

CITY OF NELSON, GEORGIA ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2025

prepared by CKH CPAs & Advisors, LLC



CITY OF NELSON, GEORGIA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2025**

DRAFT

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ANNUAL FINANCIAL REPORT
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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, 2025, 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, 2025, and the related notes to the financial statements 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 GAAS 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 management discussion and analysis, budgetary comparison schedules for the General Fund and American Rescue Plan 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 schedule of projects constructed with proceeds from Special Purpose Local Option Sales Tax and comparative statements, 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, schedule of projects constructed with proceeds from Special Purpose Local Option Sales Tax and comparative statements, 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 December 19, 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 CPAs and Advisors, LLC

CKH CPA's and Advisors, LLC
Atlanta, Georgia
December 19, 2025

DRAFT



MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT
CITY OF NELSON, GEORGIA
JUNE 30, 2025

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, 2025. 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 \$6,936,827 compared to \$6,259,949 in 2024.

The current year's governmental activities expenses totalled \$875,210 as compared to \$1,079,085 in 2024. The City generated \$1,552,088 in revenues for governmental activities compared to \$1,559,515 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 (culture and recreation), general administration and housing and 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 \$6,936,827 this year compared to \$6,259,949 last year. Unrestricted net position was \$1,225,613 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 \$1,552,088 compared to \$1,559,515 last year. The total yearly cost of all programs and services were \$875,210 compared to \$1,079,085 last year.

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

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.

		TABLE 1: NET POSITION	
		<u>Governmental Activities</u>	
		2025	2024
Current and Other Assets		\$ 4,071,269	\$ 3,513,870
Capital Assets		2,972,136	2,962,955
TOTAL ASSETS		<u>\$ 7,043,405</u>	<u>\$ 6,476,825</u>
Current Liabilities		\$ 91,270	\$ 194,245
Long-Term Liabilities		15,308	22,631
TOTAL LIABILITIES		<u>\$ 106,578</u>	<u>\$ 216,876</u>
Net investment in capital assets		\$ 2,950,505	\$ 2,928,793
Restricted		2,760,709	2,172,112
Unrestricted		1,225,613	1,159,044
TOTAL FUND BALANCES AND LIABILITIES		<u>\$ 6,936,827</u>	<u>\$ 6,259,949</u>

		TABLE 2: CHANGES IN NET POSITION	
		<u>Governmental Activities</u>	
		2025	2024
Program Revenues:			
Charges for services	\$	78,981	\$ 73,064
Operating grants		46,880	46,230
Capital grants/contributions		790,904	771,293
General Revenues			
Property and fire taxes		179,193	232,299
Sales, insurance premium and franchise taxes		443,212	425,379
Other general		12,918	11,250
Total Revenues	<u>\$</u>	<u>1,552,088</u>	<u>\$ 1,559,515</u>
Program Expenses:			
General government	\$	322,954	\$ 440,925
Public safety		101,778	154,119
Public works		400,735	381,032
Culture and recreation		44,476	76,934
Housing and development		4,323	3,582
Loss on disposal of assets		475	21,838
Interest on long-term debt		469	655
Total Expenses	<u>\$</u>	<u>875,210</u>	<u>\$ 1,079,085</u>
Change in Net Position	\$	676,878	\$ 480,430
NET POSITION, BEGINNING		6,259,949	5,779,519
NET POSITION, ENDING	<u>\$</u>	<u>6,936,827</u>	<u>\$ 6,259,949</u>

Table 3: GOVERNMENTAL ACTIVITIES					
		<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of services</u>	
		2025	2024	2025	2024
General Government	\$	322,954	\$ 440,925	\$ (317,621)	\$ (435,170)
Public Safety		101,778	154,119	(101,778)	(3,590)
Public works		400,735	531,561	503,211	349,618
Culture and recreation		44,476	76,934	(44,476)	(76,934)
Housing and Development		4,323	3,582	3,163	71
Loss on disposal of assets		475	21,838	(475)	(21,838)
Interest on long-term debt		469	655	(469)	(655)
TOTALS	<u>\$</u>	<u>875,210</u>	<u>\$ 1,229,614</u>	<u>\$ 41,555</u>	<u>\$ (188,498)</u>

GOVERNMENTAL FUNDS

**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:

	Table 4: 2024 BUDGET			
	ORIGINAL	AMENDED	O/A VARIANCE*	2025 ACTUAL EXPENSES
General Fund	\$ 793,825	\$ 793,825	\$ -	\$ 686,099
ARPA Fund	193,883	193,883	-	61,949
Total	<u>\$ 987,708</u>	<u>\$ 987,708</u>	<u>\$ -</u>	<u>\$ 748,048</u>

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

As a whole, the City operated under budget by \$239,660 in expenditures. The General Fund revenues were \$77,219 over actual expenditures, due to the City operating under its budgeted expenditures. The ARPA Fund expenses were \$131,934 under budgeted expenses.

