

**City of Cumming, Georgia**

**Financial Statements**

**With Independent Auditor's Report**

**For the year ended December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the  
City Council and City Administrator  
City of Cumming, Georgia

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, the discretely presented component unit, each major fund, and the remaining fund information of the City of Cumming, Georgia, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 5 through 8 and 41 through 43 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 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's financial statements as a whole. The schedule of projects funded with special purpose 1% local option sales tax is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of projects funded with special purpose 1% local option sales tax is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Cumming, Georgia  
March 21, 2017

*Leroy, Cole & Stephens, LLC*

doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered major funds. Data from the third fund is presented in a separate column labeled non-major fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

Proprietary funds. The City maintains one proprietary fund – an enterprise fund that is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer enterprise fund is considered a major fund since it is the only proprietary fund maintained by the City.

The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 39 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

#### General Fund Budgetary Highlights

During 2016, there was a \$2,443,800 increase in expenditures between the original and final amended budget. Of this increase, \$664,000 was offset by an increase in various taxes. The remaining \$1,779,800 increase reflects increases in revenues such as fees for services and other revenues such as license and permits for a net total increase of 18.1% of the total budget.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

At the end of 2016, the City had \$168,663,478 invested in a broad range of capital assets, including buildings, plants, park facilities, streets and water and sewer lines. This represents a net increase of \$4,129,657. This increase primarily reflects the addition of capital assets added that have been under construction in previous years. Additional information on the City's capital assets can be found in Note IV. C., on pages 29 and 30.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2017 budget reflects anticipated general fund revenues of \$13,876,500 and is balanced including a contingency reserve of \$1,200,000. This represents a decrease of \$2,088,800 or 13% under the final budget for 2016. This reflects an expected decrease in revenues from Motor Vehicle Title Ad valorem tax and other taxes. It also reflects the expected lack of special revenue items that occurred in 2016. The water and sewer fund budget reflects anticipated revenues of \$19,532,500. This budgeted amount represents an increase of \$1,797,500 or approximately 10% compared to 2016. This increase reflects an increase in sewer charges, sewer reserve capacity and increased water sales. Construction is ongoing on various capital projects for the Water and Sewer system.

#### SUBSEQUENT EVENT

The City Council adopted an ordinance/resolution on January 17, 2017 which established the GMEBS OPEB Trust effective January 1, 2017 to prefund post-employment. The City made an initial contribution to the trust of \$4,000,000 split evenly between governmental activities and business-type activities. The City will make monthly contributions of \$61,083 (split evenly between governmental and business-type activities) to the trust beginning July 1, 2017 and will make future contributions based on periodic actuarial valuations. The effect these contributions will have on the City's net OPEB liability will be determined at the next actuarial valuation.

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Cumming's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to the City Clerk, 100 Main Street, Cumming, Georgia 30040.

## **BASIC FINANCIAL STATEMENTS**

## **Government-wide Financial Statements**

**CITY OF CUMMING, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Primary Government			Component
	Governmental	Business-type		
	Activities	Activities	Total	Unit
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 10,713,107	\$ 47,333,578	\$ 58,046,685	\$ 1,773,211
Receivables, net	210,253	1,921,050	2,131,303	-
Intergovernmental receivable	4,674,606	-	4,674,606	-
Note receivable	-	-	-	405,000
Internal balances	(237,895)	237,895	-	-
Inventory	-	316,324	316,324	-
Prepaid expenses	156,197	99,279	255,476	-
Receivables-non-current	-	-	-	1,856,250
Restricted assets	3,251,072	10,800,389	14,051,461	-
Capital assets, not being depreciated	10,638,006	20,853,423	31,491,429	-
Capital assets, net of accumulated depreciation	63,777,418	73,394,631	137,172,049	-
Total Assets	93,182,764	154,956,569	248,139,333	4,034,461
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows of resources related to pensions	562,401	537,759	1,100,160	-
Total Deferred Outflows of Resources	562,401	537,759	1,100,160	-
<b><u>LIABILITIES</u></b>				
Accounts payable	293,911	846,146	1,140,057	-
Accrued liabilities	33,842	62,583	96,425	-
Liabilities payable from restricted assets	-	536,863	536,863	-
Noncurrent liabilities:	-	-	-	-
Due within one year	8,000	30,000	38,000	-
Due in more than one year	6,038,071	6,530,641	12,568,712	4,055,000
Total Liabilities	6,373,824	8,006,233	14,380,057	4,055,000
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unearned revenues	159,215	-	159,215	-
Deferred inflows of resources related to pensions	18,311	17,509	35,820	-
Total Deferred Inflows of Resources	177,526	17,509	195,035	-
<b><u>NET POSITION</u></b>				
Invested in capital assets	74,415,424	94,248,054	168,663,478	-
Restricted for capital projects	3,251,072	9,219,924	12,470,996	-
Unrestricted	9,527,319	44,002,608	53,529,927	(20,539)
Total Net Position	\$ 87,193,815	\$ 147,470,586	\$ 234,664,401	\$ (20,539)

