

**CITY OF FAIRMOUNT, GEORGIA**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**FINANCIAL SECTION**

---

**CITY OF FAIRMOUNT, GEORGIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

---

**TABLE OF CONTENTS**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis .....	3-7
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	8
Statement of Activities .....	9
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual .....	14-15
Statement of Net Position – Proprietary Funds.....	16
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	17
Statement of Cash Flows – Proprietary Funds.....	18
Notes to Financial Statements.....	19-31
<b>Supplementary Information:</b>	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax .....	32-33
<b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	34-35
Schedule of Findings and Responses .....	36

**RL Jennings & Associates, PC**  
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA  
Marvin Chance, CGMA, CPA  
Sarah A Dunn, CPA, MBA  
Thomas H. Evans, Jr., CPA  
Katherine S. Washington, CPA  
David E DeScalzo, CPA, CFE, PC

Member  
American Institute of  
Certified Public Accountants  
Georgia Society of  
Certified Public Accountants

506 East Third Street  
Rome, Georgia 30161  
Phone 706.802.1945 Fax 706.802.1279  
[www.romecpa.com](http://www.romecpa.com)  
14224 Highway 515 North, Ste 700  
Ellijay, Georgia 30540  
Phone 706.273.1945 Fax 706.273.1946  
[www.ellijaycpa.com](http://www.ellijaycpa.com)

**INDEPENDENT AUDITOR'S REPORT**

**To the Honorable Mayor and Members of the City Council  
City of Fairmount, Georgia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fairmount, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairmount, Georgia, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 14-15 be presented to supplement the basic financial statements. Such 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 the 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairmount, Georgia's basic financial statements. The accompanying schedule of projects constructed with special purpose local option sales tax is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements.

The schedule of projects constructed with special purpose local option sales tax 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. Such 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 schedule of projects constructed with special purpose local option sales tax is 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 July 10, 2017, on our consideration of the City of Fairmount, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 City of Fairmount, Georgia's internal control over financial reporting and compliance.

*R.L. Jennings & Associates, PC*

**Ellijay, Georgia  
July 10, 2017**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT  
CITY OF FAIRMOUNT, GEORGIA  
DECEMBER 31, 2016**

Our discussion and analysis of City of Fairmount's financial performance provides an overview of the City's financial activities for the year ended December 31, 2016. 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 are as follows: Net Position of business-type activities was \$2,221,146 compared to \$2,186,253 in 2015 and Net Position of governmental activities was \$3,757,567 compared to \$3,724,287 in 2015.

- The current year's governmental activities expenses totaled \$872,721 as compared to \$757,895 in 2015, an increase of \$114,826, due largely to an increase in public safety and public works. The City generated \$927,610 in revenues for governmental programs compared to \$1,002,809 in the previous year, with the decrease in the grant revenue being the main reduction.
- For business-type activities, revenues were \$111,662 compared to \$133,661 in 2015. Expenses were \$208,310 compared to \$184,062 in 2015. Of these revenues, \$107,244 was generated by water and sewer department operations and \$4,418 was generated by sanitation management operations.
- The yearly cost for all city functions/programs was \$1,081,031 compared to \$941,957 in 2015.

**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.

The Statement of Net Position and the Statement of Activities divide the City into two types of activities:

- 1) **Governmental activities:** The City's basic services are accounted for in this section, including fire, public works, parks and general administration. Property taxes, franchise fees, business licenses, and local option sales taxes finance the majority of these activities.
- 2) **Business-type activities:** Items included in this section are services *for* which the City charges a fee to help cover all or most of the cost of the service it provides. The water and sewer system are reported here.

## 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.

- **Government Funds:** Basic services are reported in government funds. This section details how money flows in and out of the funds and covers the balances at year-end that are left on hand for disbursement. Government 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.
- **Proprietary Funds:** Proprietary funds are those funds the City charges for services it provides, both to City units and outside customers. Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow. Another component of proprietary funds are internal service funds. Internal service funds cover activities that provide supplies and services for City programs.

## THE CITY AS A WHOLE

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 capital leases and revenue bonds. 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 debt service and construction of capital projects. The remaining portion of net position is unrestricted, which can be used to finance governmental operations.

The largest component of the City's assets in the business-type activities is water and sewer infrastructure. There is no long-term debt on the system.

The City's combined net position is **\$5,961,308** compared to **\$5,910,540** in 2015. However, net position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net position and Table 2 focuses on the changes in net position of the City's governmental and business-type activities.

**TABLE 1: NET POSITION**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 996,998	\$ 903,160	\$ 94,545	\$ 55,512	\$ 1,091,543	\$ 958,672
Capital Assets	<u>2,826,722</u>	<u>2,853,912</u>	<u>2,438,676</u>	<u>2,442,759</u>	<u>5,265,398</u>	<u>5,296,671</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,823,720</b>	<b>\$ 3,757,072</b>	<b>\$ 2,533,221</b>	<b>\$ 2,498,271</b>	<b>\$ 6,356,941</b>	<b>\$ 6,255,343</b>
Current Liabilities	\$ 34,108	\$ 32,785	\$ 312,075	\$ 312,018	\$ 346,183	\$ 344,803
Long-Term Liabilities	<u>32,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,045</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>66,153</b>	<b>32,785</b>	<b>312,075</b>	<b>312,018</b>	<b>378,228</b>	<b>344,803</b>
Investment in Capital Assets	2,826,722	2,853,912	2,438,676	2,442,759	5,265,398	5,296,671
Restricted	20,007	4,110	-	-	20,007	4,110
Unrestricted	<u>910,838</u>	<u>866,265</u>	<u>(217,530)</u>	<u>(256,506)</u>	<u>693,308</u>	<u>609,759</u>
<b>TOTAL NET POSITION</b>	<b>3,757,567</b>	<b>3,724,287</b>	<b>2,221,146</b>	<b>2,186,253</b>	<b>5,978,713</b>	<b>5,910,540</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 3,823,720</b>	<b>\$ 3,757,072</b>	<b>\$ 2,533,221</b>	<b>\$ 2,498,271</b>	<b>\$ 6,356,941</b>	<b>\$ 6,255,343</b>

