, vehicles, equipment and improvements	450 000	450 000	260 733	37 209	297 942	
Parks and recreation facilities, equipment and improvements	52 786	52 786	-	-	-	
<b>Total</b>	<u>\$1 034 829</u>	<u>\$1 034 829</u>	<u>\$ 292 776</u>	<u>\$ 37 209</u>	<u>\$ 329 985</u>	
<b><u>PICKENS COUNTY, SPLOST #2</u></b>						
Road, street and bridge projects	\$ 729 000	\$ 729 000	\$ 297 526	\$ 327 158	\$ 624 684	85.69%
<b>Total</b>	<u>\$ 729 000</u>	<u>\$ 729 000</u>	<u>\$ 297 526</u>	<u>\$ 327 158</u>	<u>\$ 624 684</u>	
<b><u>PICKENS COUNTY, SPLOST 2020</u></b>						
Road, street and bridge projects	\$1 650 200	\$1 650 200	\$ 241 069	\$ 303 186	\$ 544 255	32.98%
<b>Total</b>	<u>\$1 650 200</u>	<u>\$1 650 200</u>	<u>\$ 241 069</u>	<u>\$ 303 186</u>	<u>\$ 544 255</u>	
<b>Grand Total</b>	<u><b>\$4 134 029</b></u>	<u><b>\$4 134 029</b></u>	<u><b>\$1 472 942</b></u>	<u><b>\$ 704 646</b></u>	<u><b>\$2 177 588</b></u>	

**Note A:**

The above schedules has been prepared using the modified accrual basis of accounting.

**Note B:**

The expenditures for total SPLOST activity do not reconcile to the capital outlay total shown in the basic financial statements. There were purchases of items that did not meet the City's capitalization threshold. These items have been expensed in accordance with the financial policies of the City. However, total expenditures shown above for the current fiscal year reconcile to the amount shown in the fund financial statements.

**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 Nelson, 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 Nelson, Georgia's (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated October 29, 2024.

***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.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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

*CKH CPAs and Advisors, LLC*

CKH CPA's and Advisors, LLC  
Atlanta, Georgia  
October 29, 2024

