

CITY OF PINE LAKE, GEORGIA



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2024

CITY OF PINE LAKE, GEORGIA
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2024
AND INDEPENDENT AUDITOR'S REPORT

CITY OF PINE LAKE, GEORGIA

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December 10, 2025

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Pine Lake, Georgia

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Pine Lake, Georgia** (the “City”), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and American Rescue Plan Fund - Major Special Revenue Fund 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. 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the City restated its prior year governmental activities net position and General Fund fund balance for a correction of errors. Our opinions are not modified with respect to those matters.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, budgetary comparison schedules, and schedules of projects constructed with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, budgetary comparison schedules, and schedules of projects constructed with special sales tax proceeds are the responsibility of management and were derived from and relate to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the combining nonmajor fund financial statements, budgetary comparison schedules, and schedules of projects constructed with special sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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.

McNair, McLeMORE, Middlebrooks & Co., LLC

MCNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC

FINANCIAL STATEMENTS

CITY OF PINE LAKE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 414,384	\$ 23,754	\$ 438,138
Restricted Cash	1,185,670	-	1,185,670
Receivables (Net of Allowance)			
Taxes	85,028	-	85,028
Accounts	-	5,902	5,902
Due from Other Governments	2,013,695	31	2,013,726
Prepaid Items	13,855	-	13,855
Internal Balances	(115,777)	115,777	-
Capital Assets			
Nondepreciable Assets	456,953	-	456,953
Depreciable Assets, Net	2,204,933	44,496	2,249,429
Total Assets	\$ 6,258,741	\$ 189,960	\$ 6,448,701

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2024
(CONTINUED)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts Payable	\$ 60,094	\$ -	\$ 60,094
Accrued Interest	3,301	-	3,301
Accrued Liabilities	17,326	-	17,326
Unearned Revenue	158,716	-	158,716
Noncurrent Liabilities			
Due Within One Year			
Compensated Absences	31,283	-	31,283
Financed Purchases	30,108	-	30,108
Subscriptions	18,647	-	18,647
Revenue Bonds	64,787	-	64,787
Due in More Than One Year			
Financed Purchases	64,341	-	64,341
Revenue Bonds	212,342	-	212,342
Total Liabilities	660,945	-	660,945
Net Position			
Net Investment in Capital Assets	2,271,661	44,496	2,316,157
Restricted for			
Capital Outlay	2,608,449	-	2,608,449
Public Safety	3,441	-	3,441
Environmental Projects	86,471	-	86,471
Unrestricted	627,774	145,464	773,238
Total Net Position	\$ 5,597,796	\$ 189,960	\$ 5,787,756

See accompanying notes which are an integral part of these financial statements.

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**CITY OF PINE LAKE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 475,724	\$ 173,177	\$ -	\$ -	\$ (302,547)	\$ -	\$ (302,547)
Judicial	159,285	-	-	119,789	(39,496)	-	(39,496)
Public Safety	353,839	-	-	-	(353,839)	-	(353,839)
Public Works	257,303	-	26,957	2,103,446	1,873,100	-	1,873,100
Culture and Recreation	46,112	-	-	-	(46,112)	-	(46,112)
Interest	20,903	-	-	-	(20,903)	-	(20,903)
Total Governmental Activities	1,313,166	173,177	26,957	2,223,235	1,110,203	-	1,110,203
Business-Type Activities							
Stormwater Fund	76,202	67,258	-	-	-	(8,944)	(8,944)
Total Business-Type Activities	76,202	67,258	-	-	-	(8,944)	(8,944)
Total Primary Government	\$ 1,389,368	\$ 240,435	\$ 26,957	\$ 2,223,235	1,110,203	(8,944)	1,101,259
General Revenues							
Property Taxes					922,561	-	922,561
Franchise Taxes					36,290	-	36,290
Insurance Premium Taxes					73,655	-	73,655
Other Taxes					12,361	-	12,361
Investment Earnings					4,121	3	4,124
Miscellaneous					6,318	-	6,318
Total General Revenues					1,055,306	3	1,055,309
Change in Net Position					2,165,509	(8,941)	2,156,568
Net Position - Beginning of Year, As Previously Presented					3,409,096	198,901	3,607,997
Error Corrections							
SBITAs					(16,838)	-	(16,838)
Subscription Liabilities					18,186	-	18,186
Accounts Payable					21,843	-	21,843
Net Position - Beginning of Year, As Restated					3,432,287	198,901	3,631,188
Net Position - End of Year					\$ 5,597,796	\$ 189,960	\$ 5,787,756

See accompanying notes which are an integral part of these financial statements.

**CITY OF PINE LAKE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General Fund	ARPA Fund	SPLOST I Fund	SPLOST II Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 414,384	\$ -	\$ -	\$ -	\$ -	\$ 414,384
Restricted Cash	3,441	249,004	730,277	11,213	191,735	1,185,670
Receivables, Net of Allowance						
Taxes	85,028	-	-	-	-	85,028
Due from Other Governments	654	-	-	2,013,041	-	2,013,695
Prepaid Items	13,855	-	-	-	-	13,855
Due From Other Funds	345,534	-	-	78,892	3,900	428,326
Total Assets	\$ 862,896	\$ 249,004	\$ 730,277	\$ 2,103,146	\$ 195,635	\$ 4,140,958
Liabilities						
Accounts Payable	\$ 60,094	\$ -	\$ -	\$ -	\$ -	\$ 60,094
Accrued Liabilities	17,326	-	-	-	-	17,326
Unearned Revenue	-	158,716	-	-	-	158,716
Due to Other Funds	119,677	90,288	326,613	-	7,525	544,103
Total Liabilities	197,097	249,004	326,613	-	7,525	780,239
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	41,758	-	-	-	-	41,758
Total Deferred Inflows of Resources	41,758	-	-	-	-	41,758
Fund Balances						
Nonspendable	13,855	-	-	-	-	13,855
Restricted	3,441	-	403,664	2,103,146	188,110	2,698,361
Unassigned	606,745	-	-	-	-	606,745
Total Fund Balances	624,041	-	403,664	2,103,146	188,110	3,318,961
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 862,896	\$ 249,004	\$ 730,277	\$ 2,103,146	\$ 195,635	\$ 4,140,958

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

Total Fund Balances - Governmental Funds \$ 3,318,961

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

Capital Assets

Capital assets used in governmental activities are not financed resources and, therefore, are not reported in the funds.