**TABLE 2 - CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	2016	2015	2016	2015	2016	2015
<i>Program Revenues:</i>						
Charges for Services	\$ 207,099	\$ 191,299	\$ 111,662	\$ 133,661	\$ 318,761	\$ 324,960
Operating Grants	7,000	7,296	-	-	7,000	7,296
Capital Grants/Contributions	88,922	303,196	92,511	207,094	181,433	510,290
<i>General Revenues</i>						
Property Taxes	196,956	197,225	-	-	196,956	197,225
Other Taxes	286,172	290,343	-	-	286,172	290,343
Other General	<u>141,461</u>	<u>13,450</u>	<u>14</u>	<u>1,584</u>	<u>141,475</u>	<u>15,034</u>
<b>TOTAL REVENUES</b>	<b>927,610</b>	<b>1,002,809</b>	<b>204,187</b>	<b>342,339</b>	<b>1,131,797</b>	<b>1,345,148</b>
<i>Program Expenditures:</i>						
General Government	229,870	202,035	-	-	229,870	202,035
Judicial	38,795	33,499	-	-	38,795	33,499
Public Safety	366,044	301,967	-	-	366,044	301,967
Public Works	175,399	150,518	-	-	175,399	150,518
Culture and Recreation	57,529	65,218	-	-	57,529	65,218
Housing and Development	5,084	4,658	-	-	5,084	4,658
Water and Sewer	-	-	195,776	172,967	195,776	172,967
Solid Waste	-	-	12,534	11,095	12,534	11,095
<b>Total Expenses</b>	<b>872,721</b>	<b>757,895</b>	<b>208,310</b>	<b>184,062</b>	<b>1,081,031</b>	<b>941,957</b>
Transfers In (Out)	-	-	-	(432)	-	(432)
<b>CHANGE IN NET POSITION</b>	<b>54,889</b>	<b>244,914</b>	<b>(4,123)</b>	<b>157,845</b>	<b>50,766</b>	<b>402,759</b>
NET POSITION, BEGINNING	3,724,287	3,479,373	2,186,253	2,028,408	5,910,540	5,507,781
PRIOR PERIOD RESTATEMENT	-	-	-	-	-	-
<b>NET POSITION, ENDING</b>	<b>\$ 3,779,176</b>	<b>\$ 3,724,287</b>	<b>\$ 2,182,130</b>	<b>\$ 2,186,253</b>	<b>\$ 5,961,306</b>	<b>\$ 5,910,540</b>



## BUDGETARY HIGHLIGHTS

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

TABLE 4  
2016 BUDGET

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>O/A VARIANCE*</u>	<u>ACTUAL EXPENSES</u>
GENERAL	\$ 682,025	\$ 711,169	\$ 29,144	\$ 695,697
WATER AND SEWER	127,275	127,275	-	203,222
SOLID WASTE	<u>13,325</u>	<u>13,325</u>	<u>-</u>	<u>12,535</u>
TOTAL	<u>\$ 822,625</u>	<u>\$ 851,769</u>	<u>\$ 29,144</u>	<u>\$ 911,454</u>

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

As a whole, the revenues and expenditures did not exceed the amended budget amounts for 2016. The General Fund revenues were \$15,475 over actual expenses, due to increased cost controls. The Water and Sewer Fund revenues were \$88,532 under actual expenses, which was largely due to depreciation expense of \$67,330 and cost related to EDP cleanup expense of \$22,771. The Solid Waste Fund revenues were \$8,116 under expenses primarily because of personnel expenditures.

2016 ANALYSIS OF PROJECTS IN PROGRESS - the new sewer project was completed in 2016.

### CITY FUNDS

At year end, the City reported cash balances of \$842,569 compared to \$621,841 last year.

### CAPITAL ASSETS

At the close of the year, the City had invested \$7,646,568 in Capital Assets such as land, buildings and improvements, equipment and infrastructure. These figures are before depreciation. Last year Capital Assets before depreciation were \$7,023,385. After accumulated depreciation of \$2,382,371, the end of year total was \$5,264,197. (See the note disclosure in Note 5 for more detailed information.)

### ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

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

### CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, and creditors a summary of City finances and to show allocation of the money it receives. If you have any questions regarding this report, or if you need additional financial information, please contact:

Petrina Pritchett, City Clerk/Financial Officer  
P.O. Box 705  
Fairmount, GA 30139  
Phone: 706-337-5306  
Fax: 706-337-4676  
[cityoffairmount@comcast.net](mailto:cityoffairmount@comcast.net)

## BUDGETARY HIGHLIGHTS

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

**TABLE 4**  
**2016 BUDGET**

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>O/A VARIANCE*</u>	<u>ACTUAL EXPENSES</u>
GENERAL	\$ 682,025	\$ 711,169	\$ 29,144	\$ 695,697
WATER AND SEWER	127,275	127,275	-	203,222
SOLID WASTE	<u>13,325</u>	<u>13,325</u>	<u>-</u>	<u>12,535</u>
<b>TOTAL</b>	<u>\$ 822,625</u>	<u>\$ 851,769</u>	<u>\$ 29,144</u>	<u>\$ 911,454</u>

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

As a whole, the revenues and expenditures did not exceed the amended budget amounts for 2016. The General Fund revenues were \$15,475 over actual expenses, due to increased cost controls. The Water and Sewer Fund revenues were \$88,532 under actual expenses, which was largely due to depreciation expense of \$67,330 and cost related to EDP cleanup expense of \$22,771. The Solid Waste Fund revenues were \$8,116 under expenses primarily because of personnel expenditures.

