

CITY OF FAIRMOUNT, GEORGIA

**FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

**CITY OF FAIRMOUNT, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
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	19-34
Other Supplementary Information:	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax	35
INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Schedule of Findings and Responses	38

FINANCIAL 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
14224 Highway 515 North, Ste 700
Ellijay, Georgia 30540
Phone 706.273.1945 Fax 706.273.1946
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 the City of Fairmount, Georgia, as of and for the year ended December 31, 2017, 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, 2017, 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 pages 3-7 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 April 20, 2018, 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 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 of Fairmount, Georgia'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 City of Fairmount, Georgia's internal control over financial reporting and compliance.

R L Jennings & Associates PC

**Ellijay, Georgia
April 20, 2018**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT
CITY OF FAIRMOUNT, GEORGIA
DECEMBER 31, 2017**

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, 2017. 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 governmental activities was **\$3,596,414** compared to **\$3,757,567** in 2016 and Net Position of business-type activities was **\$2,134,772** compared to **\$2,221,146** in 2016.

- The current year's governmental activities expenses totaled **\$968,991** as compared to **\$855,313** in 2017, an increase of **\$113,678**, due largely to an increase in public safety and public works. The City generated **\$808,168** in revenues for governmental programs compared to **\$927,610** in the previous year, with the decrease in the sale of surplus items the main factor.
- For business-type activities, revenues were **\$101,198** compared to **\$111,662** in 2016. Expenses were **\$187,575** compared to **\$208,310** in 2016. Of these revenues, **\$97,039** was generated by water and sewer department operations and **\$4,161** was generated by sanitation management operations.
- The yearly cost for all city functions/programs was **\$1,156,566** compared to **\$1,081,031** in 2016.

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 **\$5,731,186** compared to **\$5,978,382** in 2016. 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						
	Governmental Activities		Business Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 941,150	\$ 996,998	\$ 75,716	\$ 94,545	\$ 1,016,866	\$ 1,091,543
Capital Assets	<u>2,748,782</u>	<u>2,826,722</u>	<u>2,370,872</u>	<u>2,438,676</u>	<u>5,119,654</u>	<u>5,265,398</u>
TOTAL ASSETS	\$ 3,689,932	\$ 3,823,720	\$ 2,446,588	\$ 2,533,221	\$ 6,136,520	\$ 6,356,941
Current Liabilities	\$ 70,052	\$ 34,108	\$ 311,816	\$ 312,075	\$ 381,868	\$ 346,183
Long-Term Liabilities	<u>23,466</u>	<u>32,045</u>	<u>-</u>	<u>-</u>	<u>23,466</u>	<u>32,045</u>
TOTAL LIABILITIES	93,518	66,153	311,816	312,075	405,334	378,228
Investment in Capital Assets	2,707,602	2,826,722	2,370,872	2,438,676	5,078,474	5,265,398
Restricted	106,355	20,007	-	-	106,355	20,007
Unrestricted	<u>782,457</u>	<u>910,838</u>	<u>(236,100)</u>	<u>(217,530)</u>	<u>546,357</u>	<u>693,308</u>
TOTAL NET POSITION	3,596,414	3,757,567	2,134,772	2,221,146	5,731,186	5,978,713
TOTAL LIABILITIES AND NET POSITION	\$ 3,689,932	\$ 3,823,720	\$ 2,446,588	\$ 2,533,221	\$ 6,136,520	\$ 6,356,941

TABLE 2 - CHANGES IN NET POSITION						
	Governmental Activities		Business Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<i>Program Revenues:</i>						
Charges for Services	\$ 236,839	\$ 207,099	\$ 101,198	\$ 111,662	\$ 338,037	\$ 318,761
Operating Grants	6,235	7,000	-	-	6,235	7,000
Capital Grants/Contributions	79,651	88,922	-	92,511	79,651	181,433
<i>General Revenues</i>						
Property Taxes	192,645	196,956	-	-	192,645	196,956
Other Taxes	291,506	286,172	-	-	291,506	286,172
Other General	<u>1,292</u>	<u>141,461</u>	<u>4</u>	<u>14</u>	<u>1,296</u>	<u>141,475</u>
TOTAL REVENUES	808,168	927,610	101,202	204,187	909,370	1,131,797
<i>Program Expenditures:</i>						
General Government	227,062	229,870	-	-	227,062	229,870
Judicial	45,740	38,795	-	-	45,740	38,795
Public Safety	463,675	366,044	-	-	463,675	366,044
Public Works	172,889	157,993	-	-	172,889	157,993
Culture and Recreation	52,726	57,529	-	-	52,726	57,529
Housing and Development	4,971	5,084	-	-	4,971	5,084
Interest	1,928	-	-	-	1,928	-
Water and Sewer	-	-	175,299	195,776	175,299	195,776
Solid Waste	-	-	12,276	12,534	12,276	12,534
Total Expenses	968,991	855,315	187,575	208,310	1,156,566	1,063,625
Transfers In (Out)	<u>-</u>	<u>(39,015)</u>	<u>-</u>	<u>39,015</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(160,823)	33,280	(86,373)	34,892	(247,196)	68,172
NET POSITION, BEGINNING	3,757,567	3,724,287	2,221,145	2,186,253	5,978,712	5,910,540
PRIOR PERIOD RESTATEMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION, ENDING	\$ 3,596,744	\$ 3,757,567	\$ 2,134,772	\$ 2,221,145	\$ 5,731,516	\$ 5,978,712

The City's net position for Governmental Activities was **\$3,596,414** this year compared to **\$3,757,567** last year. Unrestricted net position was **\$782,457** this year, compared to **\$860,344** last year. Unrestricted net position is what can be used to finance every-day operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net position of the City's Business-type Activities was **\$2,134,772** this year compared to **\$2,221,146** last year. Unrestricted Net Position was **\$(236,100)** compared to **\$(217,529)** last year.