Cost of Assets	4,162,280
Accumulated Depreciation	(1,500,394)

Long-Term Liabilities

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the Statement of Net Position. Long-term liabilities at year-end consist of the following:

Compensated Absences	(31,283)
Subscription Liabilities	(18,647)
Revenue Bonds	(277,129)
Financed Purchases	(94,449)
Accrued Interest	(3,301)

Revenues

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

41,758

Total Net Position of Governmental Activities	<u><u>\$ 5,597,796</u></u>
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See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	<i>Formerly Major Fund</i> McAllister Fund	ARPA Fund	<i>Formerly Major Fund</i> Revenue Bond Fund	<i>Formerly Major Fund</i> Grant Fund	<i>Formerly Major Fund</i> Capital Improvements Fund	SPLOST I Fund	SPLOST II Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues										
Taxes	\$ 1,025,240	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,807	\$ 2,103,446	\$ -	\$ 3,162,493
Intergovernmental	26,957	-	85,982	-	-	-	-	-	-	112,939
Fines and Forfeitures	111,752	-	-	-	-	-	-	-	-	111,752
Licenses and Permits	12,080	-	-	-	-	-	-	-	-	12,080
Charges for Services	49,345	-	-	-	-	-	-	-	-	49,345
Contributions and Other	100	-	-	-	-	-	-	-	-	100
Miscellaneous	6,218	-	-	-	-	-	-	-	-	6,218
Investment Earnings	-	-	-	-	-	-	-	-	4,121	4,121
Total Revenues	1,231,692	-	85,982	-	-	-	33,807	2,103,446	4,121	3,459,048
Expenditures										
Current										
General Government	436,132	-	-	-	-	-	-	300	37	436,469
Judicial	131,481	-	-	-	-	-	27,804	-	-	159,285
Public Safety	334,517	-	-	-	-	-	-	-	-	334,517
Public Works	251,388	-	-	-	-	-	-	-	-	251,388
Culture and Recreation	37,200	-	-	-	-	-	-	-	-	37,200
Debt Service										
Principal	119,389	-	-	-	-	-	-	-	-	119,389
Interest	22,677	-	-	-	-	-	-	-	-	22,677
Capital Outlay	-	-	85,982	-	-	-	191,724	-	-	277,706
Total Expenditures	1,332,784	-	85,982	-	-	-	219,528	300	37	1,638,631
Net Change in Fund Balances	(101,092)	-	-	-	-	-	(185,721)	2,103,146	4,084	1,820,417
Fund Balance - 12/31/23, as Previously Presented	675,843	86,462	-	85,579	37	11,948	589,385	-	-	1,449,254
Change Within Financial Reporting (major to nonmajor fund)	-	(86,462)	-	(85,579)	(37)	(11,948)	-	-	184,026	-
Error Corrections										
Compensated Absences	27,447	-	-	-	-	-	-	-	-	27,447
Accounts Payable	21,843	-	-	-	-	-	-	-	-	21,843
Fund Balance - 12/31/23, as Adjusted	725,133	-	-	-	-	-	589,385	-	184,026	1,498,544
Fund Balance - Ending	\$ 624,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,664	\$ 2,103,146	\$ 188,110	\$ 3,318,961

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balances - Total Governmental Funds \$ 1,820,417

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

Capital Assets

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Total Capital Outlays	343,791
Total Depreciation	(135,653)

Long-Term Liabilities

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustments for these items are as follows:

Principal Payments on Subscription Liabilities	28,650
Principal Payments on Revenue Bonds	62,003
Principal Payments on Financed Purchases	28,736
Compensated Absences	(3,836)
Change in Accrued Interest	1,774

Revenues

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

19,627

Change in Net Position of Governmental Activities	<u><u>\$ 2,165,509</u></u>
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See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 895,460	\$ 895,460	\$ 1,025,240	\$ 129,780
Intergovernmental	12,043	12,043	26,957	14,914
Fines and Forfeitures	78,000	78,000	111,752	33,752
Licenses and Permits	25,000	25,000	12,080	(12,920)
Charges for Services	48,010	48,010	49,345	1,335
Contributions and Other	3,000	69,585	6,318	(63,267)
Investment Earnings	2,500	2,500	-	(2,500)
Total Revenues	1,064,013	1,130,598	1,231,692	101,094
Expenditures				
Current				
General Government	379,570	379,570	436,132	(56,562)
Judicial	126,154	127,154	131,481	(4,327)
Public Safety	355,562	370,053	334,517	35,536
Public Works	156,546	223,469	251,388	(27,919)
Culture and Recreation	39,238	39,238	37,200	2,038
Debt Service				
Principal	106,024	106,024	119,389	(13,365)
Interest	5,543	5,543	22,677	(17,134)
Total Expenditures	1,168,637	1,251,051	1,332,784	(81,733)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(104,624)	(120,453)	(101,092)	182,827
Other Financing Sources (Uses)				
Transfers In	233,152	233,152	-	(233,152)
Total Other Financing Sources				
and (Uses)	233,152	233,152	-	(233,152)
Net Change in Fund Balance	128,528	112,699	(101,092)	(50,325)
Fund Balance - Beginning,				
as Previously Presented	675,843	675,843	675,843	-
Error Corrections				
Compensated Absences	27,447	27,447	27,447	-
Accounts Payable	21,843	21,843	21,843	-
Fund Balance - Beginning, as Adjusted	725,133	725,133	725,133	-
Fund Balance - Ending	\$ 853,661	\$ 837,832	\$ 624,041	\$ (50,325)

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
AMERICAN RESCUE PLAN ACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 85,982	\$ 85,982
Total Revenues	-	-	85,982	85,982
Expenditures				
Capital Outlay	34,337	34,337	85,982	(51,645)
Total Expenditures	34,337	34,337	85,982	(51,645)
Net Change in Fund Balance	(34,337)	(34,337)	-	34,337
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ (34,337)</u>	<u>\$ (34,337)</u>	<u>\$ -</u>	<u>\$ 34,337</u>