2016 ANALYSIS OF PROJECTS IN PROGRESS - the new sewer project was completed in 2016.

### CITY FUNDS

At year end, the City reported cash balances of \$842,569 compared to \$621,841 last year.

### CAPITAL ASSETS

At the close of the year, the City had invested \$7,646,568 in Capital Assets such as land, buildings and improvements, equipment and infrastructure. These figures are before depreciation. Last year Capital Assets before depreciation were \$7,023,385. After accumulated depreciation of \$2,382,371, the end of year total was \$5,264,197. (See the note disclosure in Note 5 for more detailed information.)

### ECONOMIC ISSUES/UPCOMING YEARLY BUDGETS

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

### CONTACT INFORMATION

This report has been created to give our citizens, taxpayers, customers, and creditors a summary of City finances and to show allocation of the money it receives. If you have any questions regarding this report, or if you need additional financial information, please contact:

Petrina Pritchett, City Clerk/Financial Officer  
P.O. Box 705  
Fairmount, GA 30139  
Phone: 706-337-5306  
Fax: 706-337-4676  
[cityoffairmount@comcast.net](mailto:cityoffairmount@comcast.net)

**BASIS FINANCIAL STATEMENTS**

---

# CITY OF FAIRMOUNT, GEORGIA

## STATEMENT OF NET POSITION

DECEMBER 31, 2016

Assets	Primary Government		Total
	Governmental Activities	Business-type Activities	
Cash	\$ 782,568	\$ 60,001	\$ 842,569
Certificates of deposit	-	-	-
Accounts receivable, net	188,793	14,680	203,473
Due from other governments	20,557	-	20,557
Internal balances	164	(164)	-
Inventories	-	15,222	15,222
Prepaid items	4,916	4,806	9,722
Capital assets, not being depreciated	513,765	303,726	817,491
Capital assets, net of accumulated depreciation	2,312,957	2,134,950	4,447,907
Total assets	3,823,720	2,533,221	6,356,941
Liabilities And Net Position			
Liabilities:			
Accounts payable	8,438	746	9,184
Accrued liabilities	9,658	854	10,512
Deferred revenue	16,012	307,500	323,512
Customer deposits	-	2,975	2,975
Long-term liabilities	32,045	-	32,045
Total liabilities	66,153	312,075	378,228
Net Position:			
Net investment in capital assets	2,826,722	2,438,676	5,265,398
Restricted for:			
Capital projects	17,092	-	17,092
Public safety	2,915	-	2,915
Unrestricted	910,838	(217,530)	693,308
Total net position	\$ 3,757,567	\$ 2,221,146	\$ 5,978,713

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

CITY OF FAIRMOUNT, GEORGIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government	\$ 229,870	\$ 10,876	\$ 7,000	\$ -	\$ (211,994)	\$ -	\$ (211,994)
Judicial	38,795	-	-	-	(38,795)	-	(38,795)
Public safety	366,044	182,218	0	0	(183,826)	-	(183,826)
Public works	157,993	3,135	0	76,816	(78,042)	-	(78,042)
Culture and recreation	57,529	5,827	0	12,106	(39,596)	-	(39,596)
Housing and development	5,084	5,043	-	-	(41)	-	(41)
<b>Total governmental activities</b>	<b>855,315</b>	<b>207,099</b>	<b>7,000</b>	<b>88,922</b>	<b>(552,294)</b>	<b>-</b>	<b>(552,294)</b>
<b>Business-type activities</b>							
Water and sewerage	195,776	107,244	-	92,511	-	3,979	3,979
Solid waste	12,534	4,418	-	-	-	(8,116)	(8,116)
<b>Total business-type activities</b>	<b>208,310</b>	<b>111,662</b>	<b>-</b>	<b>92,511</b>	<b>-</b>	<b>(4,137)</b>	<b>(4,137)</b>
<b>Total</b>	<b>\$ 1,063,625</b>	<b>\$ 318,761</b>	<b>\$ 7,000</b>	<b>\$ 181,433</b>	<b>(552,294)</b>	<b>(4,137)</b>	<b>(556,431)</b>
<b>General revenues</b>							
Property taxes					196,956	-	196,956
General and selective sales taxes					126,277	-	126,277
Franchise taxes					114,957	-	114,957
Business taxes					44,938	-	44,938
Other revenues					137,563	-	137,563
Unrestricted investment earnings					67	14	81
Grants not specific to specific programs					-	-	-
Gain on disposition of equipment					3,831	-	3,831
Transfers					(39,015)	39,015	-
<b>Total general revenues</b>					<b>585,574</b>	<b>39,029</b>	<b>624,603</b>
<b>Net position, beginning of year</b>					<b>33,280</b>	<b>34,892</b>	<b>68,172</b>
<b>Net position, end of year</b>					<b>3,724,287</b>	<b>2,186,253</b>	<b>5,910,540</b>
					<b>\$ 3,757,567</b>	<b>\$ 2,221,145</b>	<b>\$ 5,978,712</b>

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

# CITY OF FAIRMOUNT, GEORGIA

## BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2016

Assets	General Fund	SPLOST Fund	Nonmajor Fund - Confiscated Assets Fund	Total Governmental Funds
Cash	\$ 671,860	\$ 57,299	\$ 53,409	\$ 782,568
Certificate of deposit	0	-	-	-
Property taxes receivable, net	33,906	-	-	33,906
Other taxes receivable, net	103,769	-	-	103,769
Accounts receivable, net	51,118	-	-	51,118
Due from other governments	14,377	6,180	-	20,557
Due from other funds	46,551	0	-	46,551
Prepaid items	4,916	-	-	4,916
Total assets	<u>\$ 926,497</u>	<u>\$ 63,479</u>	<u>\$ 53,409</u>	<u>\$ 1,043,385</u>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	\$ 8,438	\$ -	\$ -	\$ 8,438
Accrued liabilities	9,658	-	-	9,658
Due to other funds	0	46,387	-	46,387
Unearned revenue	16,012	-	-	16,012
Total liabilities	<u>34,108</u>	<u>46,387</u>	<u>-</u>	<u>80,495</u>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	179,692	-	-	179,692
Unavailable municipal court fines	22,335	-	-	22,335
Unavailable franchise taxes	99,929	-	-	99,929
Total deferred inflows of resources	<u>301,956</u>	<u>-</u>	<u>-</u>	<u>301,956</u>
<b>Fund Balances</b>				
Nonspendable	4,916	-	-	4,916
Restricted	-	17,092	2,915	20,007
Assigned	-	-	50,494	50,494
Unassigned	585,517	-	-	585,517
Total fund balances	<u>590,433</u>	<u>17,092</u>	<u>53,409</u>	<u>660,934</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 926,497</u>	<u>\$ 63,479</u>	<u>\$ 53,409</u>	<u>\$ 1,043,385</u>

