

CITY OF FAIRMOUNT, GEORGIA

**FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

CITY OF FAIRMOUNT, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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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, 2015, 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, 2015, 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 on 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 July 8, 2016, 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 8, 2016**

**MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL REPORT
CITY OF FAIRMOUNT, GEORGIA
DECEMBER 31, 2015**

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, 2015. 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 \$2,186,253 compared to \$2,028,408 in 2014 and Net Position of governmental activities was \$3,724,287 compared to \$3,479,287 in 2014.

- The current year's governmental activities expenses totaled \$757,895 as compared to \$659,305 in 2014, an increase of \$98,580, due largely to an increase in public safety and public works. The City generated \$1,002,809 in revenues for governmental programs compared to \$727,563 in the previous year, due to an increase in the grant revenue.
- For business-type activities, revenues were \$134,813 compared to \$126,018 in 2014. Expenses were \$184,062 compared to \$179,359 in 2014. Of these revenues, \$130,749 was generated by water and sewer department operations and \$4,064 was generated by sanitation management operations.
- The yearly cost for all city functions/programs was \$941,957 compared to \$838,664 in 2014.

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 left 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 **\$5,910,540** compared to **\$5,507,781** in 2014. 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	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 903,160	\$ 915,461	\$ 55,512	\$ 274,230	\$ 958,672	\$ 1,189,691
Capital Assets	2,853,912	2,609,140	2,442,759	2,066,265	5,296,671	4,675,405
TOTAL ASSETS	\$ 3,757,072	\$ 3,524,601	\$ 2,498,271	\$ 2,340,495	\$ 6,255,343	\$ 5,865,096
Current Liabilities	\$ 32,785	\$ 45,228	\$ 312,018	\$ 312,087	\$ 344,803	\$ 357,315
Long-Term Liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	32,785	45,228	312,018	312,087	344,803	357,315
Investment in Capital Assets	2,853,912	2,609,140	2,442,759	2,066,265	5,296,671	4,675,405
Restricted	4,110	91,971	-	-	4,110	91,971
Unrestricted	866,265	778,262	(256,506)	(37,857)	609,759	740,405
TOTAL NET POSITION	3,724,287	3,479,373	2,186,253	2,028,408	5,910,540	5,507,781
TOTAL LIABILITIES AND NET POSITION	\$ 3,757,072	\$ 3,524,601	\$ 2,498,271	\$ 2,340,495	\$ 6,255,343	\$ 5,865,096
TABLE 2 - CHANGES IN NET POSITION						
	Governmental Activities		Business Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
<i>Program Revenues:</i>						
Charges for Services	\$ 191,299	\$ 148,583	\$ 133,661	\$ 124,338	\$ 324,960	\$ 272,921
Operating Grants	7,296	6,995	-	-	7,296	6,995
Capital Grants/Contributions	303,196	103,676	207,094	-	510,290	103,676
<i>General Revenues</i>						
Property Taxes	197,225	171,272	-	-	197,225	171,272
Other Taxes	290,343	294,720	-	-	290,343	294,720
Other General	13,450	2,317	1,584	1,680	15,034	3,997
TOTAL REVENUES	1,002,809	727,563	342,339	126,018	1,345,148	853,581
<i>Program Expenditures:</i>						
General Government	202,035	181,962	-	-	202,035	181,962
Judicial	33,499	31,043	-	-	33,499	31,043
Public Safety	301,967	266,495	-	-	301,967	266,495
Public Works	150,518	115,639	-	-	150,518	115,639
Culture and Recreation	65,218	59,850	-	-	65,218	59,850
Housing and Development	4,658	4,316	-	-	4,658	4,316
Water and Sewer	-	-	172,967	167,763	172,967	167,763
Solid Waste	-	-	11,095	11,596	11,095	11,596
Total Expenses	757,895	659,305	184,062	179,359	941,957	838,664
Transfers In (Out)	-	-	(432)	-	(432)	-
CHANGE IN NET POSITION	244,914	68,258	157,845	(53,341)	402,759	14,917
NET POSITION, BEGINNING	3,479,373	3,427,757	2,028,408	2,081,749	5,507,781	5,509,506
PRIOR PERIOD RESTATEMENT	-	(16,642)	-	-	-	(16,642)
NET POSITION, ENDING	\$ 3,724,287	\$ 3,479,373	\$ 2,186,253	\$ 2,028,408	\$ 5,910,540	\$ 5,507,781

The City's net position for Governmental Activities was \$3,724,287 this year compared to \$3,479,373 last year. Unrestricted net position was \$866,265 this year, compared to \$778,262 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 \$2,186,253 this year compared to \$2,081,749 last year. Unrestricted Net Position was \$(256,506) compared to \$(37,857) last year.