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



**CITY OF CUMMING, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Program Revenues				Primary Government			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental activities:</b>								
General government	\$ 2,841,068	\$ 266,514	\$ -	\$ 2,531,323	\$ (43,231)	\$ -	\$ (43,231)	\$
Public safety	2,561,810	463,833	6,500	-	(2,091,477)	-	(2,091,477)	
Streets	3,787,741	28,974	-	106,872	(3,651,895)	-	(3,651,895)	
Sanitation	416,387	478,177	-	-	61,790	-	61,790	
Planning and zoning	645,944	692,243	-	-	46,299	-	46,299	
Culture and recreation	6,773,414	3,982,337	-	12,246	(2,778,831)	-	(2,778,831)	
Total governmental activities	17,026,364	5,912,078	6,500	2,650,441	(8,457,345)	-	(8,457,345)	
<b>Business-type activities:</b>								
Water and sewer	17,040,110	19,959,503	-	7,077,442	-	9,996,835	9,996,835	
Total business-type activities	17,040,110	19,959,503	-	7,077,442	-	9,996,835	9,996,835	
Total City of Cumming	\$ 34,066,474	\$ 25,871,581	\$ 6,500	\$ 9,727,883	\$ (8,457,345)	\$ 9,996,835	\$ 1,539,490	\$
<b>Component unit</b>								
Downtown Development Authority	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20,000)
Total component unit	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20,000)
<b>General revenues:</b>								
Title ad valorem tax					867,939	-	867,939	
Sales taxes					5,361,649	-	5,361,649	
Franchise taxes					1,035,366	-	1,035,366	
Insurance premium taxes					339,658	-	339,658	
Hotel/Motel taxes					20,380	-	20,380	
Beverage taxes					770,257	-	770,257	
Grants and contributions not restricted to programs					1,301	-	1,301	
Unrestricted investment earnings					4	42,096	42,100	
Restricted investment earnings					-	231,726	231,726	
Transfers					(250,000)	250,000	-	
Total general revenues					8,146,554	523,822	8,670,376	
Change in net position					(310,791)	10,520,657	10,209,866	(20,000)
Net position-beginning					87,504,606	136,949,929	224,454,535	(539)
Net position-ending					\$ 87,193,815	\$ 147,470,586	\$ 234,664,401	\$ (20,539)