Total revenues for the current year were **\$909,370** compared to **\$1,137,797** last year. The total yearly cost of all programs and services were **\$1,156,566** compared to **\$1,063,625** last year.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost (Revenue) of Services	
	2017	2016	2017	2016
	General Government	\$ 227,062	\$ 229,870	\$ 209,908
Judicial	45,740	38,795	45,740	38,795
Public Safety	463,675	366,044	251,051	183,826
Public Works	172,889	157,993	102,154	95,448
Culture and Recreation	52,726	57,529	35,586	39,596
Housing and Development	4,971	5,084	(101)	41
Interest	1,928	-	1,928	-
Totals	<u>\$ 968,991</u>	<u>\$ 855,315</u>	<u>\$ 646,266</u>	<u>\$ 569,700</u>

GOVERNMENTAL FUNDS

This year the governmental fund revenues were **\$797,937** compared to **\$786,597** last year, a decrease of **\$11,340**. This year's governmental fund expenditures were **\$905,930** compared to **\$837,069** last year, due primarily to an increase in capital expenditures for public safety occurring in FY2017. Fund balance was **\$680,005** as compared to **\$757,038** last year.

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities operating revenues (see Table 2) were **\$101,198** compared to **\$1111,662** last year. This year's operating expenditures were **\$187,575** compared to **\$208,310** last year. The decrease in revenues was due to lower charges for water and sewer. The decrease in expenses was due in part to no EDP ordered debris clean-up.

BUDGETARY HIGHLIGHTS

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

**TABLE 4
2017 BUDGET**

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>O/A VARIANCE*</u>	<u>ACTUAL EXPENSES</u>
GENERAL	\$ 775,912	\$ 824,991	\$ 49,079	\$ 855,950
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

The actual revenues were under the amended budget by \$13,970 due to reduced grant funding and expenditures exceeded the amended budget amounts by \$30,959 for 2017 due to capital outlay expenditures. The General Fund revenues were \$137,667 under actual expenses, with shortfall covered by fund balance and capital lease financing. The Water and Sewer Fund revenues were \$88,532 under actual expenses, which was largely due to depreciation expense of \$67,330. The Solid Waste Fund revenues were \$8,116 under expenses primarily because of personnel expenditures.

CITY FUNDS

At year end, the City reported cash balances of \$758,799 compared to \$842,569 last year.

CAPITAL ASSETS

At the close of the year, the City had invested \$7,637,623 in Capital Assets such as land, buildings and improvements, equipment and infrastructure. These figures are before depreciation. Last year Capital Assets before depreciation were \$7,574,015. After accumulated depreciation of \$2,517,949, the end of year total was \$5,119,674. (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

BASIC FINANCIAL STATEMENTS

CITY OF FAIRMOUNT, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash	\$ 613,725	\$ 45,115	\$ 658,840
Restricted cash	96,909	3,050	99,959
Accounts receivable, net	199,857	8,935	208,792
Due from other governments	24,913	-	24,913
Inventories	-	12,980	12,980
Prepaid items	5,746	5,636	11,382
Capital assets, not being depreciated	513,766	303,726	817,492
Capital assets, net of accumulated depreciation	2,235,016	2,067,146	4,302,162
Intangible assets, net of amortization	-	-	-
Total assets	<u>3,689,932</u>	<u>2,446,588</u>	<u>6,136,520</u>
Liabilities			
Accounts payable	12,099	282	12,381
Accrued liabilities	13,942	984	14,926
Unearned revenue	26,297	307,500	333,797
Customer deposits	-	3,050	3,050
Capital leases, current portion	17,714	-	17,714
Capital leases, long-term portion	23,466	-	23,466
Total liabilities	<u>93,518</u>	<u>311,816</u>	<u>405,334</u>
Net Position			
Net investment in capital assets	2,707,602	2,370,872	5,078,474
Restricted for:			
Capital projects	79,892	-	79,892
Public safety	1,297	-	1,297
Unrestricted	807,623	(236,100)	571,523
Total net position	<u>\$ 3,596,414</u>	<u>\$ 2,134,772</u>	<u>\$ 5,731,186</u>

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, 2017

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
Governmental activities:							
General government	\$ 227,062	\$ 10,919	\$ 6,235	\$ -	\$ (209,908)	\$ -	\$ (209,908)
Judicial	45,740	-	-	-	(45,740)	-	(45,740)
Public safety	463,675	212,624	-	-	(251,051)	-	(251,051)
Public works	172,889	1,840	-	68,895	(102,154)	-	(102,154)
Culture and recreation	52,726	6,384	-	10,756	(35,586)	-	(35,586)
Housing and development	4,971	5,072	-	-	101	-	101
Interest	1,928	-	-	-	(1,928)	-	(1,928)
Total governmental activities	968,991	236,839	6,235	79,651	(646,266)	-	(646,266)
Business-type activities:							
Water and sewerage	175,299	97,037	-	-	-	(78,262)	(78,262)
Solid waste management	12,276	4,161	-	-	-	(8,115)	(8,115)
Total business-type activities	187,575	101,198	-	-	-	(86,377)	(86,377)
Total	\$ 1,156,566	\$ 338,037	\$ 6,235	\$ 79,651	(646,266)	(86,377)	(732,643)
General revenues:							
Property taxes					192,645	-	192,645
General and selective sales taxes					128,185	-	128,185
Franchise taxes					115,469	-	115,469
Business taxes					47,852	-	47,852
Other revenues					1,192	-	1,192
Unrestricted investment earnings					100	4	104
Total general revenues					485,443	4	485,447
Change in net position					(160,823)	(86,373)	(247,196)
Net position, beginning of year (as restated)					3,757,237	2,221,145	5,978,382
Net position, end of year					\$ 3,596,414	\$ 2,134,772	\$ 5,731,186