CITY FUNDS

At year end, the City reported cash balances of \$3,971,842 compared to \$3,406,978 last year. Included in cash balances are accounts restricted for capital projects and American Rescue Plan expenditures in the amount of \$2,734,494.

CAPITAL ASSETS

At the close of the year, the City had invested \$2,972,136 in Capital Assets such as land, buildings, and improvements, equipment and infrastructure. These figures are after depreciation. Last year Capital Assets after depreciation were \$2,962,955. 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 \$21,631 for equipment.

	TABLE 5: OUTSTANDING DEBT AT YEAR-END				
	Beginning of Year	Additions	Reductions	End of Year	Amount Due in One Year
Lease liabilities	<u>\$ 34,162</u>	<u>\$ -</u>	<u>\$ (12,531)</u>	<u>\$ 21,631</u>	<u>\$ 10,719</u>

ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

The budget is prepared by the finance team and presented to Council.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have, questions about this report or would like to request additional information, contact the City at 770-735-2211 or visit the City's website at www.nelsongeorgia.com.

BASIC FINANCIAL STATEMENTS

**CITY OF NELSON, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,237,348
Restricted cash	2,734,494
Accounts receivable	4,367
Property taxes receivable, net	2,062
Receivable from other governments	82,866
Prepaid items	10,132
Noncurrent assets	
Capital assets, not being depreciated	850,373
Capital assets, net of accumulated depreciation and amortization	2,121,763
Total assets	<u>7,043,405</u>
Liabilities:	
Current liabilities:	
Accounts payable	4,011
Accrued payroll liabilities	11,199
Unearned revenue	61,220
Lease liability	10,719
Compensated absences	4,121
Noncurrent liabilities:	
Lease liability	10,912
Compensated absences	4,396
Total liabilities	<u>106,578</u>
Net Position	
Net investment in capital assets	2,950,505
Restricted for:	
Capital projects	2,760,709
Unrestricted	1,225,613
Total net position	<u>\$ 6,936,827</u>

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

**CITY OF NELSON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

<u>Program Activities</u>	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities					
General government	\$ 322,954	\$ 5,333	\$ -	\$ -	\$ (317,621)
Public safety	101,778	-	-	-	(101,778)
Public works	400,735	66,162	46,880	790,904	503,211
Culture and recreation	44,476	-	-	-	(44,476)
Housing and development	4,323	7,486	-	-	3,163
Loss on disposal of assets	475	-	-	-	(475)
Interest and fiscal charges	469	-	-	-	(469)
Total governmental activities	875,210	78,981	46,880	790,904	41,555
General revenues:					
Property taxes					76,769
Fire taxes					102,424
Sales and other taxes					283,978
Insurance premium taxes					109,528
Franchise taxes					49,706
Unrestricted investment earnings (loss)					4,953
Miscellaneous Revenues					7,965
Total general revenues and transfers					635,323
Change in net position					676,878
Net position, beginning of year					6,259,949
Net position, end of year					\$ 6,936,827

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

**CITY OF NELSON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	SPLOST Fund	American Rescue Plan Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,237,348	\$ -	\$ -	\$ 1,237,348
Restricted cash	-	2,677,578	56,916	2,734,494
Accounts receivable	4,367	-	-	4,367
Due from other funds	-	24,254	-	24,254
Property taxes receivable, net	2,062	-	-	2,062
Receivable from other governments	23,989	58,877	-	82,866
Prepaid items	10,132	-	-	10,132
Total assets	1,277,898	2,760,709	56,916	4,095,523
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	4,011	-	-	4,011
Accrued payroll liabilities	11,199	-	-	11,199
Due to other funds	24,254	-	-	24,254
Unearned revenue	4,304	-	56,916	61,220
Total liabilities	43,768	-	56,916	100,684
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	2,975	-	-	2,975
Total deferred inflows of resources	2,975	-	-	2,975
FUND BALANCES				
Nonspendable:				
Prepaid items	10,132	-	-	10,132
Restricted:				
Capital project funds	-	2,760,709	-	2,760,709
Unassigned	1,221,023	-	-	1,221,023
Total fund balances	1,231,155	2,760,709	-	3,991,864
Total liabilities, deferred inflows of resources and fund balances	\$ 1,277,898	\$ 2,760,709	\$ 56,916	\$ 4,095,523