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

## **Fund Financial Statements**

**CITY OF CUMMING, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	Major			Nonmajor	Total
	General	SPLOST	Capital Projects	Hotel/Motel Tax	Governmental
	Fund	Fund	Fund	Fund	Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 10,578,140	\$ -	\$ 134,967	\$ -	\$ 10,713,107
Receivables, net					
Taxes receivable	-	-	-	1,764	1,764
Franchise fees	68,630	-	-	-	68,630
Beverage taxes	76,444	-	-	-	76,444
Garbage collection and other fees	63,415	-	-	-	63,415
Intergovernmental receivable	4,674,606	-	-	-	4,674,606
Interfund receivables	-	-	27,967	-	27,967
Prepaid items	156,197	-	-	-	156,197
Restricted assets:					
Cash and cash equivalents	-	2,440,672	-	-	2,440,672
Receivables	-	810,400	-	-	810,400
Total Assets	<u>\$ 15,617,432</u>	<u>\$ 3,251,072</u>	<u>\$ 162,934</u>	<u>\$ 1,764</u>	<u>\$ 19,033,202</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 272,641	\$ -	\$ 19,506	\$ 1,764	\$ 293,911
Accrued liabilities	33,842	-	-	-	33,842
Interfund payable	265,862	-	-	-	265,862
Total Liabilities	<u>572,345</u>	<u>-</u>	<u>19,506</u>	<u>1,764</u>	<u>593,615</u>
<b>Deferred inflows of resources</b>					
Unearned revenues	159,215	-	-	-	159,215
Total Deferred Inflows of Resources	<u>159,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,215</u>
<b>Fund balances</b>					
Nonspendable for prepaid items	156,197	-	-	-	156,197
Restricted for capital projects	-	3,251,072	-	-	3,251,072
Assigned to construction of capital assets	-	-	143,428	-	143,428
Unassigned	14,729,675	-	-	-	14,729,675
Total Fund Balances	<u>14,885,872</u>	<u>3,251,072</u>	<u>143,428</u>	<u>-</u>	<u>18,280,372</u>
Total Liabilities and Fund Balances	<u>\$ 15,617,432</u>	<u>\$ 3,251,072</u>	<u>\$ 162,934</u>	<u>\$ 1,764</u>	
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 funds					74,415,424
Long-term liabilities, are not due and payable in the current period, therefore, are not reported in the funds.					
OPEB Liability				(4,445,429)	
Net pension liability and related deferred outflows and inflows of resources				(955,386)	
Compensated absences				(101,166)	(5,501,981)
Net position of governmental activities					<u>\$ 87,193,815</u>

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

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

	Major			Nonmajor	Total
	General	SPLOST	Capital Projects	Hotel/Motel Tax	Governmental
	Fund	Fund	Fund	Fund	Funds
<b>REVENUES</b>					
Taxes	\$ 8,374,869	\$ -	\$ -	\$ 20,380	\$ 8,395,249
Licenses and permits	850,329	-	-	-	850,329
Intergovernmental	46,872	2,531,323	-	-	2,578,195
Charges for services	4,632,930	-	-	-	4,632,930
Fines and forfeitures	428,819	-	-	-	428,819
Investment earnings	4	-	-	-	4
Contributions and donations	67,801	-	12,246	-	80,047
Total Revenues	<u>14,401,624</u>	<u>2,531,323</u>	<u>12,246</u>	<u>20,380</u>	<u>16,965,573</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,572,023	-	-	-	2,572,023
Public Safety	2,300,565	-	-	-	2,300,565
Streets	1,761,392	-	-	-	1,761,392
Planning and zoning	608,863	-	-	-	608,863
Sanitation	416,387	-	-	-	416,387
Culture and recreation	5,633,352	-	-	20,380	5,653,732
Capital Outlay:					
Streets	-	318,028	-	-	318,028
Culture and recreation	-	683,262	1,893,508	-	2,576,770
Total Expenditures	<u>13,292,582</u>	<u>1,001,290</u>	<u>1,893,508</u>	<u>20,380</u>	<u>16,207,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,109,042</u>	<u>1,530,033</u>	<u>(1,881,262)</u>	<u>-</u>	<u>757,813</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	1,425,034	-	1,425,034
Transfers out	<u>(1,425,034)</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(1,675,034)</u>
Total other financing sources and uses	<u>(1,425,034)</u>	<u>(250,000)</u>	<u>1,425,034</u>	<u>-</u>	<u>(250,000)</u>
Change in fund balance	(315,992)	1,280,033	(456,228)	-	507,813
Fund balances - beginning	15,201,864	1,971,039	599,656	-	17,772,559
Fund balances - ending	<u>\$ 14,885,872</u>	<u>\$ 3,251,072</u>	<u>\$ 143,428</u>	<u>\$ -</u>	<u>\$ 18,280,372</u>

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

**CITY OF CUMMING, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds	\$ 507,813
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The change in net position reported for governmental activities in the statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in OPEB liability	(627,337)	
Net change in pension liability and related deferred outflows and inflows of resources	(30,325)	
Net change in long-term compensated absences	5,551	(652,111)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which depreciation (\$3,691,578) exceeded net capital outlay (\$3,525,085) in the current period.