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2024

	Stormwater Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 23,754
Accounts Receivable, Net	5,902
Due From Other Funds	115,777
Due From Other Governments	31
Total Current Assets	<u>145,464</u>
Noncurrent Assets	
Capital Assets	
Depreciable Assets, Net	<u>44,496</u>
Total Capital Assets	<u>44,496</u>
Total Noncurrent Assets	<u>44,496</u>
Total Assets	<u>189,960</u>
Net Position	
Investment in Capital Assets	44,496
Unrestricted	<u>145,464</u>
Total Net Position	<u><u>\$ 189,960</u></u>

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Stormwater Fund
Operating Revenues	
Charges for Services	\$ 67,258
Total Operating Revenues	<u>67,258</u>
Operating Expenses	
Personnel Services and Employee Benefits	24,091
Contracted Services	50,360
Depreciation	<u>1,751</u>
Total Operating Expenses	<u>76,202</u>
Operating Income (Loss)	<u>(8,944)</u>
Non-Operating Revenues (Expenses)	
Interest Revenue	<u>3</u>
Total Non-Operating Revenues (Expenses)	<u>3</u>
Change In Net Position	(8,941)
Net Position - Beginning	<u>198,901</u>
Net Position - Ending	<u><u>\$ 189,960</u></u>

See accompanying notes which are an integral part of these financial statements.

**CITY OF PINE LAKE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Stormwater Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 60,372
Cash Paid to Suppliers for Goods and Services	(50,360)
Cash Paid to Employees	(24,091)
	<hr/>
Net Cash Provided by (Used for) Operating Activities	(14,079)
	<hr/>
Cash Flows from Investing Activities	
Interest Received	3
	<hr/>
Net Cash Provided by (Used for) Investing Activities	3
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(14,076)
Cash and Cash Equivalents - Beginning	37,830
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Cash and Cash Equivalents - Ending	\$ 23,754
	<hr/> <hr/>

See accompanying notes which are an integral part of these financial statements.

CITY OF PINE LAKE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024
(CONTINUED)

	<u>Stormwater Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	<u>\$ (8,944)</u>
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	1,751
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	2,485
(Increase) Decrease in Due From Other Funds	(9,340)
(Increase) Decrease in Due from Other Governments	<u>(31)</u>
Total Adjustments	<u>(5,135)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (14,079)</u></u>

See accompanying notes which are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF PINE LAKE, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The City of Pine Lake, Georgia (“the City”) was chartered as a municipality by the State of Georgia in 1937. The City operates under a Manager-Council form of government. The City provides a full range of municipal services as authorized by its charter including public safety, culture and recreation, sanitation, public improvements, planning and zoning, stormwater management and general administrative services.

The financial statements of the City have been prepared in accordance 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. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting Entity

The City for financial reporting purposes includes all of the funds relevant to the operations of the City of Pine Lake. The Government Accounting Standards Board has set forth criteria to determine if legally separate organizations are considered to be component units in which the City is considered to be financially accountable or other organizations whose nature and significant relationship with the City is such that exclusion would cause the City’s financial statements to be incomplete or misleading. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City’s operations, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The component unit discussed below should be included in the City’s reporting entity because of its operational or financial relationship with the City.

Pine Lake Downtown Development Authority - The Pine Lake Downtown Development Authority (“DDA”) is governed by a board appointed by the City Council and Mayor. The DDA was created to develop and promote commerce, industry and, general welfare within the City. The City reviews the DDA’s annual budget. Funding of the DDA is provided by the City. Separate financial statements for the DDA are not issued. For 2024, there was no activity for the DDA.

(1) Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Joint Venture

A joint venture has the following characteristics:

1. It is a legal entity that results from a contractual arrangement.
2. It is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control.
3. Participants retain an ongoing financial interest or an ongoing financial responsibility.

Under Georgia law, the City, in conjunction with other cities and counties in the metro Atlanta area, is a member of the Atlanta Regional Commission (the "RC") and is required to pay annual dues thereto. Membership in a RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia.

The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC.

Separate financial statements may be obtained from:

Atlanta Regional Commission
3715 Northside Parkway
Building 200, STE 300
Atlanta, Georgia 30327

Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all the nonfiduciary activities of the primary government and its component units. 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 Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(1) Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in 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.

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

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 program revenues.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of taxes receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the government.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements provide more detailed information about the government's most significant funds, not the government as a whole. The activities of the government are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

(1) Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

The government reports the following major governmental funds:

General Fund – The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

American Rescue Plan Act (ARPA) Fund – The American Rescue Plan fund is a special revenue fund. It is used to account for all activities and proceeds related to the American Rescue Plan Act.

SPLOST I Fund – The SPLOST I Fund is a capital project fund. It was created by the City to account for all activities related to the Special Purpose Local Option Sales Tax approved by voters in 2017.

SPLOST II Fund – The SPLOST II Fund is a capital project fund. It was created by the City to account for all activities related to the Special Purpose Local Option Sales Tax approved by voters in 2023.

The government reports the following major proprietary fund:

Stormwater Fund – The Stormwater Fund is used to account for the revenues generated from the charges for stormwater management provided to the citizens of the City.

Deposits

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Due from Other Governments represent funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

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

All trade and property tax receivables have been reduced to their estimated net realizable value and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based on historical experience rates.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories

Inventories of expendable supplies held for consumption are not considered material and are recorded as expenditures, or expenses, as appropriate, when purchased.

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired subsequent to January 1, 2003) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All acquisitions of land and tilted vehicles or equipment are capitalized, even if the cost is less than \$5,000. Donated capital assets are recorded at their acquisition value at the date of donation.

The City has recorded intangible right-to-use assets as a result of implementing GASB 96. The intangible right-to-use assets are initially measured at an amount equal to the initial measurement of the related subscription liability plus any subscription payments made prior to the subscription term, less subscription incentives, plus ancillary charges necessary to place the subscription into service. The intangible right-to-use assets are amortized on a straight-line basis over the life of the related subscription.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Lives	
	Governmental Activities	Business-Type Activities
Buildings and Improvements	10 - 30 Years	10 Years
Machinery and Equipment	3 - 12 Years	3 - 12 Years
Vehicles	3 - 5 Years	3 - 5 Years
Infrastructure	10 - 50 Years	10 - 50 Years

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable.

The City's vacation leave policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment. The City's sick leave policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

(1) Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

Long-term debt is recorded on the statement of net position in the government-wide and proprietary fund financial statements, and any related interest expense is recorded on the statement of activities in the government-wide financial statements and the statement of revenues, expenses, and changes in net position in the proprietary fund financial statements.