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

**CITY OF NELSON, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

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

Total fund balances - Governmental funds	\$ 3,991,864
Capital assets, including leased assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
- Capital assets, not being depreciated	850,373
- Capital assets, being depreciated, net of accumulated depreciation	2,121,763
Long-term liabilities, including financed purchases and leases, are not due and payable in the current period and therefore are not reported in governmental funds.	
- Lease liabilities	(21,631)
- Compensated absences	(8,517)
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.	2,975
Net position of governmental activities	<u>\$ 6,936,827</u>

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

CITY OF NELSON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	SPLOST Fund	American Rescue Plan Fund	Total
REVENUES:				
Property taxes	\$ 78,902	\$ -	\$ -	\$ 78,902
Fire taxes	102,424	-	-	102,424
Sales taxes	283,978	-	-	283,978
Franchise taxes	49,706	-	-	49,706
Insurance premium taxes	109,528	-	-	109,528
Licenses and permits	12,819	-	-	12,819
Intergovernmental revenues	46,880	720,655	61,655	829,190
Charges for services	66,162	-	-	66,162
Investment earnings (loss)	4,954	8,300	294	13,548
Miscellaneous	7,965	-	-	7,965
Total revenues	<u>763,318</u>	<u>728,955</u>	<u>61,949</u>	<u>1,554,222</u>
EXPENDITURES:				
Current:				
General government	286,327	-	-	286,327
Public works	264,519	-	-	264,519
Culture and recreation	13,466	-	-	13,466
Housing and development	4,323	-	-	4,323
Capital outlay - Public works	-	112,908	61,949	174,857
Capital outlay - Culture and recreation	1,310	27,450	-	28,760
Intergovernmental - Public safety	103,154	-	-	103,154
Debt service:				
Principal repayments	12,531	-	-	12,531
Interest and fiscal charges	469	-	-	469
Total expenditures	<u>686,099</u>	<u>140,358</u>	<u>61,949</u>	<u>888,406</u>
Net change in fund balances	77,219	588,597	-	665,816
FUND BALANCES, BEGINNING OF YEAR	<u>1,153,936</u>	<u>2,172,112</u>	<u>-</u>	<u>3,326,048</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,231,155</u>	<u>\$ 2,760,709</u>	<u>\$ -</u>	<u>\$ 3,991,864</u>

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

CITY OF NELSON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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

Net change in fund balances - total governmental funds	\$ 665,816
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
- Capital outlays	188,744
- Depreciation expense	(175,588)
- Trade-in value of assets disposed	(3,500)
The net effect of various miscellaneous transactions involving capital assets and lease assets (i.e., sales and lease modifications) is to increase net position.	(475)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,133)
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.	
- Lease liabilities	12,531
- Compensated absences	(8,517)
Change in net position - governmental activities	<u>\$ 676,878</u>

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Nelson, Georgia (the "City") was incorporated in 1891 and operates under a mayor–council form of government consisting of a mayor and five council members. The City provides a range of services to its residents, including public safety, public works, parks and recreation, general administration, and economic development.

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

A. Reporting Entity

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, 2025, there are no component units included in the financial statements of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of net position will include non-current assets and non-current liabilities. Neither fiduciary funds nor fiduciary component units are included. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 60 days of the end of the current fiscal period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

The corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** 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.

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.

The **American Rescue Plan 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used have not been eliminated in this process.

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

D. Budget

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budget (Continued)

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.

E. 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.

F. Restricted cash, Cash and Investments

Restricted cash represents amounts that are legally or contractually required to be used solely for specific purposes, such as voter-approved SPLOST capital projects or federally restricted ARPA program activities.

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.

G. Property Tax Calendar

The City of Nelson, Georgia's property tax calendar for the 2024 levy applicable to fiscal year 2025 was as follows:

Lien date:	No lien date established
Levy date:	October 2, 2024
Due date:	November 15, 2024
Delinquent date:	November 18, 2024

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. FIFA's can be filed for uncollected taxes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**H. 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
Leased assets	Based on contract

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.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025 are recorded as prepaid items. Prepaid insurance were \$10,132 for total prepaid assets as of June 30, 2025.