(166,493)

Change in net position of governmental activities	\$ <u>(310,791)</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF CUMMING, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Budget
REVENUES				
Taxes	\$ 8,025,000	\$ 8,689,000	\$ 8,374,869	\$ (314,131)
Licenses and permits	755,000	1,096,000	850,329	(245,671)
Intergovernmental	-	47,000	46,872	(128)
Charges for services	4,324,000	5,712,300	4,632,930	(1,079,370)
Fines and forfeitures	410,000	418,000	428,819	10,819
Investment earnings	-	-	4	4
Contributions and donations	7,500	3,000	67,801	64,801
Total Revenues	13,521,500	15,965,300	14,401,624	(1,563,676)
EXPENDITURES				
Current:				
General government	1,069,150	2,578,150	2,572,023	6,127
Public Safety	2,278,500	2,476,700	2,300,565	176,135
Streets	1,735,200	2,098,700	1,761,392	337,308
Planning and zoning	548,550	625,050	608,863	16,187
Sanitation	359,200	410,200	416,387	(6,187)
Culture and recreation	4,870,800	6,351,466	5,633,352	718,114
Total Expenditures	10,861,400	14,540,266	13,292,582	1,247,684
Excess (deficiency) of revenues over				
(under) expenditures	2,660,100	1,425,034	1,109,042	(315,992)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,660,100)	(1,425,034)	(1,425,034)	-
Total other financing sources and uses	(2,660,100)	(1,425,034)	(1,425,034)	-
Change in fund balance	-	-	(315,992)	(315,992)
Fund balances - beginning	15,201,864	15,201,864	15,201,864	-
Fund balances - ending	\$ 15,201,864	\$ 15,201,864	\$ 14,885,872	\$ (315,992)

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

**CITY OF CUMMING, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	Water and Sewer Fund
<b>ASSETS</b>	
Current Assets:	
Cash on hand and in banks	\$ 47,333,578
Accounts receivable, net	1,921,050
Interfund receivable	239,680
Inventory	316,324
Prepaid expenses	99,279
Restricted cash	1,580,465
Total Current Assets	<u>51,490,376</u>
Noncurrent Assets:	
Restricted cash, cash equivalents and investments	9,219,924
Total Restricted Assets	<u>9,219,924</u>
Capital Assets:	
Capital assets, not being depreciated	20,853,423
Capital assets, being depreciated	160,783,129
	181,636,552
Accumulated depreciation	(87,388,498)
Net Capital Assets	<u>94,248,054</u>
Total Noncurrent Assets	<u>103,467,978</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	537,759
Total deferred outflows of resources	<u>537,759</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 155,496,113</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 846,146
Accrued liabilities	92,583
Interfund payable	1,785
Liabilities payable from restricted assets	536,863
Total Current Liabilities	<u>1,477,377</u>
Noncurrent Liabilities:	
Accrued employee benefits	36,674
Accrued OPEB Obligation	4,016,594
Net pension liability	1,433,771
Customer's deposits	1,043,602
Total Noncurrent Liabilities	<u>6,530,641</u>
Total Liabilities	<u>8,008,018</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	17,509
Total deferred inflows of resources	<u>17,509</u>
<b>NET POSITION</b>	
Invested in capital assets	94,248,054
Restricted for capital projects	9,219,924
Unrestricted	44,002,608
Total Net Position	<u><u>\$ 147,470,586</u></u>

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

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

	Water and Sewer Fund
<b>Operating Revenues:</b>	
Charges for services	\$ 19,959,503
Total Operating Revenues	<u>19,959,503</u>
<b>Operating Expenses:</b>	
Personal services	5,203,114
Purchased and contracted services	2,319,271
Supplies	3,256,582
Depreciation	<u>6,261,143</u>
Total Operating Expenses	<u>17,040,110</u>
Income from operations	<u>2,919,393</u>
<b>Nonoperating Revenues/(Expenses):</b>	
Interest income	<u>273,822</u>
Total Nonoperating Revenues/(Expenses)	<u>273,822</u>
Income before contributions	3,193,215
<b>Capital contributions and proceeds from disposition of capital assets</b>	<u>7,327,442</u>
Change in net position	10,520,657
Total net position - beginning	<u>136,949,929</u>
Total net position - ending	<u>\$ 147,470,586</u>