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

CITY OF FAIRMOUNT, GEORGIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

---

---

*Total fund balances - governmental funds (page 10)* \$ 660,934

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds. The cost of these assets is \$3,955,954 and the accumulated depreciation is \$1,129,232. 2,826,722

Certain receivables such as property taxes and fines, will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the governmental funds. In contrast, such revenues are reported in the statement of activities when earned. 301,956

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Note payable (32,045)

*Net position of governmental activities in the statement of net position (page 8)* \$ 3,757,567

**CITY OF FAIRMOUNT, GEORGIA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Revenues	General Fund	SPLOST Fund	Nonmajor Fund - Confiscated Assets Fund	Total Governmental Funds
Property taxes	\$ 195,496	\$ -	\$ -	\$ 195,496
Sales taxes	126,277	-	-	126,277
Franchise taxes	115,731	-	-	115,731
Business taxes	44,938	-	-	44,938
Licenses and permits	15,821	-	-	15,821
Intergovernmental	17,005	78,910	-	95,915
Charges for services	4,108	-	-	4,108
Fines and forfeitures	179,076	-	2,967	182,043
Investment earnings	65	7	2	74
Contributions	100	-	-	100
Miscellaneous revenues	6,094	-	-	6,094
<b>Total revenues</b>	<b>704,711</b>	<b>78,917</b>	<b>2,969</b>	<b>786,597</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	194,931	-	-	194,931
Judicial	38,795	-	-	38,795
Public safety	326,482	-	16,662	343,144
Public works	96,482	-	-	96,482
Culture and recreation	33,603	-	-	33,603
Housing and development	5,084	-	-	5,084
<b>Capital outlay:</b>				
General government	-	-	-	-
Public works	320	47,836	-	48,156
Public safety	-	-	68,206	68,206
Culture and recreation	-	8,668	-	8,668
<b>Total expenditures</b>	<b>695,697</b>	<b>56,504</b>	<b>84,868</b>	<b>837,069</b>
Excess of expenditures under/(over) revenues	9,014	22,413	(81,899)	(50,472)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	3,850	-	3,831	7,681
Proceeds from sale of surplus equipment	-	-	129,978	129,978
<b>Transfers</b>				
Transfers in	2,611	-	-	2,611
Transfers out	-	-	(2,611)	(2,611)
<b>Total other financing sources (uses)</b>	<b>6,461</b>	<b>-</b>	<b>131,198</b>	<b>137,659</b>
Net change in fund balances	15,475	22,413	49,299	87,187
Fund balances, beginning of year	574,958	(5,321)	4,110	573,747
Fund balances, end of year	<u>\$ 590,433</u>	<u>\$ 17,092</u>	<u>\$ 53,409</u>	<u>\$ 660,934</u>

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



**CITY OF FAIRMOUNT, 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, 2016**

*Net change in fund balances - total governmental funds (page 12)* \$ 87,187

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The following is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$	123,141	
Depreciation expense		<u>(128,722)</u>	(5,581)

The book value of capital assets contributed by governmental activities to business-type activities is reported as a transfer on the government-wide Statement of Activities but not reported in the governmental fund statements. (21,609)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources: (32,045)

Governmental funds do not present revenues that will not be collected for several months after the City's year ends, and therefore, are not considered "available" to pay current obligations. Those revenues are deferred in the governmental funds. In contrast, such revenues are reported in the statement of activities when earned. Deferred revenues increased by this amount in the current period. 3,354

Certain expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported in governmental funds. These activities consist of:

Decrease in compensated absences			<u>1,974</u>
----------------------------------	--	--	--------------

*Change in net position of governmental activities (page 9)* \$ 33,280

**CITY OF FAIRMOUNT, GEORGIA**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 179,300	\$ 195,496	\$ 195,496	\$ -
General sales taxes	115,000	103,254	103,254	-
Selective sales taxes	18,500	23,023	23,023	-
Franchise taxes	130,000	115,731	115,731	-
Business taxes	40,000	44,938	44,938	-
Licenses and permits	12,400	15,821	15,821	-
Intergovernmental	22,000	17,005	17,005	-
Charges for services	2,720	4,108	4,108	-
Fines and forfeitures	155,000	185,537	185,537	-
Investment earnings	1,250	65	65	-
Contributions	100	100	100	-
Miscellaneous revenues	5,755	6,094	6,094	-
<b>Total revenues</b>	<b>682,025</b>	<b>711,172</b>	<b>711,172</b>	<b>-</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government:</b>				
Legislative	4,670	5,005	4,778	227
Executive - mayor	10,710	12,001	11,704	297
Executive - administration	20,320	21,000	20,514	486
Elections	-	-	-	-
Financial administration	121,358	132,870	124,646	8,224
General government buildings	17,500	15,024	16,308	(1,284)
Customer support	16,642	17,494	16,977	517
<b>Judicial:</b>				
Municipal court	35,340	39,788	38,795	993
<b>Public safety:</b>				
Police administration	90,710	103,952	101,818	2,134
Custody of prisoners	5,000	4,000	3,940	60
Traffic patrol	212,655	221,867	220,728	1,139
Police property	-	172	-	172
<b>Public works:</b>				
Streets	45,430	70,938	70,740	198
Street lighting	27,000	25,742	25,742	-
Cemetery	2,700	-	-	-
<b>Culture and recreation:</b>				
Community center	8,880	8,699	8,577	122
Park and recreation	4,950	3,001	2,753	248
Pavilion	700	700	-	700
Scout hut	1,000	1,001	974	27
Tate/Central Park	5,200	7,000	6,951	49
Library	12,055	14,023	14,348	(325)