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

CITY OF FAIRMOUNT, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	SPLOST Fund	Nonmajor Fund - Confiscated Assets Fund	Total Governmental Funds
Assets				
Cash	\$ 616,639	\$ 67,532	\$ 26,463	\$ 710,634
Property taxes receivable	33,016	-	-	33,016
Other taxes receivable	103,227	-	-	103,227
Fines receivable, net	63,614	-	-	63,614
Due from other governments	12,553	12,360	-	24,913
Prepaid items	5,746	-	-	5,746
Total assets	\$ 834,795	\$ 79,892	\$ 26,463	\$ 941,150
Liabilities				
Accounts payable	\$ 12,099	\$ -	\$ -	\$ 12,099
Accrued liabilities	10,492	-	-	10,492
Unearned revenue	26,297	-	-	26,297
Total liabilities	48,888	-	-	48,888
Deferred Inflows of Resources				
Deferred property taxes	178,642	-	-	178,642
Unavailable municipal court fines	33,615	-	-	33,615
Total deferred inflows of resources	212,257	-	-	212,257
Fund Balances				
Nonspendable	5,746	-	-	5,746
Restricted	-	79,892	1,297	81,189
Assigned	-	-	25,166	25,166
Unassigned	567,904	-	-	567,904
Total fund balances	573,650	79,892	26,463	680,005
Total liabilities, deferred inflows of resources and fund balances	\$ 834,795	\$ 79,892	\$ 26,463	\$ 941,150

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, 2017

Total fund balances - governmental funds	\$	680,005
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the governmental funds statements, but are reported under governmental activities in the Statement of Net Position. The cost and accumulated depreciation of these assets at December 31, 2017, was \$4,019,542 and \$1,270,760, respectively.		2,748,782
Certain revenues, such as property taxes and fines, are not reported in the governmental funds when not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		212,257
Certain liabilities are not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds statements, but are reported under governmental activities in the Statement of Net Position as follows:		
	Accrued liabilities	(3,450)
	Capital leases	(41,180)
Total net position - governmental activities	\$	3,596,414

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

CITY OF FAIRMOUNT, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	SPLOST Fund	Nonmajor Fund - Confiscated Assets Fund	Total Governmental Funds
Revenues				
Property taxes	\$ 193,695	\$ -	\$ -	\$ 193,695
Sales taxes	128,185	-	-	128,185
Franchise taxes	115,469	-	-	115,469
Business taxes	47,852	-	-	47,852
Licenses and permits	15,890	-	-	15,890
Intergovernmental	6,235	79,645	-	85,880
Charges for services	2,935	-	-	2,935
Fines and forfeitures	201,154	-	-	201,154
Investment earnings	97	6	3	106
Miscellaneous revenues	6,771	-	-	6,771
Total revenues	<u>718,283</u>	<u>79,651</u>	<u>3</u>	<u>797,937</u>
Expenditures				
Current:				
General government	192,916	-	-	192,916
Judicial	45,492	-	-	45,492
Public safety	410,347	-	10,930	421,277
Public works	123,730	-	-	123,730
Culture and recreation	33,154	-	-	33,154
Housing and development	4,971	-	-	4,971
Capital outlay:				
Public safety	34,413	-	16,019	50,432
Public works	-	13,700	-	13,700
Debt service:				
Principal	10,927	7,403	-	18,330
Interest	-	1,928	-	1,928
Total expenditures	<u>855,950</u>	<u>23,031</u>	<u>26,949</u>	<u>905,930</u>
Excess of expenditures under/(over) revenues	<u>(137,667)</u>	<u>56,620</u>	<u>(26,946)</u>	<u>(107,993)</u>
Other financing sources (uses)				
Proceeds from inception of capital lease	30,960	-	-	30,960
Total other financing sources (uses)	<u>30,960</u>	<u>-</u>	<u>-</u>	<u>30,960</u>
Net change in fund balances	(106,707)	56,620	(26,946)	(77,033)
Fund balances, beginning of year (as restated)	680,357	23,272	53,409	757,038
Fund balances, end of year	<u>\$ 573,650</u>	<u>\$ 79,892</u>	<u>\$ 26,463</u>	<u>\$ 680,005</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, 2017

Net change in fund balances - total governmental funds \$ (77,033)

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

Governmental funds report capital outlays to purchase or construct capital assets as expenditures. However, in the Statement of Activities, the cost of capitalizable assets is allocated over their estimated useful lives as depreciation expense. The following is the amount by which depreciation expense exceeded such assets charged to capital outlays in the current year.