J. Compensated Absences

The City accrues a liability for compensated absences in accordance with GASB Statement No. 101, Compensated Absences. Compensated absences include vacation leave, sick leave, and other forms of paid time off, and are recognized as a liability when earned by employees if the leave is attributable to services already rendered and it is more likely than not that the leave will be used or paid.

The liability includes leave that is conditioned on an employee's future service, provided it is more likely than not that the employee will meet the requirement, as well as leave that is dependent on the occurrence of a specific event outside the control of the employer and the employee. The amount of the liability is calculated using pay rates in effect at the financial reporting date, and includes applicable salary-related payments.

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.

K. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Unearned Revenues and Deferred 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 deferred inflows of resources (i.e., they are measurable but not available) rather than as revenue.

M. 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.

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.

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 2025, the City exceeded the minimum fund balance requirement; therefore, the General Fund is in compliance with the policy.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. 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.

P. New GASB pronouncements

GASB Standards Issued

1. 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).

2. 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).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. LEGAL COMPLIANCE – BUDGETS

Budgets and Budgetary Accounting

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.

For the year ended June 30, 2025, there were no instances where the actual expenditures exceeded budget.

Primary Government

Credit risk:

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

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 June 30, 2025, 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 June 30, 2025, all of the City's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

NOTE 4. RECEIVABLES

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 June 30, 2025 totaled \$13,643. This receivable balance is likely to be collected and no allowance for uncollectible receivables has, therefore, been recorded.

On June 30, 2025, 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 \$2,062 at June 30, 2025.

Intergovernmental receivables

Receivables at June 30, 2025, for the City's individual funds are as follows:

	General Fund	SPLOST Fund
<i>Receivables:</i>		
Cherokee County	\$ 237	\$ 34,731
Georgia Department of Revenue	23,752	-
Pickens County	-	24,146
<i>Total receivables</i>	<u>\$ 23,989</u>	<u>\$ 58,877</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity of governmental activities for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 702,642	\$ 120,000	\$ -	\$ 822,642
Construction in progress	3,281	24,450	-	27,731
<i>Total capital assets, not being depreciated</i>	<u>705,923</u>	<u>144,450</u>	<u>-</u>	<u>850,373</u>
<i>Capital assets, being depreciated and amortized:</i>				
Intangibles	42,145	-	-	42,145
Infrastructure	2,651,314	-	-	2,651,314
Buildings and improvements	419,505	-	-	419,505
Land improvements	205,776	-	-	205,776
Machinery and equipment	438,842	44,294	(11,924)	471,212
Leased assets	57,669	-	-	57,669
Vehicles	328,057	-	-	328,057
<i>Total capital assets, being depreciated and amortized</i>	<u>4,143,308</u>	<u>44,294</u>	<u>(11,924)</u>	<u>4,175,678</u>
<i>Less accumulated depreciation and amortization for:</i>				
Intangibles	15,721	5,610	-	21,331
Infrastructure	1,197,503	85,556	-	1,283,059
Buildings and improvements	158,394	10,144	-	168,538
Land improvements	151,511	8,798	-	160,309
Machinery and equipment	134,564	30,577	(7,949)	157,192
Leased assets	24,029	11,534	-	35,563
Vehicles	204,554	23,369	-	227,923
<i>Total accumulated depreciation and amortization</i>	<u>1,886,276</u>	<u>175,588</u>	<u>(7,949)</u>	<u>2,053,915</u>
<i>Total capital assets, being depreciated and amortized, net</i>	<u>2,257,032</u>	<u>(131,294)</u>	<u>(3,975)</u>	<u>2,121,763</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 2,962,955</u>	<u>\$ 13,156</u>	<u>\$ (3,975)</u>	<u>\$ 2,972,136</u>

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

<i>Governmental activities:</i>	
General government	\$ 10,852
Public works	138,036
Culture and recreation	26,700
Total depreciation expense - governmental activities	<u>\$ 175,588</u>

Amortization expense was charged to public works in the amount of \$11,534 for the fiscal year ending June 30, 2025.