Total revenues for the current year were \$1,343,564 compared to \$853,581 last year. The total yearly cost of all programs and services were \$941,957 compared to \$838,664 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.

	<u>Total Cost of Services</u>		<u>Net Cost (Revenue) of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General Government	\$ 202,035	\$ 181,962	\$ 183,313	\$ 101,213
Judicial	33,499	31,043	33,499	31,043
Public Safety	301,967	266,495	131,907	137,336
Public Works	150,518	115,639	(138,880)	75,149
Culture and Recreation	65,218	59,850	43,443	52,872
Housing and Development	<u>4,658</u>	<u>4,316</u>	<u>2,822</u>	<u>2,438</u>
TOTALS	<u>\$ 757,895</u>	<u>\$ 659,305</u>	<u>\$ 256,104</u>	<u>\$ 400,051</u>

GOVERNMENTAL FUNDS

This year the governmental fund revenues were \$958,606 compared to \$709,098 last year, an increase of \$249,508. This year's governmental fund expenditures were \$1,003,335 compared to \$781,321 last year, due primarily to an increase in capital project expenditures for infrastructure occurring in FY2015. Fund balance was \$573,747 as compared to \$616,265 last year.

BUSINESS-TYPE ACTIVITIES

This year's Business-type activities operating revenues (see Table 2) were \$135,245 compared to \$126,018 last year. This year's operating expenditures were \$184,062 compared to \$179,359 last year. The increase in revenues was largely due to service charges for water and sewer. The increase in expenses was due in part to an increase in personnel expenditures.

BUDGETARY HIGHLIGHTS

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

**TABLE 4
2015 BUDGET**

	<u>ORIGINAL</u>	<u>AMENDED</u>	<u>O/A VARIANCE*</u>	<u>ACTUAL EXPENSES</u>
GENERAL	\$ 635,573	\$ 814,771	\$ 179,198	\$ 814,775
WATER AND SEWER	110,910	110,910	-	172,967
SOLID WASTE	<u>12,590</u>	<u>12,590</u>	<u>-</u>	<u>11,095</u>
TOTAL	<u>\$ 759,073</u>	<u>\$ 938,271</u>	<u>\$ 179,198</u>	<u>\$ 998,837</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 2015. The General Fund revenues were \$50,664 over actual expenses, mainly due to increase grant revenue. The Water and Sewer Fund revenues were \$43,370 under actual expenses, which was largely due to depreciation expense of \$61,359. The Solid Waste Fund revenues were \$7,031 under expenses primarily because of personnel expenditures.

2015 ANALYSIS OF PROJECTS IN PROGRESS - the new sewer project continues and is scheduled to be completed in 2016.

CITY FUNDS

At year end, the City reported cash balances of \$621,841 compared to \$964,200 last year.

CAPITAL ASSETS

At the close of the year, the City had invested \$7,023,385 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 \$2,185,647, the end of year total was \$4,837,738. (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:

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cityoffairmount@comcast.net

CITY OF FAIRMOUNT, GEORGIA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

Assets	Primary Government		Total
	Governmental Activities	Business-type Activities	
Cash	\$ 365,636	\$ 256,205	\$ 621,841
Certificates of deposit	-	-	-
Accounts receivable, net	208,390	9,913	218,303
Due from other governments	93,247	-	93,247
Internal balances	231,254	(231,254)	-
Inventories	-	16,125	16,125
Prepaid items	4,633	4,523	9,156
Capital assets, not being depreciated	535,374	741,050	1,276,424
Capital assets, net of accumulated depreciation	2,318,538	1,701,709	4,020,247
Intangible assets, net of amortization	-	-	-
Total assets	3,757,072	2,498,271	6,255,343
Liabilities And Net Position			
Liabilities:			
Accounts payable	12,636	1,225	13,861
Accrued liabilities	5,230	518	5,748
Unearned revenue	12,945	307,500	320,445
Customer deposits	-	2,775	2,775
Short-term liabilities	1,974	-	1,974
Total liabilities	32,785	312,018	344,803
Net Position:			
Net investment in capital assets	2,853,912	2,442,759	5,296,671
Restricted for:			
Capital projects	-	-	-
Public safety	4,110	-	4,110
Unrestricted	866,265	(256,506)	609,759
Total net position	\$ 3,724,287	\$ 2,186,253	\$ 5,910,540