	Capital outlays	\$ 63,587	
	Depreciation expense	<u>(141,528)</u>	(77,941)

Proceeds from the inception of a capital lease provides current financial resources to governmental funds, while the repayment of principal of capital lease obligations consumes current financial resources. (30,960)

Repayments of principal on capital lease obligations is an expenditure of governmental funds, but such repayments reduce the outstanding obligation in the Statement of Net position. 18,330

Governmental funds do not present revenues that 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. This is the amount by which reported revenues in the Statement of Activities exceeded revenues considered available by the governmental funds. 10,231

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. (3,450)

Change in net position - governmental activities	<u>\$</u>	<u>(160,823)</u>
--	-----------	------------------

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 205,700	\$ 193,695	\$ 193,695	\$ -
General sales taxes	115,000	106,389	106,389	-
Selective sales taxes	23,000	21,796	21,796	-
Franchise taxes	131,500	116,402	115,469	(933)
Business taxes	41,500	47,852	47,852	-
Licenses and permits	12,950	15,890	15,890	-
Intergovernmental	16,029	19,272	6,235	(13,037)
Charges for services	2,725	2,935	2,935	-
Fines and forfeitures	195,000	201,154	201,154	-
Investment earnings	1,200	97	97	-
Contributions	100	-	-	-
Miscellaneous revenues	6,107	6,771	6,771	-
Total revenues	750,811	732,253	718,283	(13,970)
Expenditures				
Current:				
General government:				
Legislative	3,947	3,905	3,904	1
Executive - mayor	10,925	10,781	10,781	-
Executive - administration	20,320	20,280	20,280	-
Elections	2,700	253	253	-
Financial administration	144,085	128,730	128,730	-
General government buildings	20,500	12,361	12,361	-
Customer support	19,045	16,607	16,607	-
Judicial:				
Municipal court	40,997	45,492	45,492	-
Public safety:				
Police administration	114,860	157,272	157,272	-
Custody of prisoners	3,500	5,900	5,900	-
Traffic patrol	219,360	247,175	247,175	-
Police property	-	-	-	-
Public works:				
Streets	81,083	98,085	98,085	-
Street lighting	28,000	25,528	25,528	-
Cemetery	100	117	117	-
Culture and recreation:				
Community center	11,580	9,581	9,581	-
Park and recreation	5,250	4,795	4,795	-
Pavilion	850	599	599	-
Scout hut	1,400	1,407	1,407	-
Tate/Central Park	3,850	3,317	3,317	-
Library	13,800	13,455	13,455	-

continued

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, 2017

concluded	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Housing and development:				
Building inspection	\$ 4,760	\$ 4,971	\$ 4,971	\$ -
Capital outlay:				
General government:				
Financial administration	-	-	-	-
General government buildings	-	-	-	-
Public safety:				
Police	25,000	3,453	34,413	(30,960)
Public works:				
Streets	-	-	-	-
Culture and recreation:				
Park and recreation	-	-	-	-
Debt service:				
Principal	-	10,927	10,927	-
Interest	-	-	-	-
Total expenditures	775,912	824,991	855,950	(30,959)
Excess (deficiency) of revenues over expenditures	(25,101)	(92,738)	(137,667)	(44,929)
Other financing sources (uses):				
Proceeds from inception of capital lease	-	-	30,960	30,960
Total other financing sources (uses)	-	-	30,960	30,960
Net change in fund balances	(25,101)	(92,738)	(106,707)	(13,969)
Fund balance, beginning of year (as restated)	680,357	680,357	680,357	-
Fund balance, end of year	\$ 655,256	\$ 587,619	\$ 573,650	\$ (13,969)

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, 2017

	Business-type Activities		
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash	\$ 45,115	\$ -	\$ 45,115
Restricted cash	3,050	-	3,050
Accounts receivable	8,935	-	8,935
Inventories	12,980	-	12,980
Prepaid items	5,636	-	5,636
Total current assets	<u>75,716</u>	<u>-</u>	<u>75,716</u>
Noncurrent assets:			
Capital assets:			
Land	303,726	-	303,726
Other capital assets, net of depreciation	2,058,682	8,464	2,067,146
Intangible assets, net of amortization	-	-	-
Total noncurrent assets	<u>2,362,408</u>	<u>8,464</u>	<u>2,370,872</u>
Total assets	<u>2,438,124</u>	<u>8,464</u>	<u>2,446,588</u>
Liabilities			
Current liabilities:			
Accounts payable	282	-	282
Accrued liabilities	984	-	984
Total current liabilities	<u>1,266</u>	<u>-</u>	<u>1,266</u>
Noncurrent liabilities:			
Unearned revenue	307,500	-	307,500
Customer deposits	3,050	-	3,050
Total noncurrent liabilities	<u>310,550</u>	<u>-</u>	<u>310,550</u>
Total liabilities	<u>311,816</u>	<u>-</u>	<u>311,816</u>
Net Position			
Net investment in capital assets	2,362,408	8,464	2,370,872
Unrestricted	(236,100)	-	(236,100)
Total net position	<u>\$ 2,126,308</u>	<u>\$ 8,464</u>	<u>\$ 2,134,772</u>