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



**CITY OF CUMMING, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 19,905,673
Payments to suppliers	(5,953,376)
Payments to employees	(4,023,404)
Net cash provided by operating activities	<u>9,928,893</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to other funds	(196,561)
Net cash provided by noncapital financing activities	<u>(196,561)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(10,557,293)
Proceeds from capital contributions and disposition of capital assets	7,327,442
Net cash used by capital and related financing activities	<u>(3,229,851)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	273,822
Net cash provided by investing activities	<u>273,822</u>
 <b>Net increase in cash and cash equivalents</b>	 6,776,303
Cash and cash equivalents at beginning of year	<u>51,357,664</u>
Cash and cash equivalents at end of year	<u><u>\$ 58,133,967</u></u>
 Cash and cash equivalents at end of year	 \$ 50,564,170
Investments	7,569,797
Cash, cash equivalents and investments at end of year	<u><u>\$ 58,133,967</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating Income	\$ 2,919,393
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,261,143
Change in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(216,040)
(Increase) decrease in inventory	(81,968)
(Increase) decrease in prepaid expenses	(81,455)
(Increase) decrease in deferred outflows of resources related to pensions	(374,188)
Increase (decrease) in accounts payable	308,270
Increase (decrease) in accrued liabilities	12,508
Increase (decrease) in customer deposits	162,210
Increase (decrease) in accrued employee benefits	1,167,202
Increase (decrease) in deferred inflows of resources related to pensions	(148,182)
Net cash provided by operating activities	<u><u>\$ 9,928,893</u></u>

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

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

The accounting methods and procedures adopted by the City of Cumming, Georgia, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's financial statements.

**I. Summary of significant accounting policies**

**A. Reporting entity**

The City of Cumming, Georgia is a municipal corporation incorporated in 1910 under provisions of the laws of Georgia. The City is governed by an elected mayor and five-member council and provides the following services in addition to general administrative responsibilities: public safety inclusive of police, water and sewer, streets and sanitation, cultural and recreational activities, public improvements and planning and zoning.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations. A comparative analysis of financial information is presented in the MD&A.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

In conformity with generally accepted accounting principles, as set forth in Statement of Governmental Accounting Standards No. 14 "The Financial Reporting Entity", the accompanying financial statements present the government and its component units, entities for the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discreetly presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government also may be financial accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. Imposition of will relates to the ability of the primary government to significantly influence the activities of the organization

At December 31, 2016 the City of Cumming, Georgia had no relationships with legally separate organizations that are required to be included in the reporting entity for financial statement purposes except as discussed in the following paragraph.

The Cumming Fair Authority (a legally separate organization) is a blended component unit of the City of Cumming. The authority is governed by a board comprised of the government's elected council. The authority is currently dormant and has had no financial activity since inception. When the authority is activated it will be reported as a special revenue fund.

The Downtown Development Authority (a legally separate organization) established by OCGA 36-42-4 is a component unit of the City of Cumming, Georgia that requires discreet presentation. The City appoints all seven members of the board. Financial information of the Development Authority can be obtained from the City Clerk. The Development Authority operates on a calendar year. Separate financial statements for the Development Authority are not prepared.

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

**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 nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for the primary government is financially accountable. The City's net position is reported in three parts - invested in capital assets, restricted and unrestricted.

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

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

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

The government reports the following major governmental funds:

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

The SPLOST capital projects fund is used to account for financial resources segregated for the acquisition or construction of major capital facilities funded with Special Purpose Local Option Sales Tax.

The capital projects fund is used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

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

**8. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**9. Fund equity**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- o Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- o Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation;
- o Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- o Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- o Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service or other purposes).