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, 2015

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	\$ 202,035	\$ 11,426	\$ 7,296	\$ -	\$ (183,313)	\$ -	\$ (183,313)
Judicial	33,499	-	-	-	(33,499)	-	(33,499)
Public safety	301,967	170,060	0	0	(131,907)	-	(131,907)
Public works	150,518	726	0	288,672	138,880	-	138,880
Culture and recreation	65,218	7,251	0	14,524	(43,443)	-	(43,443)
Housing and development	4,658	1,836	-	-	(2,822)	-	(2,822)
Total governmental activities	757,895	191,299	7,296	303,196	(256,104)	-	(256,104)
Business-type activities							
Water and sewerage	172,967	129,597	-	207,094	-	163,724	163,724
Solid waste	11,095	4,064	-	-	-	(7,031)	(7,031)
Total business-type activities	184,062	133,661	-	207,094	-	156,693	156,693
Total	\$ 941,957	\$ 324,960	\$ 7,296	\$ 510,290	(256,104)	156,693	(99,411)
General revenues							
Property taxes					197,225	-	197,225
General and selective sales taxes					127,618	-	127,618
Franchise taxes					121,238	-	121,238
Business taxes					41,487	-	41,487
Other revenues					10,017	-	10,017
Unrestricted investment earnings					1,222	1,584	2,806
Grants not specific to specific programs					2,211	-	2,211
Gain on disposition of equipment					0	(432)	(432)
Transfers					501,018	1,152	502,170
Total general revenues					244,914	157,845	402,759
Change in net position					3,479,373	2,028,408	5,507,781
Net position, beginning of year					\$ 3,724,287	\$ 2,186,253	\$ 5,910,540
Net position, end of year							

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

CITY OF FAIRMOUNT, GEORGIA

**GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2015**

Assets	General Fund	SPLOST Fund	Nonmajor Fund - Confiscated Assets Fund	Total Governmental Funds
Cash	\$ 328,223	\$ 33,303	\$ 4,110	\$ 365,636
Certificate of deposit	0	-	-	-
Property taxes receivable, net	78,525	-	-	78,525
Other taxes receivable, net	105,354	-	-	105,354
Accounts receivable, net	24,511	-	-	24,511
Due from other governments	85,484	7,763	-	93,247
Due from other funds	277,641	0	-	277,641
Prepaid items	4,633	-	-	4,633
Total assets	\$ 904,371	\$ 41,066	\$ 4,110	\$ 949,547
Liabilities				
Liabilities:				
Accounts payable	\$ 12,636	\$ -	\$ -	\$ 12,636
Accrued liabilities	5,230	-	-	5,230
Due to other funds	0	46,387	-	46,387
Unearned revenue	12,945	-	-	12,945
Total liabilities	30,811	46,387	-	77,198
Deferred Inflows of Resources				
Deferred property taxes	178,232	-	-	178,232
Unavailable municipal court fines	19,667	-	-	19,667
Unavailable franchise taxes	100,703	-	-	100,703
Total deferred inflows of resources	298,602	-	-	298,602
Fund Balances				
Nonspendable	4,633	-	-	4,633
Restricted	-	-	4,110	4,110
Assigned	14,708	-	-	14,708
Unassigned	555,617	(5,321)	-	550,296
Total fund balances	574,958	(5,321)	4,110	573,747
Total liabilities, deferred inflows of resources and fund balances	\$ 904,371	\$ 41,066	\$ 4,110	\$ 949,547

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, 2015**

Total fund balances - governmental funds (page 10) \$ 573,747

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 \$3,928,175, and the accumulated depreciation is \$1,074,263. 2,853,912