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, 2017

	Business-type Activities		
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	Total Enterprise Funds
Operating revenues:			
Water charges	\$ 39,754	\$ -	\$ 39,754
Sewer charges	51,472	-	51,472
Solid waste charges	-	4,161	4,161
Water tap fees	2,811	-	2,811
Sewer tap fees	3,000	-	3,000
Total operating revenues	<u>97,037</u>	<u>4,161</u>	<u>101,198</u>
Operating expenses:			
Personal services	51,003	8,896	59,899
Contractual and professional services	2,150	2,709	4,859
Repairs and maintenance	6,343	-	6,343
Materials and supplies	3,505	-	3,505
Insurance	16,077	-	16,077
Utilities	23,702	-	23,702
Other expenses	5,386	-	5,386
Depreciation and amortization	67,133	671	67,804
Total operating expenses	<u>175,299</u>	<u>12,276</u>	<u>187,575</u>
Operating income (loss)	<u>(78,262)</u>	<u>(8,115)</u>	<u>(86,377)</u>
Nonoperating revenues:			
Interest income	4	-	4
Total nonoperating revenues	<u>4</u>	<u>-</u>	<u>4</u>
Income (loss) before transfers	<u>(78,258)</u>	<u>(8,115)</u>	<u>(86,373)</u>
Transfers in	4,161	11,605	15,766
Transfers out	<u>(11,605)</u>	<u>(4,161)</u>	<u>(15,766)</u>
Change in net position	<u>(85,702)</u>	<u>(671)</u>	<u>(86,373)</u>
Net position, beginning of year	<u>2,212,010</u>	<u>9,135</u>	<u>2,221,145</u>
Net position, end of year	<u>\$ 2,126,308</u>	<u>\$ 8,464</u>	<u>\$ 2,134,772</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, 2017

	Business-type Activities		
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	Total Enterprise Funds
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	\$ 102,857	\$ 4,161	\$ 107,018
Payments to suppliers and service providers	(56,216)	(2,709)	(58,925)
Payments to employees	(50,873)	(8,896)	(59,769)
Net cash provided by (used in) operating activities	<u>(4,232)</u>	<u>(7,444)</u>	<u>(11,676)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest receipts	4	-	4
Net cash provided by investing activities	<u>4</u>	<u>-</u>	<u>4</u>
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund loan repaid	(164)	-	(164)
Transfers from other funds	4,161	11,605	15,766
Transfers to other funds	(11,605)	(4,161)	(15,766)
Net cash provided by (used in) capital and related financing activities	<u>(7,608)</u>	<u>7,444</u>	<u>(164)</u>
Net decrease in cash	(11,836)	-	(11,836)
Cash, beginning of year	60,001	-	60,001
Cash, end of year	<u>\$ 48,165</u>	<u>\$ -</u>	<u>\$ 48,165</u>
Cash as shown on the Statement of Net Position:			
Cash	\$ 45,115	\$ -	\$ 45,115
Restricted Cash	3,050	-	3,050
Total Cash, end of year	<u>\$ 48,165</u>	<u>\$ -</u>	<u>\$ 48,165</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating (loss)	\$ (78,262)	\$ (8,115)	\$ (86,377)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	67,133	671	67,804
(Increase) decrease in accounts receivable	5,745	-	5,745
(Increase) decrease in inventories	2,242	-	2,242
(Increase) decrease in prepaid items	(830)	-	(830)
Increase (decrease) in accounts payable	(465)	-	(465)
Increase (decrease) in accrued liabilities	130	-	130
Increase (decrease) in customer deposits	75	-	75
Net cash provided by (used in) operating activities	<u>\$ (4,232)</u>	<u>\$ (7,444)</u>	<u>\$ (11,676)</u>

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

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. The Reporting Entity

The City was incorporated in 1905 and operates under a city council/mayor form of government. Policy making and legislative authority are vested in the Mayor and five council members. The Mayor is responsible for the daily operations of all City departments. The City provides basic services which include general government, judicial, public safety, public works, culture and recreation, and housing and development. Water and sewer services are also provided.

In evaluating the City’s reporting entity for purposes of financial reporting purposes, management has considered all potential component units. The criteria for including organizations within the City’s reporting entity as a component unit 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 a result of applying these criteria, there are no component units required to be included in the financial statements of the City as of December 31, 2017.

Accordingly, the accompanying financial statements are 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 inter-fund activity has been removed from the government-wide 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.

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 or function is self-financing or draws from the general revenues of the City.

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

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for the City's governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than on fund types. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 (SPLOST) Fund, a capital projects fund type, is used to account for the revenues and expenditures relating to the 2012 referendum authorizing a 1% Special Purpose Local Option Sales Tax for Gordon County to be shared with the City.

The City reports the following major proprietary fund:

The Water and Sewerage Fund is used to account for the revenues billed to customers in connection with providing water and sewer services and the costs incurred from providing such services.

Additionally, the City reports a special revenue fund type (nonmajor) to account specific revenue sources that are legally restricted to expenditures for specified purposes.

C. Measurement Focus, Basis of Accounting and Financial Statement 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 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. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government-wide net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for capital projects reflect the restrictions for their use.

Governmental fund financial statements, on the other hand, 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. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds are used to account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recorded 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 such services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for water, sewer and solid waste services provided. Operating expenses of the enterprise funds include the cost of these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions. Highly liquid investments with original maturities of three months or less from the date of acquisition are considered to be cash equivalents for purposes of the statement of cash flows.

E. Interfund Transactions and Balances

Quasi-external transactions are accounted for as revenues and expenditures and are not eliminated. The City had no quasi-external transactions during the year.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

F. Inventories

Inventories consist of materials and supplies and are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis of accounting. Inventories 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 for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as nonspendable, which indicates they do not constitute “available, spendable financial resources” even though they are a component of net current assets.

H. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, water and sewer lines and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. 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 or more 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 their acquisition value as of the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Land and construction in progress are not depreciated. Other capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

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

I. Intangible Assets

Intangible assets consists of water assessment study and plan with a cost of \$14,359. These intangible costs have been amortized over the estimated term of their usefulness (5 years) and were fully amortized in prior years. Accordingly, for the year ended December 31, 2017, no amortization expense was reported.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

The City's policy allows employees meeting eligibility requirements to accumulate earned but unused annual leave (vacation) and sick pay benefits during the year. Earned, but unused sick benefits may be carried forward a maximum of two years, or the employee may elect to be paid for such benefits. Otherwise, earned but unused or unpaid annual leave and sick benefits are paid at termination of employment. Accordingly, the City's government-wide statements include an accrual for unpaid, accumulated benefits. A liability in the governmental funds is reported only if the benefit has matured. Typically, compensated absences are paid by the General Fund.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities of the City under governmental activities in the Statement of Net Position.

L. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify to be reported in this category.

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 2017 for the 2018 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 2018 or the period in which the amounts become available.

M. Fund Balance and Net Position

Fund Balance – Fund balances of governmental funds are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Descriptions and the City's policies with respect to these classifications are as follows:

- ***Nonspendable*** – This classification includes amounts 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) are legally or contractually required to be maintained intact. The City has classified prepaid items as nonspendable as these items are not resources in spendable form.
- ***Restricted*** – This classification includes amounts that are restricted to specific purposes whereby constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City's special revenue and capital projects funds include amounts that are legally restricted to expenditures for specific purposes.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed – This classification includes amounts that can be used only for specific purposes determined by a formal action of City Council, the City’s highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use. A resolution by City Council is required (prior to the end of the reporting period) when establishing, modifying or rescinding a fund balance commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification includes amounts that are constrained by the City’s intent to use for specific purposes, 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. However, unlike commitments, assignments do not require a formal action and generally only exist temporarily. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund. The City’s special revenue fund includes amounts that have been assigned to public safety purposes.
- Unassigned – This classification includes the residual fund balance for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes with the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The City’s policy is to use restricted fund balances first when expenditure is made for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the City’s policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position – Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the fund balance section above. The remaining portion of net position is reported as unrestricted.

The City’s policy is to use restricted net position first when expenditure is made for purposes for which both restricted and unrestricted net position is available.

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, the disclosure 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.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2. LEGAL COMPLIANCE – BUDGETS

A. 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 for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department, which constitutes the legal level of control and the level at which expenditures may not legally exceed appropriations.

Budget revisions at the department level are subject to final review and approval by the City Council. Budget amendments during the year were made to reflect increased operating costs in certain departments. All annual appropriations lapse at year end.

Although not required by state law, an operating budget is also adopted for the City's Water and Sewerage Fund for administrative control purposes.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Excess of Expenditures over Appropriations

As shown in the accompanying budgetary comparison statement for the General Fund, departmental expenditures did not exceed appropriated budget amounts, as amended, during the current year except in Public Safety where capital outlays exceeded the final budget amount by \$30,960.

NOTE 3. CASH DEPOSITS AND INVESTMENTS

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions. 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 of Georgia statutes require all financial institution deposits and investments (other than federal or state government instruments) to be fully collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At December 31, 2017, the City had no cash deposits that were exposed to custodial credit risk.

State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers acceptances; repurchase agreements when collateralized by U.S. Government or agency obligations; obligations of other political subdivisions of the State of Georgia; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

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. At December 31, 2017, the City had no investments.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4. RECEIVABLES

Receivables at December 31, 2017, for the City's individual funds in the aggregate are as follows:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 33,016	\$ -	\$ -	\$ 33,016
Franchise taxes	101,229	-	-	101,229
Beer and wine taxes	1,998	-	-	1,998
Fines	175,530	-	-	175,530
Due from other governments	12,553	12,360	-	24,913
Water	-	-	8,735	8,735
Sewer	-	-	200	200
Gross Receivables	<u>324,326</u>	<u>12,360</u>	<u>8,935</u>	<u>345,621</u>
Less allowance for uncollectible fines	<u>(111,916)</u>	<u>-</u>	<u>-</u>	<u>(111,916)</u>
Net Receivables	<u>\$ 212,410</u>	<u>\$ 12,360</u>	<u>\$ 8,935</u>	<u>\$ 233,705</u>

The City bills and collects its own property taxes. The 2017 digest was levied in October 2017, with bills payable on or before December 20, 2017, after which the account may be assessed penalties and interest, or the property is subject to a lien, as applicable. Property taxes receivable at year end is estimated based on the tax levy, less amounts collected prior to year-end. The property taxes levied for the 2017 digest were intended for use in the 2018 budget year. Therefore, the entire 2017 digest levy of \$166,886 is included in deferred revenue on the governmental fund's balance sheet. Receivables for prior year digest levies not collected within 60 days of year-end are deferred and recorded as revenue when received.

Other taxes receivable on the accompanying governmental fund's balance sheet primarily include franchise taxes. Fines receivable represent adjudicated amounts due from probationers at December 31, 2017. Fines receivable not collected within 60 days following year end are not considered available to liquidate liabilities of the current period and, accordingly, are classified as unavailable and reported as deferred inflows of resources on the accompanying governmental fund's balance sheet.

Due from other governments include amounts due the City for sales (LOST) and other ad valorem taxes, and amounts due from the county for the City's share of SPLOST taxes at December 31, 2017.