**10. Net position flow assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to be reported restricted net position and unrestricted net position in government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**11. Comparative data/reclassifications**

Comparative total data for the prior year has not been presented. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**12. Management estimates**

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

**II. Reconciliation of government-wide and fund financial statements**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including compensated absences are not due and payable in the current period, therefore, are not reported in the funds. The City excluded accrued compensated absences in the amount of \$101,166, OPEB liabilities in the amount of \$4,445,429 and net pension liability of \$955,386 from the fund financial statements because they are not due and payable in the current period. The City also excluded \$74,415,424 of capital assets from the fund statements. See footnote IV C for additional information regarding the components of the capital assets included in the government-wide statement of net position.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this (\$166,493) difference are as follows:

Capital outlay	\$ 3,525,085
Depreciation expense	<u>(3,691,578)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (166,493)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds". The details of this (\$652,111) difference are as follows:

Change in OPEB liability	\$ (627,337)
Change in net pension liability	(538,221)
Change in deferred outflows related to pensions	343,074
Change in deferred inflows related to pensions	164,822
Compensated absences	<u>5,551</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (652,111)</u>

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

An operating budget is legally adopted each fiscal year for the general, capital projects and special revenue funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Generally, on or before the third Tuesday in October of each year, all departments of the government submit requests for appropriations to the government's administrator so that a budget may be prepared. Before the third Tuesday in November, the proposed budget is presented to the government's council for review. The council holds public hearings and a final budget is adopted no later than December 31.

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriation within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the department level. The City made certain supplemental appropriations during the year based on revenues received in excess of budgeted amounts. The general fund amended budget amounts are reflected in a separate column on the statement of revenues, expenditures and changes in fund balances-budget and actual.

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

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The City does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2016, expenditures exceeded appropriations in the solid waste collection department (legal level of budgetary control) due to unexpected third party dump fees. The over expenditures were funded by greater than anticipated revenues and by available fund balance. No other departments' expenditures exceeded appropriations.

**C. Deficit fund equity**

No funds reflected deficit fund equity at December 31, 2016.

**IV. Detailed notes on all funds**

**A. Cash and investments**

At December 31, 2016, the carrying amount of the City's cash deposits was \$63,717,948 and the bank balance was \$65,137,475.

The City's investments consist of certificates of deposit and deposits in the State Treasurer's investment pool (included above). The City elects to exclude investments with maturity of one year or less from the date of purchase from fair value reporting. These investments are stated at amortized cost. Investments in the State Treasurer's investment pool are stated at fair value. Fair value equals the value of the pool shares. At December 31, 2016, the City's investments in certificates of deposit not included above was \$7,569,798 and their WAM is 228 days and the City's deposits in the State Treasurer's investment pool totaled \$3,231,657. Total deposits and investments as of December 31, 2016, are summarized as follows:

Carrying amount of deposits	\$ 60,486,291
Carrying amount of local government investment pool	3,231,657
Total shown above	63,717,948
Carrying amount of investments in certificates of deposit	7,569,798
Total deposits and investments	<u>\$ 71,287,746</u>
Cash on hand and in banks-total city	\$ 58,046,685
Restricted cash-SPLOST fund	2,440,672
Restricted cash and investments-enterprise fund	10,800,389
Total shown on financial statements	<u>\$ 71,287,746</u>

**Credit Risk**

The City does not have a formal policy that would limit its credit risk beyond the limits imposed by state law. See footnote 1.D for information on authorized investments and the local government investment pool's credit rating.

**Custodial Risk-Deposits and Investments**

Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Georgia law governs collateral requirements for public deposits and requires depository institutions to maintain collateral equal to 110% of the City's deposits. The City does not have a deposit policy for custodial risk that would extend the requirements beyond state law. The City's cash, cash equivalents and investments are typically either covered by federal depository insurance, collateralized with securities held by the City's agent in the City's name or held by state treasurer's collateral pool which provides for additional assessments in the event that the pools collateral is insufficient to cover losses and therefore is similar to depository insurance. At December 31, 2016, the City did not have any deposits that were uninsured or under collateralized, as defined by State statutes.

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

**B. Receivables**

Receivables as of year end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
Taxes	\$ 145,074	\$ -	\$ 1,764	\$ 146,838
Accounts	68,330	2,047,050		2,115,380
Gross total receivables	213,404	2,047,050	1,764	2,262,218
Less: allowance for uncollectibles	(4,915)	(126,000)		(130,915)
Net total receivables	<u>\$ 208,489</u>	<u>\$ 1,921,050</u>	<u>\$ 1,764</u>	<u>\$ 2,131,303</u>

All of the receivables are expected to be collected within one year. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Due from other Governments at December 31, 2016, consists of sales taxes due from the State of Georgia Department of Revenue, SPLOST funds due from Forsyth County and funds due from the Downtown Development Authority.