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. 298,602

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:

Compensated absences (1,974)

Net position of governmental activities in the statement of net position (page 8) \$ 3,724,287

CITY OF FAIRMOUNT, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues	General Fund	SPLOST Fund	Nonmajor Fund - Confiscated Assets Fund	Total Governmental Funds
Property taxes	\$ 156,246	\$ -	\$ -	\$ 156,246
Sales taxes	127,618	-	-	127,618
Franchise taxes	127,672	-	-	127,672
Business taxes	41,487	-	-	41,487
Licenses and permits	13,124	-	-	13,124
Intergovernmental	217,325	93,156	-	310,481
Charges for services	2,632	-	-	2,632
Fines and forfeitures	162,443	-	-	162,443
Investment earnings	1,222	11	-	1,233
Contributions	120	-	-	120
Miscellaneous revenues	15,550	-	-	15,550
Total revenues	865,439	93,167	-	958,606
Expenditures				
Current:				
General government	174,762	-	-	174,762
Judicial	33,499	-	-	33,499
Public safety	278,407	-	99	278,506
Public works	64,272	-	-	64,272
Culture and recreation	40,497	-	-	40,497
Housing and development	4,658	-	-	4,658
Capital outlay:				
General government	3,270	-	-	3,270
Public works	131,894	159,081	-	290,975
Public safety	83,516	-	-	83,516
Culture and recreation	-	29,380	-	29,380
Total expenditures	814,775	188,461	99	1,003,335
Excess of expenditures over revenues	50,664	(95,294)	(99)	(44,729)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	2,211	2,211
Transfers	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	2,211	2,211
Net change in fund balances	50,664	(95,294)	2,112	(42,518)
Fund balances, beginning of year	524,294	89,973	1,998	616,265
Fund balances, end of year	<u>\$ 574,958</u>	<u>\$ (5,321)</u>	<u>\$ 4,110</u>	<u>\$ 573,747</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, 2015**

Net change in fund balances - total governmental funds (page 12) \$ (42,518)

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	\$	366,700	
Depreciation expense		(121,928)	244,772

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.

41,992

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		668	
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<i>Change in net position of governmental activities (page 9)</i>	\$	244,914	
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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, 2015**

Revenues	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Property taxes	\$ 153,648	\$ 156,245	\$ 156,246	\$ 1
General sales taxes	110,000	104,569	104,569	-
Selective sales taxes	20,000	23,049	23,049	-
Franchise taxes	114,500	127,672	127,672	-
Business taxes	39,000	41,487	41,487	-
Licenses and permits	12,900	13,124	13,124	-
Intergovernmental	22,029	152,082	217,325	65,243
Charges for services	2,360	2,632	2,632	-
Fines and forfeitures	120,000	162,443	162,443	-
Investment earnings	1,000	1,222	1,222	-
Contributions	100	120	120	-
Miscellaneous revenues	6,562	15,418	15,550	132
Total revenues	602,099	800,063	865,439	65,376
Expenditures				
Current:				
General government:				
Legislative	4,711	3,518	3,518	-
Executive - mayor	10,765	10,853	10,853	-
Executive - administration	20,320	20,202	20,202	-
Elections	2,700	2,981	2,981	-
Financial administration	113,958	105,213	105,213	-
General government buildings	15,000	15,543	15,543	-
Customer support	16,642	16,452	16,452	-
Judicial:				
Municipal court	34,733	33,499	33,499	-
Public safety:				
Police administration	86,310	81,581	64,397	17,184
Custody of prisoners	5,000	4,680	4,680	-
Traffic patrol	200,585	209,330	209,330	-
Police property	5,000	-	-	-
Public works:				
Streets	53,299	37,274	37,274	-
Street lighting	26,500	24,298	24,298	-
Cemetery	2,700	2,700	2,700	-
Culture and recreation:				
Community center	9,080	14,035	14,035	-
Park and recreation	6,350	3,960	3,960	-
Pavilion	650	511	511	-
Scout hut	1,100	1,115	1,115	-
Tate/Central Park	5,200	6,305	6,305	-
Library	10,475	14,571	14,571	-