Long-term liabilities expected to be financed from governmental fund types are not recorded in the governmental fund financial statements. Payments of principal and interest are recorded as expenditures on the statement of revenues, expenditures, and changes in fund balance in the governmental fund financial statements.

Management Estimates

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

Deferred Outflows / Inflows of Resources

In addition to liabilities, the governmental fund balance sheet reports unavailable revenue related to property taxes as amounts deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

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

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Equity

In the financial statements, governmental funds report the following classifications of fund balance in accordance with Governmental Accounting Standards Board Statement No. 54:

- Nonspendable – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts are restricted when constraints have been placed on the use of resources by (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council approves committed resources through a motion and vote during the voting session of City Council meetings.
- Assigned – amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The intent is expressed by the City Council.
- Unassigned – amounts that have not been assigned to other funds and that are not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance.

(1) Summary of Significant Accounting Policies (Continued)

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:

- Committed
- Assigned
- Unassigned

The City does not have a formal minimum fund balance policy. The following is a summary of the fund balance classifications as of December 31, 2024:

	General Fund	SPLOST I Fund	SPLOST II Fund	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 13,855	\$ -	\$ -	\$ -	\$ 13,855
Restricted					
Capital Outlay	-	403,664	2,103,146	101,639	2,608,449
Public Safety	3,441	-	-	-	3,441
Environmental Projects	-	-	-	86,471	86,471
Unassigned	606,745	-	-	-	606,745
Total Fund Balances	\$ 624,041	\$ 403,664	\$ 2,103,146	\$ 188,110	\$ 3,318,961

Risk Management

Predominant exposure for losses lies in the areas of liability and property damage or theft. These risks are mitigated through participation with other Georgia municipalities, in a risk sharing arrangement. Through the Georgia Municipal Association, the City holds membership in Georgia Interlock Risk Management Agency (G.I.R.M.A.). G.I.R.M.A exists by authority of the Official Code of Georgia Annotated 36-85-1 et seq. Members jointly self-insure the risk of general liability, motor vehicle liability, property damage or any combination of such risks.

Since the previous year, there have been no reductions in coverage, and the amount of an insurance settlement has never exceeded coverage. Additionally, City employees are covered by worker’s compensation insurance. Coverage is obtained through membership in the Georgia Municipal Association Worker’s Compensation Self Insurance Fund. Benefits provided for employees, pursuant to this agreement, are specifically limited to obligations imposed by Georgia law against the employer for worker’s compensation and/or employer’s liability.

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

As a member of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools; to cooperate with pool agents and attorneys; to follow loss reduction procedures established by the funds; and to report, as promptly as possible and in accordance with coverage descriptions issued, all incidents which could result in fund payments for claims of loss. Further, the City is to allow the pool’s agents and attorneys to represent the City in investigations, settlement discussions and all levels of litigation arising out of any claim which falls within the scope of loss protection furnished by the funds.

(1) Summary of Significant Accounting Policies (Continued)

Impact of New Accounting Standard Adopted

Effective January 1, 2024, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This Statement establishes a unified model for the recognition and measurement of all types of compensated absences, including vacation leave, sick leave, paid time off (PTO), holidays, parental leave, and other similar benefits.

Under GASB 101, a liability is recognized for leave that:

- Is attributable to services already rendered,
- Accumulates, and
- Is more likely than not to be used for time off or otherwise paid or settled.

The liability for compensated absences is measured using the employee's pay rate in effect as of the financial statement date, including salary-related payments directly and incrementally associated with payments for leave (e.g., Social Security and Medicare taxes).

The implementation of this standard did not have an impact on the City's financial statements.

(2) Budgets and Budgetary Accounting

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of an ordinance. Any revisions that alter the total expenditures of any department must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a fund. Council must approve all departmental transfers. Budgets, as reported in the financial statements, are as originally passed or last amended. All annual appropriations lapse at year-end.

Annual budgets are adopted for the general fund and all special revenue funds.

(3) Deposits

Custodial Credit Risk - Deposits

The custodial credit risk of deposits is the risk that in the event of the failure of a bank, the government will not be able to recover deposits. The City's bank balances of deposits as of December 31, 2024, are entirely insured or collateralized with securities held by the City's agent in the City's name. State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value, and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

The City does not have a formal policy regarding custodial credit risk for deposits.

(4) Receivables

Receivables at December 31, 2024 consist of the following:

	General Fund	Stormwater Fund	Total
Receivables			
Taxes	\$ 85,028	\$ -	\$ 85,028
Accounts	-	5,902	5,902
Gross Receivables	85,028	5,902	90,930
Less Allowances for Uncollectibles	-	-	-
Net Receivables	\$ 85,028	\$ 5,902	\$ 90,930

(5) Due from Other Governments

Amounts due from other governments at December 31, 2024, are as follows:

Fund	DeKalb County	Total
General Fund	\$ 654	\$ 654
SPLOST II Fund	2,013,041	2,013,041
Stormwater Fund	31	31
Total	\$ 2,013,726	\$ 2,013,726

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2024, was as follows:

Due to / from Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	SPLOST I Fund	\$ 247,721
	ARPA Fund	90,288
	Nonmajor Governmental Fund	7,525
Stormwater Fund	General Fund	115,777
SPLOST II Fund	SPLOST I Fund	78,892
Nonmajor Governmental Fund	General Fund	3,900
Total		\$ 544,103

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

(7) Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Primary Government

	<i>Restated</i> Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 137,165	\$ -	\$ -	\$ 137,165
Construction in Progress	42,082	277,706	-	319,788
Total Capital Assets, Not Being Depreciated	179,247	277,706	-	456,953
Capital Assets, Being Depreciated				
Buildings and Improvements	676,667	-	-	676,667
Furniture, Fixtures, and Equipment	334,301	66,085	-	400,386
Infrastructure	2,540,826	-	-	2,540,826
Intangible Right-To-Use Assets (SBITAs)	87,448	-	-	87,448
Total Capital Assets, Being Depreciated	3,639,242	66,085	-	3,705,327
Less Accumulated Depreciation for				
Buildings and Improvements	(240,123)	(15,990)	-	(256,113)
Furniture, Fixtures, and Equipment	(240,025)	(29,541)	-	(269,566)
Infrastructure	(854,526)	(62,284)	-	(916,810)
Intangible Right-To-Use Assets (SBITAs)	(30,067)	(27,838)	-	(57,905)
Total Accumulated Depreciation	(1,364,741)	(135,653)	-	(1,500,394)
Total Capital Assets Being Depreciated, Net	2,274,501	(69,568)	-	2,204,933
Governmental Activities Capital Assets, Net	\$ 2,453,748	\$ 208,138	\$ -	2,661,886
		Less: Related Long-Term Debt Outstanding		(390,225)
		Net Investment In Capital Assets	\$	2,271,661