**C. Capital assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,638,006	\$ -	\$ -	\$ 10,638,006
Construction in progress	3,375,828	-	3,375,828	-
Total capital assets, not being depreciated	<u>14,013,834</u>	<u>-</u>	<u>3,375,828</u>	<u>10,638,006</u>
Capital assets, being depreciated:				
Buildings	32,722,511	5,204,373	-	37,926,884
Improvements other than buildings	6,632,336	738,706	-	7,371,042
Equipment	3,632,650	51,601	56,994	3,627,257
Infrastructure	64,872,883	906,233	-	65,779,116
Total capital assets, being depreciated	<u>107,860,380</u>	<u>6,900,913</u>	<u>56,994</u>	<u>114,704,299</u>
Less accumulated depreciation for:				
Buildings	6,779,627	890,027	-	7,669,654
Improvements other than buildings	2,721,348	181,494	-	2,902,842
Equipment	3,022,076	192,562	56,994	3,157,644
Infrastructure	34,769,246	2,427,495	-	37,196,741
Total accumulated depreciation	<u>47,292,297</u>	<u>3,691,578</u>	<u>56,994</u>	<u>50,926,881</u>
Total capital assets, being depreciated, net	<u>60,568,083</u>	<u>3,209,335</u>	<u>-</u>	<u>63,777,418</u>
Governmental activities capital assets, net	<u>\$ 74,581,917</u>	<u>\$ 3,209,335</u>	<u>\$ 3,375,828</u>	<u>\$ 74,415,424</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 10,173,741	\$ -	\$ 735,936	\$ 9,437,805
Construction in progress	10,023,341	8,111,285	6,719,008	11,415,618
Total capital assets, not being depreciated	<u>20,197,082</u>	<u>8,111,285</u>	<u>7,454,944</u>	<u>20,853,423</u>
<b>Capital assets, being depreciated:</b>				
Buildings	4,630,976	-	-	4,630,976
Water distribution system general	40,939,295	1,409,249	-	42,348,544
Water system plant	44,291,840	3,328,676	-	47,620,516
Wastewater treatment plant	59,193,527	5,050,913	66,910	64,177,530
Equipment	1,861,668	143,895	-	2,005,563
Total capital assets, being depreciated	<u>150,917,306</u>	<u>9,932,733</u>	<u>66,910</u>	<u>160,783,129</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,606,559	115,774	-	1,722,333
Water distribution system general	27,100,609	1,477,405	-	28,578,014
Water system plant	23,498,706	1,792,250	-	25,290,956
Wastewater treatment plant	27,298,941	2,806,457	35,128	30,070,270
Equipment	1,657,669	69,256	-	1,726,925
Total accumulated depreciation	<u>81,162,484</u>	<u>6,261,142</u>	<u>35,128</u>	<u>87,388,498</u>
Total capital assets, being depreciated, net	<u>69,754,822</u>	<u>3,671,591</u>	<u>31,782</u>	<u>73,394,631</u>
Business-type activities capital assets, net	<u>\$ 89,951,904</u>	<u>\$ 11,782,876</u>	<u>\$ 7,486,726</u>	<u>\$ 94,248,054</u>

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

**Governmental activities:**

General government	\$ 193,824
Public safety	83,406
Highway and streets, including depreciation of general infrastructure assets	2,509,477
Planning and zoning	10,927
Culture and recreation	893,944
Total depreciation expense - governmental activities	<u>\$ 3,691,578</u>

**Business-type activities:**

Water and sewer	\$ 6,261,142
Total depreciation expense - business-type activities	<u>\$ 6,261,142</u>

**Construction commitments**

The government has construction commitments outstanding as of December 31, 2016 for several projects in progress at year-end. The remaining amount due under the contracts as of December 31, 2016 was \$6,364,007.



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

**D. Interfund receivables, payables and transfers**

The composition of interfund balances which relate primarily to expense reimbursements and other transfers as of December 31, 2016, is as follows:

Due to/from and advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and sewer	General fund	\$ 239,680
Capital projects fund	Water and sewer fund	1,785
Capital projects fund	General fund	26,182

\* Balance not expected to be paid within one year

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. During 2016, the general fund transferred \$1,425,034 to the capital projects fund and the SPLOST fund transferred \$250,000 to the water and sewer fund.