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, 2015

<i>concluded</i>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Housing and development:				
Building inspection	\$ 4,495	\$ 4,658	\$ 4,658	\$ -
Capital outlay:				
General government:				
Financial administration	-	730	730	-
General government buildings	-	2,540	2,540	-
Public safety:				
Police	-	66,328	83,516	(17,188)
Public works:				
Streets	-	131,894	131,894	-
Culture and recreation:				
Park and recreation	-	-	-	-
Total expenditures	635,573	814,771	814,775	(4)
Excess (deficiency) of revenues over expenditures	(33,474)	(14,708)	50,664	65,372
Other financing sources (uses)				
Proceeds from sale of donated equipment	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(33,474)	(14,708)	50,664	65,372
Fund balance, beginning of year	524,294	524,294	524,294	-
Fund balance, end of year	\$ 490,820	\$ 509,586	\$ 574,958	\$ 65,372

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

CITY OF FAIRMOUNT, GEORGIA

PROPRIETARY FUNDS STATEMENT OF NET POSITION DECEMBER 31, 2015

Assets	Enterprise Funds		Total
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	
Current assets:			
Cash	\$ 256,205	\$ -	\$ 256,205
Certificates of deposit	0	-	-
Accounts receivable, net	9,913	-	9,913
Inventories	16,125	-	16,125
Prepaid items	4,523	-	4,523
Total current assets	286,766	-	286,766
Noncurrent assets:			
Capital assets:			
Land and construction in progress	741,050	-	741,050
Other capital assets, net of depreciation	1,691,902	9,807	1,701,709
Intangible assets, net of amortization	-	-	-
Total noncurrent assets	2,432,952	9,807	2,442,759
Total assets	2,719,718	9,807	2,729,525
Liabilities And Net Position			
Current liabilities:			
Accounts payable	1,225	-	1,225
Accrued liabilities	518	-	518
Due to other funds	231,254	-	231,254
Total current liabilities	232,997	-	232,997
Noncurrent liabilities:			
Unearned revenue	307,500	-	307,500
Customer deposits	2,775	-	2,775
Total noncurrent liabilities	310,275	-	310,275
Total liabilities	543,272	-	543,272
Net position:			
Net investment in capital assets	2,432,952	9,807	2,442,759
Unrestricted	(256,506)	-	(256,506)
Total net position	\$ 2,176,446	\$ 9,807	\$ 2,186,253

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

CITY OF FAIRMOUNT, GEORGIA

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise Funds		Total
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	
Operating revenues:			
Water charges	\$ 59,559	\$ -	\$ 59,559
Sewer charges	58,132	-	58,132
Solid waste charges	-	4,064	4,064
Water tap fees	11,156	-	11,156
Sewer tap fees	750	-	750
Total operating revenues	<u>129,597</u>	<u>4,064</u>	<u>133,661</u>
Operating expenses:			
Personal services	42,666	8,392	51,058
Contractual and professional services	1,524	2,031	3,555
Repairs and maintenance	8,389	-	8,389
Materials and supplies	5,049	0	5,049
Insurance	14,177	-	14,177
Utilities	34,813	-	34,813
Other expenses	4,990	-	4,990
Depreciation and amortization	61,359	672	62,031
Total operating expenses	<u>172,967</u>	<u>11,095</u>	<u>184,062</u>
Operating income (loss)	<u>(43,370)</u>	<u>(7,031)</u>	<u>(50,401)</u>
Nonoperating revenues:			
Capital grants	207,094	-	207,094
Interest income	1,584	-	1,584
Total nonoperating revenues	<u>208,678</u>	<u>-</u>	<u>208,678</u>
Income (loss) before transfers	165,308	(7,031)	158,277
Capital contributions:			
Transfers in	4,064	10,423	14,487
Transfers out	<u>(10,855)</u>	<u>(4,064)</u>	<u>(14,919)</u>
Change in net position	158,517	(672)	157,845
Net position, beginning of year	<u>2,017,929</u>	<u>10,479</u>	<u>2,028,408</u>
Net position, end of year	<u>\$ 2,176,446</u>	<u>\$ 9,807</u>	<u>\$ 2,186,253</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, 2015