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

**CITY OF FAIRMOUNT, GEORGIA**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<i>concluded</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Housing and development:				
Building inspection	\$ 4,205	\$ 5,099	\$ 5,084	\$ 15
Capital outlay:				
General government:				
Financial administration	-	-	-	-
General government buildings	-	1,476	-	1,476
Public safety:				
Police	35,000	-	-	-
Public works:				
Streets	-	320	320	-
Culture and recreation:				
Park and recreation	-	-	-	-
Total expenditures	<u>682,025</u>	<u>711,172</u>	<u>695,697</u>	<u>15,475</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>15,475</u>	<u>15,475</u>
Other financing sources (uses)				
Proceeds from sale of donated equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	15,475	15,475
Fund balance, beginning of year	<u>574,958</u>	<u>574,958</u>	<u>574,958</u>	<u>-</u>
Fund balance, end of year	<u>\$ 574,958</u>	<u>\$ 574,958</u>	<u>\$ 590,433</u>	<u>\$ 15,475</u>

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

**CITY OF FAIRMOUNT, GEORGIA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016**

Assets	Enterprise Funds		Total
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	
Current assets:			
Cash	\$ 60,001	\$ -	\$ 60,001
Certificates of deposit	0	-	-
Accounts receivable, net	14,680	-	14,680
Inventories	15,222	-	15,222
Prepaid items	4,806	-	4,806
Total current assets	94,709	-	94,709
Noncurrent assets:			
Capital assets:			
Land and construction in progress	303,726	-	303,726
Other capital assets, net of depreciation	2,125,814	9,135	2,134,949
Intangible assets, net of amortization	-	-	-
Total noncurrent assets	2,429,540	9,135	2,438,675
Total assets	2,524,249	9,135	2,533,384
Liabilities And Net Position			
Current liabilities:			
Accounts payable	746	-	746
Accrued liabilities	854	-	854
Due to other funds	164	-	164
Total current liabilities	1,764	-	1,764
Noncurrent liabilities:			
Unearned revenue	307,500	-	307,500
Customer deposits	2,975	-	2,975
Total noncurrent liabilities	310,475	-	310,475
Total liabilities	312,239	-	312,239
Net position:			
Net investment in capital assets	2,429,540	9,135	2,438,675
Unrestricted	(217,530)	-	(217,530)
Total net position	\$ 2,212,010	\$ 9,135	\$ 2,221,145

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

**CITY OF FAIRMOUNT, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise Funds		Total
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	
Operating revenues:			
Water charges	\$ 41,355	\$ -	\$ 41,355
Sewer charges	58,485	-	58,485
Solid waste charges	-	4,418	4,418
Water tap fees	7,404	-	7,404
Sewer tap fees	-	-	-
Total operating revenues	<u>107,244</u>	<u>4,418</u>	<u>111,662</u>
Operating expenses:			
Personal services	47,684	8,902	56,586
Contractual and professional services	1,804	2,960	4,764
Repairs and maintenance	11,430	-	11,430
Materials and supplies	3,795	-	3,795
Insurance	14,134	-	14,134
Utilities	22,826	-	22,826
Other expenses	26,773	-	26,773
Depreciation and amortization	67,330	672	68,002
Total operating expenses	<u>195,776</u>	<u>12,534</u>	<u>208,310</u>
Operating income (loss)	<u>(88,532)</u>	<u>(8,116)</u>	<u>(96,648)</u>
Nonoperating revenues:			
Capital grants	92,511	-	92,511
Interest income	14	-	14
Total nonoperating revenues	<u>92,525</u>	<u>-</u>	<u>92,525</u>
Income (loss) before transfers	3,993	(8,116)	(4,123)
Capital contributions:			
Transfers in	43,433	11,862	55,295
Transfers out	(11,862)	(4,418)	(16,280)
Change in net position	35,564	(672)	34,892
Net position, beginning of year	<u>2,176,446</u>	<u>9,807</u>	<u>2,186,253</u>
Net position, end of year	<u>\$ 2,212,010</u>	<u>\$ 9,135</u>	<u>\$ 2,221,145</u>

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

**CITY OF FAIRMOUNT, GEORGIA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise Funds		Total
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 102,677	\$ 4,418	\$ 107,095
Payments to suppliers and service providers	(80,620)	(2,960)	(83,580)
Payments to employees	(47,348)	(8,902)	(56,250)
Net cash provided by (used in) operating activities	<u>(25,291)</u>	<u>(7,444)</u>	<u>(32,735)</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>			
Interest receipts	14	-	14
Net cash provided by investing activities	<u>14</u>	<u>-</u>	<u>14</u>
<b>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interfund loans received	(231,090)	-	(231,090)
Purchase and construction of capital assets	(63,919)	-	(63,919)
Capital grants received	92,511	-	92,511
Transfers from other funds	43,433	11,862	55,295
Transfers to other funds	(11,862)	(4,418)	(16,280)
Net cash provided by (used in) financing activities	<u>(170,927)</u>	<u>7,444</u>	<u>(163,483)</u>
Net decrease in cash	(196,204)	-	(196,204)
Cash, beginning of year	256,205	-	256,205
Cash, end of year	<u>\$ 60,001</u>	<u>\$ -</u>	<u>\$ 60,001</u>
<i>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</i>			
Operating (loss)	\$ (88,532)	\$ (8,116)	\$ (96,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	67,330	672	68,002
(Increase) decrease in accounts receivable	(4,767)	-	-
(Increase) decrease in prepaid items	(283)	-	(283)
(Increase) decrease in inventories	903	-	903
Increase (decrease) in accounts payable	(478)	-	(478)
Increase (decrease) in accrued liabilities	336	-	336
Increase (decrease) in customer deposits	200	-	200
Net cash provided by (used in) operating activities	<u>\$ (25,291)</u>	<u>\$ (7,444)</u>	<u>\$ (27,968)</u>

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

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Fairmount, 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. The 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", 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 December 31, 2016, there are no component units included in the financial statements of the City.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Fairmount, Georgia (the "primary government").