	Beginning Balance	Additions	Deductions	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated				
Total Capital Assets, Being Depreciated	\$ 52,520	\$ -	\$ -	\$ 52,520
Less Accumulated Depreciation for				
Infrastructure	(6,273)	(1,751)	-	(8,024)
Total Capital Assets Being Depreciated, Net	46,247	(1,751)	-	44,496
Business-Type Activities Capital Assets, Net	\$ 46,247	\$ (1,751)	\$ -	\$ 44,496
		Net Investment in Capital Assets	\$	44,496

(7) Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 35,419
Public Safety	19,322
Public Works	72,000
Culture & Recreation	8,912
Total	<u><u>\$ 135,653</u></u>
Business-Type Activities	
Stormwater Fund	\$ 1,751
Total	<u><u>\$ 1,751</u></u>

(8) Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

	<i>Restated</i> Beginning			Ending	Due Within
	Balance	Additions	Deductions	Balance	One Year
Governmental Activities					
Subscription Liabilities	\$ 47,297	\$ -	\$ (28,650)	\$ 18,647	\$ 18,647
Revenue Bonds	339,132	-	(62,003)	277,129	64,787
Financed Purchases	123,185	-	(28,736)	94,449	30,108
Compensated Absences	27,447	3,836	-	31,283	31,283
Governmental Activities					
Long-term Liabilities	<u><u>\$ 537,061</u></u>	<u><u>\$ 3,836</u></u>	<u><u>\$ (119,389)</u></u>	<u><u>\$ 421,508</u></u>	<u><u>\$ 144,825</u></u>

For the governmental activities, long-term liabilities are liquidated by the General Fund.

The change in compensated absences is a net number.

Subscription Liabilities

The City has entered into subscription liability agreements for subscription-based information technology assets. The subscription liability agreements have been recorded at the present value of the future minimum subscription payments as of the date of its inception. The following is an analysis of the annual requirements of principal and interest for the subscription liabilities as of December 31, 2024:

Year Ending	Governmental Activities	
	Principal	Interest
2025	\$ 18,647	\$ 839
	<u><u>\$ 18,647</u></u>	<u><u>\$ 839</u></u>

(8) Long-Term Debt (Continued)

Revenue Bonds

In October 2009, the Pine Lake Downtown Development Authority issued revenue bonds in the amount of \$1,023,307 on behalf of the City. Although the DDA served as the issuing entity, the debt is not an obligation of the DDA, and it bears no financial responsibility for repayment. The City and the Downtown Development Authority entered into an intergovernmental agreement whereby the City has guaranteed funding for the debt service of the bond issue. The debt is secured by City property taxes. Therefore, the debt does not appear in the DDA's financial statements. Accordingly, the debt is reported as a liability in the City's government-wide financial statements.

The proceeds are to be used by the City to make various capital improvements.

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 64,787	\$ 12,443
2026	67,696	9,534
2027	70,735	6,495
2028	73,911	3,319
	<u>\$ 277,129</u>	<u>\$ 31,791</u>

Financed Purchases

In 2023, the City entered into a finance purchase agreement with the Georgia Municipal Association for equipment and a vehicle. Principal and interest payments are due annually in the amount of \$34,358. The interest rate is 4.5 percent. Annual debt service requirements to maturity for the financed purchases are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 30,108	\$ 4,250
2026	31,463	2,895
2027	32,878	1,480
	<u>\$ 94,449</u>	<u>\$ 8,625</u>

(9) Employee Retirement Plans

Deferred Compensation Plan

Plan Description

The City offers its employees a deferred compensation plan. The plan allows for employee contributions under the guidelines established by the Internal Revenue Service Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employee until termination, retirement, death or unforeseeable emergency. The plan is sponsored by the Georgia Municipal Association and is administered by MetLife.

(9) Employee Retirement Plans (Continued)

Defined Contribution Plan

Plan Description

As authorized by City Council, the City provides pension benefits for certain management positions that require 40 hour work weeks through a defined contribution plan under Internal Revenue Service Code 401a, City of Pine Lake Pension Plan. Under the terms of the plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is sponsored by the Georgia Municipal Association and is administered by MetLife. A complete report of the pension plan can be obtained from the City Clerk's office. The City contribution rate is determined by the City Council. Currently the City's contribution is 5 percent of compensation for covered employees. The contribution requirements of the City and other plan provisions are established and may be amended by the City Council. During the year, the City contributed \$17,808, equal to 5 percent of eligible salaries. Eligible salaries for the year amounted to \$356,160. Gross salaries for the year amounted to \$450,559. Contributions immediately vest with plan participants.

(10) Litigation

During the course of normal operations of the City, various claims and lawsuits arise. Management has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

(11) Commitments and Contingencies

Grant Programs

During this and prior years, the City has been a recipient of grants. These programs are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

(12) Accounting Changes and Error Corrections

During year ended December 31, 2024, the City determined that a restatement of beginning balances was needed for compensated absences which were improperly reported at the fund level in the General Fund, subscription-based information technology assets (SBITAs) and subscription liabilities for contract(s) that did not meet the definition of a SBITA per GASB 96 at the Government-Wide Level, and change for prior year major funds now being reported as nonmajor funds. The correction of these errors and accounting changes is better reflected in the schedule below in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	Funds		Government-Wide
	General Fund	Nonmajor Governmental	Governmental Activities
12/31/23, as Previously Reported	\$ 675,843	\$ -	\$ 3,409,096
Changes from Major to Nonmajor Fund	-	184,026	-
Error Corrections			
Compensated Absences	27,447	-	-
SBITAs	-	-	(16,838)
Subscription Liabilities	-	-	18,186
Accounts Payable	21,843	-	21,843
12/31/23, as Adjusted or Restated	<u>\$ 725,133</u>	<u>\$ 184,026</u>	<u>\$ 3,432,287</u>

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

McAllister Environmental Fund - This fund accounts for funds received from Dr. Ann Dunn McAllister to be expended for growth and preservation of the natural environment as a bird-friendly habitat.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Revenue Bond Fund - This fund accounts for the proceeds and expenditures of the 2009 Bonds issued in accordance with the bond agreement.