	Enterprise Funds		Total
	Water and Sewer Fund	Nonmajor Fund - Solid Waste Fund	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	\$ 128,926	\$ 4,064	\$ 132,990
Payments to suppliers and service providers	(67,020)	(2,031)	(69,051)
Payments to employees	(44,554)	(8,392)	(52,946)
Net cash provided by (used in) operating activities	17,352	(6,359)	10,993
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES			
Interest receipts	1,584	-	1,584
Net cash provided by investing activities	1,584	-	1,584
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund loans received	231,254	-	231,254
Purchase and construction of capital assets	(438,525)	-	(438,525)
Capital grants received	207,094	-	207,094
Transfers from other funds	4,064	10,423	14,487
Transfers to other funds	(10,855)	(4,064)	(14,919)
Net cash (used in) provided by financing activities	(6,968)	6,359	(609)
Net decrease in cash	11,968	-	11,968
Cash, beginning of year	244,237	-	244,237
Cash, end of year	\$ 256,205	\$ -	\$ 256,205
<i>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</i>			
Operating (loss)	\$ (43,370)	\$ (7,031)	\$ (50,401)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	61,359	672	62,031
(Increase) decrease in accounts receivable	(1,296)	-	(1,296)
(Increase) decrease in prepaid items	608	-	608
(Increase) decrease in inventories	120	-	120
Increase (decrease) in accounts payable	1,194	-	1,194
Increase (decrease) in accrued liabilities	(1,888)	-	(1,888)
Increase (decrease) in customer deposits	625	-	625
Net cash provided by (used in) operating activities	\$ 17,352	\$ (6,359)	\$ 10,993

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

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, 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, 2015

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 2006 AND 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 measurement 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, 2015

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 GASB 34, infrastructure assets acquired prior to July 1, 2004, have been capitalized as of December 31, 2015. 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:

<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

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, 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 retirements.

K. 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 2015 for the 2016 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 2016 or the period in which the amounts become available.

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CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. 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, 2015

NOTE 4. RECEIVABLES

Receivables at December 31, 2015, for the City's individual funds in the aggregate are as follows:

	General Fund	Water and Sewer Fund	SPLOST Fund	Total
Receivables:				
Property taxes	\$ 78,525	\$ -	\$ -	\$ 78,525
Franchise	103,775	-	-	103,775
Miscellaneous taxes	1,579	-	-	1,579
Local option sales tax	9,965	-	7,763	9,965
Fines	24,511	-	-	24,511
Water	-	2,990	-	2,990
Sewer	-	6,923	-	6,923
Solid waste	-	-	-	-
Gross receivables	218,355	9,913	7,763	236,031
Less allowance for uncollectible	(44,581)	-	-	(44,581)
Net receivables	<u>\$ 173,774</u>	<u>\$ 9,913</u>	<u>\$ 7,763</u>	<u>\$ 191,450</u>

The City bills and collects its own property taxes. The 2015 digest was levied in October 2015, with bills payable on or before December 20, 2015. 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 2015 digest were intended for use in the 2016 budget year. Therefore, the entire 2015 digest levy of \$149,455 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 \$1,468 at December 31, 2015.

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CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5. CAPITAL AND INTANGIBLE ASSETS

A. Capital and intangible asset activity for the year ended December 31, 2015 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	644,468	-	(147,038)	497,430
Total capital assets not being depreciated	1,158,234	-	(147,038)	1,011,196
Capital assets, being depreciated:				
Infrastructure	811,662	316,846	-	1,128,508
Buildings and improvements	1,063,568	558,083	-	1,621,651
Machinery and equipment	303,414	22,818	-	326,232
Vehicles	224,597	66,328	-	290,925
Total capital assets being depreciated	2,403,241	964,075	-	3,367,316
Less accumulated depreciation for:				
Infrastructure	228,257	41,855	-	270,112
Buildings and improvements	259,246	44,642	-	303,888
Machinery and equipment	251,575	15,831	-	267,406
Vehicles	213,257	19,600	-	232,857
Total accumulated depreciation	952,335	121,928	-	1,074,263
Total capital assets being depreciated, net	1,450,906	842,147	-	2,293,053
Governmental activities capital assets, net	\$ 2,609,140	\$ 842,147	\$ (147,038)	\$ 3,304,249