**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 of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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.

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.

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*. The comparison of direct expenses and program revenues identifies the extent to which each program function is self-financing or draws from the general revenues of the City.

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. 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 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 payment is due.

Property taxes, sales taxes, franchise taxes, licenses, 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 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 Special Purpose Local Option Sales Tax Fund (SPLOST Fund) is used to account for the revenues and expenditures relating to the 2012 1% Special Purpose Local Option Sales Tax.

The City reports the following major proprietary fund:

The Water and Sewerage Fund is used to account for the receipts from services billed to customers and the payment of costs of collection.

All proprietary funds are accounted for using the *accrual basis of accounting*. These funds account for operations that are primarily financed by user charges. The *economic resources measurements focus* concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund is charges to customers for sales and services provided. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Cash Equivalents**

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.

**E. Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/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."

**F. Inventories**

Inventories consist of supplies and are stated at cost. Inventories are accounted on the first-in, first-out (FIFO) method of accounting for inventories. The City uses the purchases method of accounting for inventories; in which materials and supplies are recorded as expenses when purchased and are adjusted as inventory when accounted for at interval periods during the year or at year-end.

**G. Prepaid Items**

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

**H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with authoritative accounting principles, infrastructure assets acquired prior to July 1, 2004, have been capitalized as of December 31, 2007. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

Asset Category	Years
Infrastructure	20 to 50
Buildings and improvements	15 to 50
Machinery and equipment	3 to 15
Vehicles	5

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Intangible Assets**

Intangible assets consists of water assessment study and plan with a cost of \$14,359. The intangible costs are amortized over the estimated term of their usefulness of 5 years. For the year ended December 31, 2016, the amount of amortization included in expense was \$0.

**J. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits during the year. The City has a policy to pay the unpaid accumulated vacation and sick pay when employees separate from service. Therefore, a liability has been accrued for accumulated unpaid benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

**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 column of the Statement of Net Position.

**L. Deferred Outflows / Inflows of Resources**

In preparing the accompanying financial statements, the City has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Items which qualify to be reported within this element include property taxes levied in 2016 for the 2017 budget and certain unavailable revenues under the current financial resources measurement focus. Accordingly, such items appear in the governmental funds balance sheet as deferred inflows of resources and will be recognized as an inflow of resources in 2017 or the period in which the amounts become available.

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- *Nonspendable* – This classification includes amount that 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* – This classification includes amounts that are restricted to specific purposes when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Committed* – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council, consisting of removing or changing the specific use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- *Assigned* – This classification includes amounts that are constrained by the City’s intent to use for a specific purpose but are neither restricted nor committed (i.e., an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget). This intent can be expressed by (a) the City Council itself or (b) the Council delegating this responsibility to City management through the budgetary process. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund. However, an assignment of fund balance cannot cause a deficit in unassigned fund balance to occur.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

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

- *Committed*
- *Assigned*
- *Unassigned*

*Net Position* – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted. It is the City’s policy to use restricted net position first, when both restricted and unrestricted net position is available.

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**N. Use of 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 2. LEGAL COMPLIANCE – BUDGETS**

***Budgets and Budgetary Accounting***

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. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by line item. This legal level of control is at the departmental level. Budget revisions at this level are subject to final review by the City Council. During the current fiscal year, there were revisions made to the original budget.

Annual budgets are adopted for all governmental funds and proprietary funds. The budget is 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. An operating budget is adopted for the proprietary Water and Sewerage Fund for administrative control purposes.

**NOTE 3. CASH DEPOSITS AND INVESTMENTS**

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.

Currently, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk for cash deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover cash deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all cash deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4. RECEIVABLES**

Receivables at December 31, 2016, for the City's individual funds in the aggregate are as follows:

	General Fund	Water and Sewer Fund	SPLOST Fund	Total
Receivables:				
Property taxes	\$ 34,046	\$ -	\$ -	\$ 34,046
Franchise	102,276	-	-	102,776
Miscellaneous taxes	1,493	-	-	1,493
Local option sales tax	11,834	-	6,180	18,014
Fines	51,118	-	-	51,118
Water	-	4,301	-	4,301
Sewer	-	10,379	-	10,379
Solid waste	-	-	-	-
Gross receivables	200,767	14,680	6,180	222,127
Less allowance for uncollectible	(98,403)	-	-	(98,403)
Net receivables	<u>\$ 102,364</u>	<u>\$ 14,680</u>	<u>\$ 6,180</u>	<u>\$ 123,724</u>

The City bills and collects its own property taxes. The 2016 digest was levied in October 2016, with bills payable on or before December 20, 2016. After the due dates, property relating to unpaid bills is subject to lien and penalties and interest are assessed. Property tax receivables are estimated based on the tax levy, less amounts collected prior to year-end. The property taxes levied for the 2016 digest were intended for use in the 2017 budget year. Therefore, the entire 2016 digest levy of \$179,692 is included in deferred revenue on the governmental balance sheet. Receivables for prior year digest levies not collected within 60 days of year-end are deferred and recorded as revenue when received. In addition to the City's levy of property taxes, the county government owed the City for unremitted collections of mobile home, motor vehicle, and intangible taxes totaling \$1,493 at December 31, 2016.