Grant Fund - This fund is used to account for the proceeds and uses of various Federal and State grants and other financial assistance to be used for capital improvements.

Capital Improvements Fund - This fund accounts for funds received from the HOST tax and other sources that are to be used for capital projects.

**CITY OF PINE LAKE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>			<u>Total</u>
	<u>McAllister Environmental Fund</u>	<u>Revenue Bond Fund</u>	<u>Grant Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>
Assets					
Restricted Cash	\$ 93,996	\$ 89,690	\$ -	\$ 8,049	\$ 191,735
Due from Other Funds	-	-	-	3,900	3,900
Total Assets	<u>\$ 93,996</u>	<u>\$ 89,690</u>	<u>\$ -</u>	<u>\$ 11,949</u>	<u>\$ 195,635</u>
Liabilities					
Due to Other Funds	\$ 7,525	\$ -	\$ -	\$ -	\$ 7,525
Total Liabilities	<u>7,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,525</u>
Fund Balances					
Restricted	<u>86,471</u>	<u>89,690</u>	<u>-</u>	<u>11,949</u>	<u>188,110</u>
Total Fund Balances	<u>86,471</u>	<u>89,690</u>	<u>-</u>	<u>11,949</u>	<u>188,110</u>
Total Liabilities and Fund Balances	<u>\$ 93,996</u>	<u>\$ 89,690</u>	<u>\$ -</u>	<u>\$ 11,949</u>	<u>\$ 195,635</u>

CITY OF PINE LAKE, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Special Revenue Fund</u> <i>Formerly Major Fund</i> McAllister Environmental Fund	<u>Capital Project Funds</u> <i>Formerly Major Funds</i> Revenue Grant Capital Bond Fund Improvements Fund Fund Fund			Total Nonmajor Governmental Funds
Revenues					
Investment Earnings	\$ 9	\$ 4,111	\$ -	\$ 1	\$ 4,121
Total Revenues	<u>9</u>	<u>4,111</u>	<u>-</u>	<u>1</u>	<u>4,121</u>
Expenditures					
Current					
General Government	-	-	37	-	37
Total Expenditures	<u>-</u>	<u>-</u>	<u>37</u>	<u>-</u>	<u>37</u>
Net Change in Fund Balances	9	4,111	(37)	1	4,084
Fund Balances, 12/31/23, as Previously Presented	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change Within Financial Reporting Entity (Major to Nonmajor Fund)	86,462	85,579	37	11,948	184,026
Fund Balances, 12/31/23, as Adjusted	<u>86,462</u>	<u>85,579</u>	<u>37</u>	<u>11,948</u>	<u>184,026</u>
Fund Balances - Ending	<u><u>\$ 86,471</u></u>	<u><u>\$ 89,690</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,949</u></u>	<u><u>\$ 188,110</u></u>

**CITY OF PINE LAKE, GEORGIA
McALLISTER ENVIRONMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Final Budget	Actual	Variance with Final Budget
Revenues			
Investment Earnings	\$ -	\$ 9	\$ 9
Total Revenues	-	9	9
Expenditures			
Current			
Culture and Recreation	-	-	-
Total Expenditures	-	-	-
Net Change in Fund Balance	-	9	9
Fund Balance - Beginning	86,462	86,462	-
Fund Balance - Ending	\$ 86,462	\$ 86,471	\$ 9

**CITY OF PINE LAKE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

SPLOST I Fund	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Administrative	\$ -	\$ 149	\$ -	\$ 149	0.00%
Renovation / Expansion					
Public Safety and Courts	300,000	29,432	219,528	248,960	82.99%
Police Dash Cameras	20,000	-	-	-	0.00%
Renovation / Repairs					
of City Hall	70,000	48,036	-	48,036	68.62%
Restroom for Public Works Building	5,000	-	-	-	0.00%
Rebuild of Oak Road from					
Forrest Street to Spring Street	150,000	-	-	-	0.00%
Road / Street Repair and Improvements	168,500	34,294	-	34,294	20.35%
Police Vehicle	45,000	38,457	-	38,457	85.46%
Public Works Enhanced Gate Repairs	7,000	-	-	-	0.00%
Total SPLOST I Fund	\$ 765,500	\$ 150,368	\$ 219,528	\$ 369,896	

SPLOST II Fund	Original Estimated Cost	Amended Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Roads, Streets, Bridges, and Stormwater	\$ 367,401	\$ 367,401	\$ -	\$ 300	\$ 300	0.08%
Public Safety	50,000	50,000	-	-	-	0.00%
Recreation	400,000	400,000	-	-	-	0.00%
Public Works	50,000	50,000	-	-	-	0.00%
*Per Intergovernmental Agreement with DeKalb County (below)	-	2,000,000	-	-	-	0.00%
Total SPLOST II Fund	\$ 867,401	\$ 2,867,401	\$ -	\$ 300	\$ 300	

* The Municipality, acting on its own behalf and as an agent of the County, shall undertake the reconstruction and repair of the dam at Pine Lake and capital improvements to the adjacent lake, wetlands, and greenspace as well as road, street, and bridge projects, to improve stormwater collection and management in the unincorporated area of the County and in the Municipality. The Municipality may also undertake projects to improve recreational facilities, such as the lake, dam, wetlands, parks and greenspace, that are made publicly available for use by all residents of the County and that contribute to tourism and economic development within the County.

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GOVERNMENTAL REPORT

December 10, 2025

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

Honorable Mayor and Members
City Council of Pine Lake, Georgia
Pine Lake, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Pine Lake, Georgia** (the "City"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001, 2024-002, 2024-003, 2024-004 and, 2024-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2024-006 and 2024-007.

City of Pine Lake's Response to Findings

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

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McNair, McLeMore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

**CITY OF PINE LAKE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2024**

(1) Financial Statement Findings

Findings noted on the 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*:

2024-001 *Year-End Receivables/Revenue*

CRITERIA

In accordance with generally accepted accounting principles, under the modified accrual basis of accounting, revenues and corresponding receivables are recognized when measurable and available. Available typically means collectible within 60 days after year-end. Year-end procedures are necessary to ensure that revenues are recorded in the appropriate period.