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2025, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
SPLOST Fund	General Fund	<u>\$ 24,254</u>

This balance resulted from a SPLOST receipt that was inadvertently deposited into the General Fund bank account. The City corrected the deposit subsequent to year-end.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Primary Government:

The following is a summary of long-term debt activity for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Lease liability	\$ 34,162	\$ -	\$ (12,531)	\$ 21,631	\$ 10,719
Compensated absences*	-	8,517	-	8,517	4,121
<i>Total governmental activities</i>	<u>\$ 34,162</u>	<u>\$ 8,517</u>	<u>\$ (12,531)</u>	<u>\$ 30,148</u>	<u>\$ 14,840</u>

*The additions for compensated absences reflect the net movement for the year. The compensated absences liability will be paid from the fund from which the employees' salaries are paid, normally the General Fund.

Lease Liability. The financial statements reflect the application of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize both a lease liability and an intangible right-to-use lease asset, while a lessor must recognize a lease receivable and a deferred inflow of resources.

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 \$35,536. For additional information, refer to the disclosures below.

The lease payment for July 2025 was paid on June 16, 2025.

The future lease payments under lease agreements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 10,719	\$ 281	\$ 11,000
2027	10,912	88	11,000
Total	<u>\$ 21,631</u>	<u>\$ 369</u>	<u>\$ 22,000</u>

Interest expense related to lease liabilities in the amount of \$469 is shown on the Statement of Revenues, Expenses, and Changes in Fund Balances, General Fund.

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	\$ 4,304
ARPA revenue received	56,916
Total unearned revenue	<u>\$ 61,220</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	\$ 2,975
Total deferred revenue	<u>\$ 2,975</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees; and losses resulting from providing accident and health benefits to employees and their dependents. The City carries the insurance coverage for those. 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 participates in the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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, 2025. No provisions have been made in the financial statements for the year ended June 30, 2025 for any estimate of potential unpaid claims.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Litigation

The City's attorney has advised that there are no pending litigation cases against the City as of June 30, 2025, that will materially affect the financial statements.

NOTE 11. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities and counties in northwest Georgia, is a member of the Northwest Georgia Regional Commission (NWGRC). Dues to NWGRC are assessed at the county level and are accordingly paid by the respective county. Membership in NWGRC is required by the Official Code of Georgia Annotated Section 50 8 34, which provides for the organizational structure of regional commissions in Georgia. The NWGRC Council includes the chief elected official of each participating county and various municipalities in the region. Under OCGA 50 8 39.1, member governments are liable for any debts or obligations of NWGRC. Separate financial statements may be obtained from NWGRC — Rome Office: 1 Jackson Hill Drive NE, P.O. Box 1798, Rome, GA 30161 5205; phone (706) 295 6485.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF NELSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 250,505	\$ 250,505	181,326	\$ (69,179)
Sales taxes	273,540	273,540	283,978	10,438
Franchise taxes	56,900	56,900	49,706	(7,194)
Insurance premium tax	110,000	110,000	109,528	(472)
Licenses and permits	8,330	8,330	12,819	4,489
Intergovernmental revenues	22,000	22,000	46,880	24,880
Charges for services	64,000	64,000	66,162	2,162
Interest income	2,500	2,500	4,954	2,454
Miscellaneous revenue	6,050	6,050	7,965	1,915
Total revenues	<u>793,825</u>	<u>793,825</u>	<u>763,318</u>	<u>(30,507)</u>
Expenditures:				
Current:				
General government	298,655	304,765	286,327	18,438
Public works	306,320	314,340	264,519	49,821
Culture and recreation	12,400	14,350	13,466	884
Housing and development	4,500	6,400	4,323	2,077
Intergovernmental - Public safety	157,950	139,470	103,154	36,316
Capital outlay - Culture and recreation	1,000	1,500	1,310	190
Debt service:				
Principal repayments	12,531	12,531	12,531	-
Interest charges	469	469	469	-
Total expenditures	<u>793,825</u>	<u>793,825</u>	<u>686,099</u>	<u>107,726</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	77,219	<u>\$ 77,219</u>
FUND BALANCES, BEGINNING OF YEAR			1,153,936	
FUND BALANCES, END OF YEAR			<u>\$ 1,231,155</u>	

Note:

- (i) The expenditures exceeded appropriations in the Culture and recreation and Capital outlay - culture and recreation departments with \$1,066 and \$310 respectively.
- (ii) The City's legal level of budgetary control is at the department level within each fund.