The space on this page was intentionally left blank.

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5. CAPITAL AND INTANGIBLE ASSETS**

**A. Capital and intangible asset activity for the year ended December 31, 2016 was as follows:**

	Beginning of Year	Increases	Reclassifications & Deletions	End of Year
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 513,766	\$ -	\$ -	\$ 513,766
Construction in progress	21,608	-	(21,608)	-
Total capital assets not being depreciated	535,374	-	(21,608)	513,766
Capital assets, being depreciated:				
Infrastructure	1,128,508		-	1,128,508
Buildings and improvements	1,647,136		-	1,647,136
Machinery and equipment	326,232	67,456	-	393,688
Vehicles	290,925	55,685	-	346,610
Total capital assets being depreciated	3,392,801	123,141	-	3,515,942
Less accumulated depreciation for:				
Infrastructure	270,112	47,449	-	317,561
Buildings and improvements	303,888	45,113	-	349,001
Machinery and equipment	267,406	18,040	-	285,446
Vehicles	232,857	18,120	-	250,977
Total accumulated depreciation	1,074,263	128,722	-	1,202,985
Total capital assets being depreciated, net	2,318,538	(5,581)	-	2,312,957

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

General government	\$ 30,432
Public safety	24,211
Public works	50,153
Culture and recreation	23,926
Total depreciation expense - governmental activities	\$ 128,722

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 5. CAPITAL AND INTANGIBLE ASSETS (concluded)**

	Beginning of Year	Increases	Reclassifications & Deletions	End of Year
<i><u>Business-type Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 303,726	\$ -	\$ -	\$ 303,726
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>303,726</u>	<u>-</u>	<u>-</u>	<u>303,726</u>
Capital assets, being depreciated:				
Land improvements	18,013	-	-	18,013
Infrastructure	2,637,971	501,241	-	3,139,212
Equipment and vehicles	157,109	-	-	157,109
Total capital assets being depreciated	<u>2,813,093</u>	<u>501,241</u>	<u>-</u>	<u>3,314,334</u>
Less accumulated depreciation for:				
Land improvements	8,206	672	-	8,878
Infrastructure	972,657	58,594	-	1,031,251
Equipment and vehicles	130,519	8,736	-	139,255
Total accumulated depreciation	<u>1,111,382</u>	<u>68,002</u>	<u>-</u>	<u>1,179,384</u>
Total capital assets being depreciated, net	<u>1,701,711</u>	<u>433,239</u>	<u>-</u>	<u>2,134,950</u>
Business-type activities capital assets, net	<u>\$ 2,005,437</u>	<u>\$ 433,239</u>	<u>\$ -</u>	<u>\$ 2,438,676</u>
Intangible assets being amortized:				
Intangible water studies	\$ 14,359	\$ -	\$ -	\$ 14,359
Less accumulated amortization for:				
Land improvements	<u>14,359</u>	<u>-</u>	<u>-</u>	<u>14,359</u>
Total intangible assets being amortized, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Water and sewerage	\$ 67,330
Solid waste management	672
Total depreciation expense - business-type activities	<u>\$ 68,002</u>
Water and sewerage	
Total amortization expense - business-type activities	<u>\$ -</u>

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2016, is as follows:

*Due to/from other funds:*

Receivable fund	Payable fund	Amount
General Fund	Water and Sewer Fund	\$ 164
General Fund	SPLOST	46,387
		\$ 46,551

These balances resulted from the time lag between the date that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Generally, all interfund balances are expected to be repaid within one year from the date of the financial statements.

*Interfund transfers:*

Transfers In	Transfers Out	Amount
Water and Sewer Fund	Nonmajor Enterprise Fund	\$ 4,418
Nonmajor Enterprise Fund	Water and Sewer Fund	11,862
		\$ 16,280

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7. CHANGES IN SHORT-TERM LIABILITIES**

The following represents the changes in short-term liabilities from the previous year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 1,964	\$ -	\$ 1,840	\$ 124	\$ 124

Compensated absences are generally liquidated in the fund in which the liabilities were incurred, largely the General Fund.



**CITY OF FAIRMOUNT, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

---

**NOTE 8. FUND EQUITY**

Fund balances of governmental funds at December 31, 2016, as presented in the accompanying governmental funds balance sheet, are classified as follows:

Nonspendable: Amounts that are either not in spendable form or they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes as imposed by state or federal laws or constraints imposed by grantors or creditors.

Assigned: Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned: All amounts not included in other spendable classifications for the General Fund and negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The details of fund balances at December 31, 2016, are as follows:

**General Fund** – Prepaid items totaling \$4,916 are considered nonspendable fund balance. The residual balance of \$585,517 classified as unassigned fund balance.

**SPLOST Fund** – The amounts classified as restricted fund balance of \$17,092 can only be spent for legally authorized and approved capital projects, vehicles and equipment in accordance with SPLOST referendums.

**Other Nonmajor Funds** – Fund balance classifications of other nonmajor funds are as follows:

<b>Nonmajor Funds</b>	<b>Purpose</b>	<b>Fund Balance</b>
<b><u>Restricted Fund Balance</u></b>		
Confiscated Assets Fund	Purposes specified by law that funds be used for public safety	\$ 2,915
<b><u>Assigned Fund Balance</u></b>		
Confiscated Assets Fund	Purpose of the funds are to support public safety	\$ 50,494

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 9. JOINT VENTURE**

The City of Fairmount, Georgia, in conjunction with cities and counties in the fifteen (15) county northwest Georgia areas are members of the Northwest Georgia Regional Commission (NWGRC). Membership in a regional commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the regional development centers (RDCs), and was amended in 2008 to consolidate the existing RDCs into fewer and larger organizations called Regional Commissions (RCs). Each county and municipality in the state is required by law to pay minimum annual dues to the RCs. The City paid no annual dues to the RC for the year ended December 31, 2016, because currently all dues are paid on the City's behalf by Gordon County. A RC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs (later transferred to RCs) as "public agencies and instrumentalities of their members". Georgia law also provides that the member governments are liable for any debts or obligations of an RC beyond its resources (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the RC directly at: Northwest Regional Commission, P.O. Box 1798, 1 Jackson Hill Drive, Rome, GA 30162.