CONDITION

During our audit of the City's financial statements for the year ended December 31, 2024, we noted that certain revenues were not properly recorded in accordance with the modified accrual basis of accounting. Audit adjustments were required to fairly state and classify revenues for the year ending December 31, 2024. The adjustments are summarized as follows by fund:

- General Fund
 - A material audit adjustment of \$66,085 was required to reverse prior year receivables.
 - A material audit adjustment of \$74,758 was required to reverse prior year taxes receivable.
- SPLOST II Fund
 - A material audit adjustment of \$2,000,000 was required to record year-end receivable and corresponding SPLOST revenues per intergovernmental agreement with DeKalb County.
 - An audit adjustment of \$13,041 was required to record year-end receivable and corresponding SPLOST revenues for the month of December 2024.

EFFECT

The City's accounting records contained errors which were identified and adjusted during the annual audit process.

CAUSE

The City does not have adequate accounting procedures to ensure that revenues are recorded in the proper period when measurable and available.

RECOMMENDATION

We recommend that the City implement stronger internal controls and procedures to ensure that all revenues that are measurable and available at year-end are properly accrued. This may include enhanced training for finance staff, improved documentation of revenue recognition policies, and periodic reviews of receivable and collection data near year-end.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. The City will implement a subsequent period cash receipt review procedure to ensure the recording and reporting of revenues that are measurable and available within 60 days of year-end. A detailed schedule from DeKalb County will be obtained to ensure tax revenues, receivables, and any unavailable revenue are properly recorded. The City will clear all prior-year receivables through journal entry as a part of the year-end close procedures.

(1) Financial Statement Findings (Continued)

2024-002 *Internal Controls over Revenues and Accounts Receivable*

CRITERIA

Internal control frameworks and best practices require:

- Segregation of duties among individuals handling cash, recording transactions, and reconciling accounts.
- Timely bank reconciliations to ensure accuracy and completeness of financial records and to detect errors or irregularities promptly.

CONDITION

The City lacks sufficient internal controls over its accounts receivable and revenue collection processes. Specifically:

- The same individual is responsible for opening the mail, preparing deposit tickets, and transporting deposits to the bank on a weekly basis.
- Bank reconciliations are not performed in a timely manner, which delays detection of discrepancies between the City's records and bank statements.

EFFECT

These weaknesses increase the risk of misappropriation of funds, errors or omissions in financial records going undetected for extended periods, and reduced reliability of financial reporting.

CAUSE

The City has not implemented adequate staffing and procedural controls to separate responsibilities and ensure timely reconciliations.

RECOMMENDATION

We recommend the City:

- Implement segregation of duties by assigning different individuals to:
 - Open and log incoming payments
 - Prepare deposit tickets
 - Transport deposits to the bank
- Establish and adhere to a policy requiring bank reconciliations to be completed within a defined timeframe no later than 30 days after each month-end.
- Consider compensating controls such as:
 - Independent review of deposit logs and reconciliations
 - Dual custody during cash handling and deposit preparation

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. The City will implement new procedures to ensure segregation of duties exist between receiving payments, making deposits, and recording transactions. More specifically, the City Clerk will receive payments and log them into a receipt ledger. The Executive Assistant to the City Manager will prepare deposit slips and make the deposit. The City Clerk will make a copy of the deposit receipt from the bank and match it with the receipt ledger. Deposit receipts, the receipt ledger, and all other source documents are submitted to Finance for review and recording in the accounting system. In addition, bank reconciliations will be completed within 30 days and reviewed within 45 days.

(1) Financial Statement Findings (Continued)

2024-003 *Restatement – Error Corrections*

CRITERIA

In accordance with generally accepted accounting principles, under the modified accrual basis of accounting, expenditures and liabilities should be recognized only when they are both measurable and due. Long-term liabilities, such as compensated absences not due at year-end, should be reported only in the government-wide financial statements prepared under the full accrual basis of accounting. Further, Governmental Accounting Standards Board (GASB) Statement No. 96 defines a Subscription-Based Information Technology Arrangement (SBITA) as a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract, for a noncancelable period of twelve months or greater.

CONDITION

During our audit of the City's financial statements for the year ended December 31, 2024, we identified that the City improperly recorded a liability for compensated absences in the General Fund in the prior year. We also identified that the City recorded SBITAs and related subscription liabilities in the government-wide financial statements for arrangements that do not meet the definition of a SBITA under GASB Statement No. 96. Specifically, the City capitalized costs and recognized liabilities for contracts which had a noncancelable period of less than 12 months. Lastly, the City's accounts payable included old items of which the City confirmed will never be paid. These items had remained on the City's books for several years without resolution. The following restatements were required to correct the errors described above as follows:

- General Fund
 - Increase Fund Balance and decrease Accrued Liabilities by \$27,447.
 - Increase Fund Balance and decrease Accounts Payable by \$21,843.
- Governmental Activities
 - Decrease Subscription-Based Information Technology Assets, Net of Accumulated Amortization by \$16,838.
 - Decrease Subscription Liabilities by \$18,186.
 - Decrease Accounts Payable by \$21,843.

EFFECT

Fund Balance in the General Fund was understated by \$27,447, capital assets were overstated by \$16,838, and long-term debt liabilities were overstated by \$18,186 in the prior year.

CAUSE

The City's accounting procedures did not properly differentiate between fund-level and government-wide accounting requirements and the City did not perform a sufficient evaluation of the nature of its IT contracts to determine whether they met the criteria for recognition under GASB 96.

RECOMMENDATION

We recommend that the City revise its accounting policies and year-end closing procedures to ensure compliance with the proper basis of accounting at the fund level and government-wide financial statements. We also recommend that the City review all IT-related contracts to determine whether they meet the definition of a SBITA under GASB 96. Contracts that do not convey a right-to-use IT asset should not be capitalized. The City should also enhance its review procedures and provide training to accounting staff on the application of GASB 96 to ensure proper classification and recognition of subscription arrangements.

(1) Financial Statement Findings (Continued)

2024-003 *Restatement – Error Corrections (Continued)*

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. The City understands that compensated absences are a long-term liability and should not be recorded at the fund-level. All Subscription-Based Information Technology Arrangements will be reviewed to determine whether the contract falls under the provisions of GASB 96. All contracts with non-cancelable periods of less than 12 months will be expensed. The City will review all Accounts Payable balances as of December 31 to ensure the accuracy of that balance. A detailed schedule will be created to support the reported balance. Any accounts that do not belong will be removed.