An allowance for uncollectible receivables has been recorded based on historical experience and management's estimates of collectability. As of year-end, fines in the amount of \$111,916 are estimated to be uncollectible.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. CAPITAL AND INTANGIBLE ASSETS

Capital and intangible asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance (Restated)	Increases	Reclassifications and Deletions	Ending Balance
<i>Governmental Activities:</i>				
Capital assets, not being depreciated:				
Land	\$ 513,766	\$ -	\$ -	\$ 513,766
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>513,766</u>	<u>-</u>	<u>-</u>	<u>513,766</u>
Capital assets, being depreciated:				
Infrastructure	1,128,508	13,700	-	1,142,208
Buildings and improvements	1,647,136	-	-	1,647,136
Machinery and equipment	393,688	19,472	-	413,160
Vehicles	(1) 272,857	30,415	-	303,272
Total capital assets being depreciated	<u>3,442,189</u>	<u>63,587</u>	<u>-</u>	<u>3,505,776</u>
Less accumulated depreciation for:				
Infrastructure	317,560	48,286	-	365,846
Buildings and improvements	349,001	40,839	-	389,840
Machinery and equipment	285,446	22,424	-	307,870
Vehicles	(1) 177,225	29,979	-	207,204
Total accumulated depreciation	<u>1,129,232</u>	<u>141,528</u>	<u>-</u>	<u>1,270,760</u>
Total capital assets being depreciated, net	<u>2,312,957</u>	<u>(77,941)</u>	<u>-</u>	<u>2,235,016</u>
Governmental activities - capital assets, net	<u>\$ 2,826,723</u>	<u>\$ (77,941)</u>	<u>\$ -</u>	<u>\$ 2,748,782</u>

(1) Beginning cost and accumulated depreciation balances have been restated in the amount of \$73,753 each for vehicles sold during 2016 but not removed from the City's financial statements. The vehicles had no book value. See Note 13 for prior period adjustment.

Depreciation expense, including amortization expense on capital assets financed under capital leases, for the year ended December 31, 2017, was charged to functions/programs under governmental activities as follows:

General government	\$ 34,147
Public safety	39,404
Public works	48,405
Culture and recreation	19,572
Total depreciation expense - governmental activities	<u>\$ 141,528</u>

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. CAPITAL AND INTANGIBLE ASSETS (continued)

	Beginning Balance	Increases	Reclassifications and Deletions	Ending Balance
<i>Business-type Activities:</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	3,139,213	-	-	3,139,213
Equipment and vehicles	157,109	-	-	157,109
Total capital assets being depreciated	<u>3,314,335</u>	<u>-</u>	<u>-</u>	<u>3,314,335</u>
Less accumulated depreciation for:				
Land improvements	8,878	671	-	9,549
Infrastructure	1,031,252	62,759	-	1,094,011
Equipment and vehicles	139,255	4,374	-	143,629
Total accumulated depreciation	<u>1,179,385</u>	<u>67,804</u>	<u>-</u>	<u>1,247,189</u>
Total capital assets being depreciated, net	<u>2,134,950</u>	<u>(67,804)</u>	<u>-</u>	<u>2,067,146</u>
Business-type activities - capital assets, net	<u>\$ 2,438,676</u>	<u>\$ (67,804)</u>	<u>\$ -</u>	<u>\$ 2,370,872</u>
Intangible assets being amortized:				
Intangible water studies	\$ 14,359	\$ -	\$ -	\$ 14,359
Less accumulated amortization for:				
Intangible water studies	<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 under business-type activities as follows:

Water and sewerage	\$ 67,133
Solid waste management	671
Total depreciation expense - business-type activities	<u>\$ 67,804</u>
Water and sewerage	
Total amortization expense - business-type activities	<u>\$ -</u>

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017, is as follows:

Due to/from other funds:

Outstanding balances between funds primarily result from the time lag between the dates 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. All interfund balances are expected to be repaid within one year from the date of the financial statements. At December 31, 2017, there were no outstanding due to/from balances between the funds.

Transfers to/from Other Funds:

Transfers between funds during the year ended December 31, 2017, were as follows:

Transfers In	Transfers Out	Amount
Water and Sewer Fund	Nonmajor Solid Waste Fund	\$ 4,161
Nonmajor Solid Waste Fund	Water and Sewer Fund	11,605
		\$ 15,766

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. LONG-TERM DEBT

At December 31, 2017, outstanding lease purchase contracts of the primary government (governmental activities) are as follows:

Lease contract in the amount of \$32,045 for purchase of a Kubota excavator with brush cutter in June 2016, payable in 48 monthly installments of \$778, including interest at 7.65% through June 2020.	\$ 21,147
Less current portion	(7,989)
	\$ 13,158

Lease contract in the amount of \$30,415 for purchase of a 2016 Ford Police Interceptor Utility in February 2017, payable in 3 annual "in advance" installments of \$10,927, including interest at 6.00% through February 2019.	\$ 20,033
Less current portion	(9,725)
	\$ 10,308

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7. LONG-TERM DEBT (continued)

The above leases are collateralized by equipment and a vehicle with an aggregate cost and accumulated depreciation of \$82,460 and \$13,383, respectively, at December 31, 2017. Future lease payments of principal and interest are due as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2018	\$	17,714	\$ 2,543	\$ 20,257	
2019		18,930	1,327	20,257	
2020		4,536	101	4,637	
	\$	<u>41,180</u>	<u>\$ 3,971</u>	<u>\$ 45,151</u>	

Changes in long-term debt during the year ended December 31, 2017, are summarized as follows:

<u>Governmental Activities: Lease Purchase Contracts</u>					
	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
(1)	\$ 28,550	\$ 30,960	\$ (18,330)	\$ 41,180	\$ 17,714

(1) The beginning balance of the Kubota lease in the amount of \$32,045 as reported in the 2016 financial statements has been restated for 6 monthly principal payments made during 2016 which were not reported as lease payments. See Note 13 for prior period adjustment.