**CITY OF NELSON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - ARPA FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenues	\$ 193,883	\$ 193,883	61,655	\$ (132,228)
Interest income	-	-	294	294
Total revenues	<u>193,883</u>	<u>193,883</u>	<u>61,949</u>	<u>(131,934)</u>
Expenditures:				
Current:				
Capital outlay - Public works	193,883	193,883	61,949	131,934
Total expenditures	<u>193,883</u>	<u>193,883</u>	<u>61,949</u>	<u>131,934</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ (263,868)</u>
FUND BALANCES, BEGINNING OF YEAR			-	
FUND BALANCES, END OF YEAR			<u>\$ -</u>	

Note:

(ii) The City's legal level of budgetary control is at the department level within each fund.

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, 2025

Project	Estimated Cost		Expenditures			Project Completion
	Original	Current	Prior years	Current year	Total	
<u>CHEROKEE COUNTY, SPLOST #4</u>						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment	\$ 720,000	\$ 720,000				
Roads/Transportation facilities and improvements	-	-	\$ 376,805	\$ -	\$ 376,805	
Parks and Recreation facilities	-	-	257,409	27,450	284,859	
Public safety:						
Vehicles	-	-	29,657	-	29,657	
Equipment	-	-	14,793	-	14,793	
Total	\$ 720,000	\$ 720,000	\$ 678,664	\$ 27,450	\$ 706,114	98.07%
<u>CHEROKEE COUNTY, SPLOST #5</u>						
Transportation facilities and equipment, parks and recreation facilities and public safety vehicles and equipment						
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	297,942	112,908	410,850	
Parks and recreation facilities, equipment and improvements	52,786	52,786	-	-	-	
Total	\$ 1,034,829	\$ 1,034,829	\$ 329,985	\$ 112,908	\$ 442,893	42.80%
<u>PICKENS COUNTY, SPLOST #2</u>						
Road, street and bridge projects	\$ 729,000	\$ 729,000	\$ 624,684	\$ -	\$ 624,684	
Total	\$ 729,000	\$ 729,000	\$ 624,684	\$ -	\$ 624,684	85.69%
<u>PICKENS COUNTY, SPLOST 2020</u>						
Road, street and bridge projects	\$ 1,650,200	\$ 1,650,200	\$ 544,255	\$ -	\$ 544,255	
Total	\$ 1,650,200	\$ 1,650,200	\$ 544,255	\$ -	\$ 544,255	32.98%
Grand Total	\$ 4,134,029	\$ 4,134,029	\$ 2,177,588	\$ 140,358	\$ 2,317,946	

Note A:

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

**CITY OF NELSON, GEORGIA
GENERAL FUND
BALANCE SHEET - COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2025**

	AS AT JUNE 30, 2025	AS AT JUNE 30, 2024
ASSETS		
Cash and cash equivalents	\$ 1,237,348	\$ 1,066,351
Receivables (net of allowance for uncollectibles)	4,367	7,035
Due from other funds	-	69,638
Property taxes receivable	2,062	6,526
Due from other governments	23,989	24,002
Prepaid items	10,132	9,893
Total assets	<u>1,277,898</u>	<u>1,183,445</u>
LIABILITIES		
Accounts payable	4,011	8,490
Accrued payroll liabilities	11,199	11,272
Unearned revenue	4,304	4,639
Due to other funds	24,254	-
Total liabilities	<u>43,768</u>	<u>24,401</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	2,975	5,108
Total deferred inflows of resources	<u>2,975</u>	<u>5,108</u>
Total liabilities and deferred inflows	<u>46,743</u>	<u>29,509</u>
FUND BALANCES		
Nonspendable:		
Prepaid items	10,132	9,893
Unassigned	1,221,023	1,144,043
Total fund balances	<u>1,231,155</u>	<u>1,153,936</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,277,898</u>	<u>\$ 1,183,445</u>