2024-004 *Reconciliation of Beginning Fund Balance / Net Position*

CRITERIA

Timely and accurate financial reports are essential to perform an analysis of the financial condition of the City, review data for accuracy and completeness, monitor compliance with budget appropriations, and to prepare annual financial statements.

CONDITION

Beginning fund balance did not reconcile with the audited prior year ending fund balance / net position. Material audit adjustments were necessary to reconcile beginning fund balance / net position to the audited prior year ending fund balance / net position as follows:

- Material audit adjustments of \$1,312,278 were needed to reconcile beginning fund balance for the General Fund.
- Material audit adjustments of \$249,004 were needed to reconcile beginning fund balance for the ARPA Fund.
- Material audit adjustments of \$7,525 were needed to reconcile beginning fund balance for the McAllister Environmental Fund.
- Material audit adjustments of \$3,900 were needed to reconcile beginning fund balance for the Capital Improvements Fund.
- Material audit adjustments of \$12,868 were needed to reconcile beginning fund balance for the SPLOST I Fund.
- Material audit adjustments of \$161,071 were needed to reconcile beginning net position for the Stormwater Fund.

EFFECT

The City's accounting records contained errors which were identified and adjusted during the annual audit process.

CAUSE

Procedures were not performed to reconcile the roll forward of fund balance / net position to the prior year audited financial statements. In addition, the City did not have controls in place to ensure proper recording of receivables, payables, capital assets, long-term debt, and revenue.

RECOMMENDATION

The City should establish procedures to reconcile the roll forward of fund balance / net position between accounting periods. We also recommend the City implement procedures to ensure the proper recording of receivables, payables, capital assets, long-term debt, and revenue.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. All audit adjustments will be entered into the ledger. Ending Fund Balance for all governmental funds and Ending Net Position for all proprietary funds will be reconciled with audited amounts once the audit has been completed and all journal entries have been posted. Beginning Fund Balance/Beginning Net Position will be reconciled with prior-year audited amounts while creating the current-year Trail Balance.

(1) Financial Statement Findings (Continued)

2024-005 *Revenue Recognition – ARPA Fund*

CRITERIA

In accordance with generally accepted accounting principles, American Rescue Plan Act grant funding should be recognized in the same period that the funds are expended.

CONDITION

During our audit of the City's financial statements for the year ended December 31, 2024, we noted that ARPA funds were expended for eligible purposes during the year, but the corresponding revenue was not recognized. A material audit entry of \$85,982 was needed.

EFFECT

The financial statements understated revenue and overstated deferred inflows of resources in the governmental funds.

CAUSE

The City's revenue recognition procedures did not properly align with the timing of ARPA-related expenditures.

RECOMMENDATION

We recommend that the City enhance its grant accounting procedures to ensure that revenues from expenditure-driven grants such as ARPA are recognized in the same period as the related expenditures. This includes timely reconciliation of grant expenditures with revenue recognition.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. The City understands that ARPA revenue is not recognized until allowable expenditures are incurred. A reconciliation of ARPA expenditures and ARPA revenue will be completed at year-end as a part of the closing process for that fund. An adjusting entry will be posted to recognize revenue and decrease deferred inflows of resources.

(2) Compliance Findings

2024-006 *Violation of Georgia Law – SPLOST Funds*

CRITERIA

Under Georgia law and sound governmental accounting practices, each SPLOST referendum must be accounted for separately to ensure that proceeds are used exclusively for the purposes approved by voters. This includes maintaining separate bank accounts, accounting records, and financial reporting for each SPLOST.

CONDITION

During our audit of the City's financial operations for the year ended December 31, 2024, we observed that SPLOST II revenues were deposited into the SPLOST I bank account throughout the year. As of year-end, these funds had not been properly transferred to the designated SPLOST II bank account. This resulted in the comingling of funds from two separate SPLOST referenda, each with distinct voter-approved project lists and legal restrictions. As of December 31, 2024, the SPLOST II Fund had a balance due from SPLOST I Fund of \$78,892.

EFFECT

The City is in violation of the Official Code of Georgia (O.C.G.A.) Section 48-8-121(a)(1).

CAUSE

The City did not implement adequate procedures to ensure that SPLOST II revenues were deposited into the correct bank account.

RECOMMENDATION

We recommend that the City immediately establish and enforce procedures to ensure that all SPLOST revenues are deposited into the correct bank accounts upon receipt. The City should also perform a reconciliation to identify and transfer any SPLOST II funds currently held in the SPLOST I account.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. The City has opened a bank account for SPLOST II to keep the funding sources separate. All deposits moving forward will go into the new account. A reconciliation will be performed to ensure that all SPLOST funds are in the correct bank account. Transfers will be made for any funds in the wrong account.

(2) Compliance Findings (Continued)

2024-007 *Expenditures in Excess of Appropriations*

CRITERIA

Official Code of Georgia Annotated (O.C.G.A.) § 36-81-3 requires that local governments operate under a legally adopted balanced budget and prohibits expenditures from exceeding appropriations at the department level within the General Fund. Compliance with this statute and the City’s budget ordinance is mandatory.

CONDITION

During our audit of the City’s financial operations for the year ended December 31, 2024, we noted that actual expenditures in the General Fund and ARPA Fund exceeded the legally adopted appropriations as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	
General Government	\$ 56,562
Judicial	4,327
Public Works	27,919
Debt Service	
Principal	13,365
Interest	17,134
ARPA Fund	51,645

EFFECT

Expenditures in excess of appropriations represent noncompliance with O.C.G.A. § 36-81-3 and the City’s legally adopted budget.

CAUSE

The City did not adequately monitor budget-to-actual expenditures throughout the fiscal year, and no budget amendment was adopted to cover the excess spending.

RECOMMENDATION

We recommend that the City strengthen its budget monitoring process by preparing monthly budget-to-actual reports, reviewing them with department heads, and adopting timely budget amendments when necessary to ensure compliance with Georgia law.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management concurs with the finding. The City will monitor the budget with actual expenditures by preparing a monthly report to be reviewed by the City Manager and all departments. The City will also ensure there are sufficient funds in a line item prior to making purchases. Budget amendments will be taken to Council for any departments in need of additional funding.