The City's liability for compensated absences at December 31, 2017, is immaterial. Accordingly, it has been included in other liabilities in the accompanying government-wide statements.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8. FUND EQUITY

Fund balances of governmental funds at December 31, 2017, 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, 2017, are as follows:

General Fund – Prepaid items totaling \$5,746 are considered nonspendable fund balance. The residual balance of \$567,904 classified as unassigned fund balance.

SPLOST Fund – The amounts classified as restricted fund balance of \$79,892 can only be spent for legally authorized and approved capital projects, vehicles and equipment in accordance with the 2012 SPLOST referendum.

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

<u>Nonmajor Fund</u>	<u>Purpose</u>	<u>Fund Balance</u>
<i>Restricted Fund Balance:</i>		
Confiscated Assets Fund	Specified by Georgia law for purposes of public safety	\$ 1,297
<i>Assigned Fund Balance:</i>		
Confiscated Assets Fund	Constrained by City Council for purposes of public safety	\$ 25,166

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9. JOINT VENTURE

The City of Fairmount, Georgia, in conjunction with other cities and counties in the fifteen (15) county northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC). Membership in the regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the NWGRC. Board membership of the NWGRC includes the chief elected official of each county, and one appointed mayor from municipalities in the area, and one appointed citizen representative also from the area.

Each member is required by law to pay minimum annual dues to the NWGRC. Georgia law also provides that member governments are liable for any debts or obligations of the NWGRC (O.C.G.A. 50-8-39.1). The City paid no annual dues to the RC for the year ended December 31, 2017, because currently all dues are paid on the City's behalf by Gordon County. Separate financial statements can be provided by contacting the NWGRC directly at:

Northwest Georgia 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; injuries to employees; 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 Group Self-Insurance Worker's Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

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 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 settled claims have not exceeded insurance coverage for the current year or the three prior years.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 11. COMMITMENTS AND 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 various contracts and agreements in the ordinary course of business. Such commitments are typically not material to the accompanying financial statements.

NOTE 12. RESTRICTED ASSETS

Restrictions on cash in the government-wide Statement of Net Position at December 31, 2017, are as follows:

Restrictions:	Governmental Activities	Business - type Activities
General Fund - for support of City library	\$ 2,914	
SPLOST Fund - for legally authorized and approved capital projects, vehicles and equipment in accordance with the 2012 SPLOST Referendum	 67,532	
Nonmajor Fund: Confiscated Assets - for support of public safety	 26,463	
Water and Sewer Fund - for customer deposits		\$ 3,050
Total Restricted Cash	\$ 96,909	\$ 3,050

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13. PRIOR PERIOD ADJUSTMENTS

The accompanying financial statements include certain adjustments which were necessary in order to properly present beginning fund balances and net position as of January 1, 2017. The adjustments and brief explanations of each are as follows:

	<u>Governmental Funds - Fund Balance</u>		<u>Government</u> <u>Wide - Net</u> <u>Position</u>
	<u>General Fund</u>	<u>SPLOST</u>	<u>Governmental</u> <u>Activities</u>
December 31, 2016 - as previously reported	\$ 590,433	\$ 17,092	\$ 3,757,567
Prior period adjustments:			
Franchise taxes not properly recognized as available revenue	99,929		
LMIG revenue was recognized but had not been earned	(10,005)		(10,005)
SPLOST revenue not properly recognized as earned and available		6,180	6,180
Principal payments on Kubota lease not properly reported as debt retirement - See Note 7			3,495
December 31, 2016 - as restated	<u>\$ 680,357</u>	<u>\$ 23,272</u>	<u>\$ 3,757,237</u>

Additionally, fully depreciated vehicles with an aggregate total cost of \$73,753 (and \$0 book value) were sold in 2016 but not properly removed from the accounting records. Correction for this oversight had no effect on fund balance or net position. See Note 5.

SUPPLEMENTARY INFORMATION

CITY OF FAIRMOUNT, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2017

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	\$ 24,506	\$ 3,110	\$ 27,616	52%
Roads, streets, and sidewalks	215,796	215,796	132,631	19,921	152,552	71%
Water and sewer projects - upgrades	66,060	66,060	22,465	-	22,465	34%
Sewer project - new sewer extensions	67,754	67,754	67,754	-	67,754	100%
Government buildings	105,696	105,696	105,339	-	105,339	100%
	<u>\$ 508,154</u>	<u>\$ 508,154</u>	<u>\$ 352,695</u>	<u>\$ 23,031</u>	<u>\$ 375,726</u>	

Note to Schedule -

The above schedule has been prepared using 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
14224 Highway 515 North, Ste 700
Ellijay, Georgia 30540
Phone 706.273.1945 Fax 706.273.1946
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
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 the City of Fairmount, Georgia, as of and for the year ended December 31, 2017, 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 April 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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. (See finding 06-01)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Fairmount, Georgia'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 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 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.

Handwritten signature in cursive script that reads "R L Jennings & Associates, PC".

Ellijay, Georgia
April 20, 2018

**CITY OF FAIRMOUNT, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

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.