**CITY OF NELSON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2025**

	FOR THE YEAR ENDED JUNE 30, 2025	FOR THE YEAR ENDED JUNE 30, 2024
Revenues:		
Property and fire taxes	\$ 181,326	\$ 232,803
Sales taxes	283,978	274,143
Franchise taxes	49,706	49,404
Insurance premium taxes	109,528	101,830
Licenses and permits	12,819	9,408
Intergovernmental revenues	46,880	46,230
Charges for services	66,162	63,597
Investment earnings	4,954	3,703
Miscellaneous	7,965	7,544
Total revenues	<u>763,318</u>	<u>788,662</u>
Expenditures:		
Current:		
General government	286,327	276,484
Public works	264,519	260,289
Culture and recreation	13,466	13,827
Housing and development	4,323	3,578
Intergovernmental - Public safety	103,154	150,529
Capital outlay - Culture and recreation	1,310	-
Debt service:		
Principal repayments	12,531	11,345
Interest and fiscal charges	469	655
Total expenditures	<u>686,099</u>	<u>716,707</u>
Excess (deficiency) of revenues over expenditures	<u>77,219</u>	<u>71,955</u>
OTHER FINANCING SOURCES (USES):		
Proceeds from sale of capital assets	-	26,200
Total other financing sources (uses)	<u>-</u>	<u>26,200</u>
Net change in fund balances	77,219	98,155
FUND BALANCES, BEGINNING OF YEAR	1,153,936	1,055,781
FUND BALANCES, END OF YEAR	<u><u>\$ 1,231,155</u></u>	<u><u>\$ 1,153,936</u></u>

CITY OF NELSON, GEORGIA
AMERICAN RESCUE PLAN FUND
BALANCE SHEET - COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2025

	AS AT JUNE 30, 2025	AS AT JUNE 30, 2024
ASSETS		
Restricted cash	\$ 56,916	\$ 193,253
Total assets	56,916	193,253
LIABILITIES		
Accounts payable	-	5,045
Unearned revenue	56,916	118,570
Due to other funds	-	69,638
Total liabilities	56,916	193,253
FUND BALANCES		
Restricted for:	-	-
Capital projects funds	-	-
Total fund balances	-	-
Total liabilities, and fund balances	\$ 56,916	\$ 193,253

**CITY OF NELSON, GEORGIA
AMERICAN RESCUE PLAN FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2025**

	FOR THE YEAR ENDED JUNE 30, 2025	FOR THE YEAR ENDED JUNE 30, 2024
Revenues:		
Intergovernmental revenues	\$ 61,655	\$ 101,041
Investment earnings (loss)	294	1,417
Total revenues	<u>61,949</u>	<u>102,458</u>
Expenditures:		
Capital outlay - Public works	<u>61,949</u>	<u>102,458</u>
Total expenditures	<u>61,949</u>	<u>102,458</u>
Net change in fund balances	-	-
FUND BALANCES, BEGINNING OF YEAR	-	-
FUND BALANCES, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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**CITY OF NELSON, GEORGIA
SPLOST FUND
BALANCE SHEET - COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2025**

	AS AT JUNE 30, 2025	AS AT JUNE 30, 2024
ASSETS		
Restricted cash	\$ 2,677,578	\$ 2,147,374
Due from other funds	24,254	-
Due from other governments	58,877	59,433
Total assets	<u>2,760,709</u>	<u>2,206,807</u>
LIABILITIES		
Accounts payable	-	34,695
Total liabilities	<u>-</u>	<u>34,695</u>
FUND BALANCES		
Restricted for:	-	-
Capital projects funds	2,760,709	2,172,112
Total fund balances	<u>2,760,709</u>	<u>2,172,112</u>
Total liabilities, and fund balances	<u>\$ 2,760,709</u>	<u>\$ 2,206,807</u>

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CITY OF NELSON, GEORGIA
SPLOST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPARATIVE FIGURES
FOR THE YEAR ENDED JUNE 30, 2025

	FOR THE YEAR ENDED JUNE 30, 2025	FOR THE YEAR ENDED JUNE 30, 2024
Revenues:		
Intergovernmental revenues	\$ 720,655	\$ 661,534
Investment earnings (loss)	8,300	7,301
Total revenues	<u>728,955</u>	<u>668,835</u>
Expenditures:		
Current:		
General government	-	6,917
Capital outlay - Public works	112,908	650,254
Capital outlay - Culture and recreation	27,450	36,658
Total expenditures	<u>140,358</u>	<u>693,829</u>
Net change in fund balances	588,597	(24,994)
FUND BALANCES, BEGINNING OF YEAR	2,172,112	2,197,106
FUND BALANCES, END OF YEAR	<u><u>\$ 2,760,709</u></u>	<u><u>\$ 2,172,112</u></u>

COMPLIANCE SECTION

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

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 and each major fund of the City of Nelson, Georgia's (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 19, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 19, 2025

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