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

General government	\$ 26,793
Public safety	23,565
Public works	47,643
Culture and recreation	23,927
Total depreciation expense - governmental activities	\$ 121,928

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5. CAPITAL AND INTANGIBLE ASSETS (concluded)

	Beginning of Year	Increases	Reclassifications & Deletions	End of Year
<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	2,637,971	-	-	2,637,971
Equipment and vehicles	155,909	-	-	155,909
Total capital assets being depreciated	<u>2,811,893</u>	<u>-</u>	<u>-</u>	<u>2,811,893</u>
Less accumulated depreciation for:				
Land improvements	7,534	672	-	8,206
Infrastructure	919,926	52,733	-	972,659
Equipment and vehicles	121,893	8,626	-	130,519
Total accumulated depreciation	<u>1,049,353</u>	<u>62,031</u>	<u>-</u>	<u>1,111,384</u>
Total capital assets being depreciated, net	<u>1,762,540</u>	<u>(62,031)</u>	<u>-</u>	<u>1,700,509</u>
Business-type activities capital assets, net	<u>\$ 2,066,266</u>	<u>\$ (62,031)</u>	<u>\$ -</u>	<u>\$ 2,004,235</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	\$ 61,359
Solid waste management	672
Total depreciation expense - business-type activities	<u>\$ 62,031</u>
Water and sewerage	-
Total amortization expense - business-type activities	<u>\$ -</u>

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2015, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Water and Sewer Fund	\$ 231,254
General Fund	SPLOST	46,387
		<u>\$ 277,641</u>

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	\$ 4,064
Nonmajor enterprise fund	Water and Sewer Fund	10,423
		<u>\$ 14,487</u>

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 <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due <u>Within One Year</u>
Compensated absences	\$ 2,642	\$ -	\$ 678	\$ 1,964	\$ 1,964

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

NOTE 8. FUND EQUITY

Components of Fund Equity in the Governmental Funds

The General Fund reflects a portion of fund balance as "nonspendable" for the purpose of prepaid insurance totaling \$4,633, as reflected in the current assets of the fund. The nonmajor fund reflects a balance of \$4,110 as "restricted" for purposes of legislative acts for public safety. The General Fund reflects a portion of fund balance as "assigned" to the subsequent year's budget in the amount of \$14,708.

CITY OF FAIRMOUNT, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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, 2015 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, 2015

NOTE 11. COMMITMENTS AND CONTINGENCIES

Contingencies – The City has been made aware of a possible illegal dump site within the city limits. At this time, the City has not been able to estimate any possible expenditures for this potential liability.

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, 2015**

Project	Estimated Cost		Expenditures		Estimated % of Completion	
	Original	Current	Prior Years	Current Year		Total
Paid from SPLOST Fund (a capital projects fund):						
SPLOST 2006						
Recreation	\$ 100,000	\$ 100,000	\$ 85,558	\$ 13,545	\$ 99,103	99%
Roads, streets, and sidewalks	400,000	400,000	445,747	15,523	461,270	115%
Water and sewer improvements	121,427	121,427	120,894	-	120,894	100%
Government buildings	200,000	200,000	240,870	-	240,870	120%
	<u>\$ 821,427</u>	<u>\$ 821,427</u>	<u>\$ 893,069</u>	<u>\$ 29,068</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, 2015

Project	Estimated Cost		Prior Years	Expenditures		Estimated % of Completion
	Original	Current		Current Year	Total	
Paid from SPLOST Fund (a capital projects fund):						
SPLOST 2012						
Recreation	\$ 52,848	\$ 52,848	\$ -	\$ 15,838	\$ 15,838	30%
Roads, streets, and sidewalks	215,796	215,796	4,103	104,653	108,756	50%
Water and sewer improvements	66,060	66,060	-	-	-	0%
Sewer project	67,754	67,754	27,353	38,905	66,258	98%
Government buildings	105,696	105,696	105,339	-	105,339	100%
	<u>\$ 508,154</u>	<u>\$ 508,154</u>	<u>\$ 136,795</u>	<u>\$ 159,396</u>	<u>\$ 296,191</u>	

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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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, 2015, 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 8, 2016.

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.

Rob Jennings & Associates, PC

Ellijay, Georgia

July 8, 2016

**CITY OF FAIRMOUNT, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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.