**NOTE 10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which, except as described in the following paragraph, the City carries commercial insurance in amounts deemed prudent by City management.

The City participates in the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Worker's Compensation Self-Insurance Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss.

The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

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

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF FAIRMOUNT, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

---

**NOTE 11.    COMMITMENTS AND CONTINGENCIES**

*Contingencies*

*Grant Contingencies* – The City has received state grants in previous years for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, City management believes such disallowances, if any, will not be significant.

*Commitments* - The City routinely enters into agreements and commitments during the year in the ordinary course of business. Such agreements do not give rise to assets or liabilities considered material.

**SUPPLEMENTARY INFORMATION**

---

**CITY OF FAIRMOUNT, GEORGIA**

**SCHEDULE OF PROJECTS CONSTRUCTED WITH  
SPECIAL PURPOSE LOCAL OPTION SALES TAX  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Project	Estimated Cost		Expenditures		Estimated % of Completion
	Original	Current	Prior Years	Current Year	
Paid from SPLOST Fund (a capital projects fund):					
SPLOST 2006					
Recreation	\$ 100,000	\$ 100,000	\$ 99,103	\$	\$ 99,103
Roads, streets, and sidewalks	400,000	400,000	461,270	-	461,270
Water and sewer improvements	121,427	121,427	120,894	-	120,894
Government buildings	200,000	200,000	240,870	-	240,870
	<u>\$ 821,427</u>	<u>\$ 821,427</u>	<u>\$ 922,137</u>	<u>\$ -</u>	<u>\$ 922,137</u>

*Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.*

**CITY OF FAIRMOUNT, GEORGIA**

**SCHEDULE OF PROJECTS CONSTRUCTED WITH  
SPECIAL PURPOSE LOCAL OPTION SALES TAX  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Project	Estimated Cost		Expenditures		Estimated % of Completion	
	Original	Current	Prior Years	Current Year		Total
Paid from SPLOST Fund (a capital projects fund):						
SPLOST 2012						
Recreation	\$ 52,848	\$ 52,848	\$ 15,838	\$ 8,668	\$ 24,506	46%
Roads, streets, and sidewalks	215,796	215,796	108,756	23,875	132,631	61%
Water and sewer improvements	66,060	66,060	-	22,465	22,465	34%
Sewer project	67,754	67,754	66,258	1,496	67,754	100%
Government buildings	105,696	105,696	105,339	-	105,339	100%
	<u>\$ 508,154</u>	<u>\$ 508,154</u>	<u>\$ 296,191</u>	<u>\$ 56,504</u>	<u>\$ 352,695</u>	

*Note A:* The SPLOST schedule has been prepared on the modified accrual basis of accounting.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

---

**RL Jennings & Associates, PC**  
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA  
Marvin Chance, CGMA, CPA  
Sarah A Dunn, CPA, MBA  
Thomas H. Evans, Jr., CPA  
Katherine S. Washington, CPA  
David E DeScalzo, CPA, CFE, PC  
\\

Member  
  
American Institute of  
Certified Public Accountants  
  
Georgia Society of  
Certified Public Accountants

506 East Third Street  
Rome, Georgia 30161  
Phone 706.802.1945 Fax 706.802.1279  
[www.romecpa.com](http://www.romecpa.com)  
14224 Highway 515 North, Ste 700  
Ellijay, Georgia 30540  
Phone 706.273.1945 Fax 706.273.1946  
[www.ellijaycpa.com](http://www.ellijaycpa.com)

**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 of  
City of Fairmount, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fairmount, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Fairmount, Georgia's basic financial statements and have issued our report thereon dated July 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Fairmount, Georgia's internal control over financial reporting (internal control) to determine the 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 of Fairmount, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fairmount, Georgia'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, and is identified as Finding 06-01.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Fairmount, Georgia's financial statements are free of 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 determination of financial statement amounts. 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 *Governmental Auditing Standards*.

### **City of Fairmount, Georgia's Response to Findings**

City of Fairmount, Georgia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Fairmount, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is intended 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.

*R. L. Jennings + Associates, PC*

**Ellijay, Georgia**  
**July 10, 2017**

**CITY OF FAIRMOUNT, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

---

We consider the following deficiency to be a significant deficiency in internal control:

*Repeat finding from the prior year(s):*

**06-01 LACK OF SEGREGATION OF DUTIES**

*Criteria:* Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, payroll, general ledger and bank reconciliation.

*Condition/Context:* During the course of our audit, we noted that certain critical duties in these areas have been combined and assigned to available employees.

*Effect:* Without proper segregation of duties within these functions, there is increased risk that City assets could be misappropriated or that errors could occur in the accounting records and remain undetected and uncorrected.

*Cause:* The limited number of employees working in the office and the resulting overlapping of duties causes segregation of duties to be difficult.

*Recommendation:* To the extent possible, duties should be segregated to maintain the best control system possible. Responsibilities for preparing payroll, processing cash receipts, reconciling bank accounts and maintaining the general ledger should be segregated to the extent possible. Segregation of duties could be improved if different employees performed these separate duties. In situations where additional personnel are not available, an effort should be made to divide the duties of the available personnel in such a manner as to achieve the greatest possible segregation of duties. Increased council involvement in the City's finances is also encouraged to strengthen internal controls. When these suggestions are implemented, the City's system of internal control will be enhanced, so that the risk of employee misappropriation of assets is reduced.

*Response:* The lack of segregation of duties is a recurring item that due to the limited number of employees is difficult to accomplish. The Council plans to continue close involvement with the City's finances to aid in this matter.