**E. Long-term liabilities**

There is no outstanding long-term debt at December 31, 2016.

Changes in Long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
OPEB obligation	\$ 3,818,092	\$ 627,337	\$ -	\$ 4,445,429	\$ -
Net pension liability	961,255	538,221	-	1,499,476	
Compensated absences	106,717	-	5,551	101,166	8,000
Governmental activity long-term liabilities	<u>\$ 4,886,064</u>	<u>\$ 1,165,558</u>	<u>\$ 5,551</u>	<u>\$ 6,046,071</u>	<u>\$ 8,000</u>
Business-type activities:					
Customer deposits	\$ 881,392	\$ 162,210	\$ -	\$ 1,043,602	\$ -
OPEB obligation	3,416,650	599,944	-	4,016,594	-
Net pension liability	862,758	571,013	-	1,433,771	
Compensated absences	70,429	-	3,755	66,674	30,000
Business-type activity long-term liabilities	<u>\$ 5,231,229</u>	<u>\$ 1,333,167</u>	<u>\$ 3,755</u>	<u>\$ 6,560,641</u>	<u>\$ 30,000</u>

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

**V. Other information**

**A. Risk management**

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omission; and natural disasters for which the government carries commercial insurance.

No significant reductions in insurance coverage occurred in 2016. The City did not settle any claims during the last three years that exceeded insurance coverage and had a material effect on the financial statements.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City is a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Cumming) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability. The City is obligated to pay all contributions and assessments as prescribed by the fund.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceeding which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employee's liability, including suits or other proceedings alleging such injuries and demanding compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is 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.

**B. Contingent liabilities**

The City is a defendant in several lawsuits in the ordinary course of business. The City's legal counsel believes that any potential loss is undeterminable at this point. The City intends to vigorously contest each lawsuit.

**C. Joint Venture**

The City, in conjunction with cities and counties in the immediately surrounding area are members of the Georgia Mountain Regional Commission. Membership in a commission is automatic for each municipality and county in the state. The official Code of Georgia provides for the organizational structure. Members are required by law to pay certain minimum dues to the commission. GMRC assesses membership dues at a rate per capita based on the last official U.S. Census of Population or official estimate by the Georgia Office of Planning and Budget, whichever is current and certified by Georgia Department of Community of Affairs. The City's portion of 2016 dues was timely paid and was less than \$1,000. The commission board membership includes the chief elected official of each county and municipality. The County 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 nonpublic board member from a County.

The Georgia Planning Act of 1989 (OCGA 50-8-34) defines Regional Commissions as "public agencies and instrumentality's" of their members Georgia laws also provide that the member governments are liable for any debts or obligations of a commission beyond its resources. (OCGA 50-8-39.1) Georgia Mountain Regional Development Commission financial statements are available upon request by writing to P.O. Box 1720 Gainesville, Georgia 30503.

**D. Related organization**

Pursuant to OCGA 8-3-50, the City's officials are responsible for appointing the members of the board of the Cumming Housing Authority, but the City's accountability for the housing authority does not extend beyond making the appointments. During 2016, the City did not provide any funding for the Cumming housing authority.

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

**E. Employee retirement systems and pension plans**

**Plan Description**

The City Council approved the adoption of a retirement plan effective January 1, 1987. The City contributes to the Georgia Municipal Association (GMA) Employee Benefit System (The Plan), an agent multiple employer defined benefit pension plan which is a public employee retirement system that acts as a common investment and administrative agent for Cities in the State of Georgia. The authority to establish and amend the benefit provisions rests with the City. Contributions made by the City are commingled with contributions made by other members of the GMEBS Retirement Fund for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a prorata basis. The GMEBS issues a publicly available financial report that includes the financial statements and required supplementary information for GMEBS-Retirement Trust Fund. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303. The Plan financial statements are prepared on the cash basis of accounting, modified to include contributions receivable, unrealized gains or losses on marketable securities owned by the Plan, and increments in the cash value of death benefits. Investments in securities are valued using an actuarial method that smooths the effects of short-term volatility in the market value of assets. Guaranteed Investment Contracts are reported at cost plus accrued interest credits to the valuation date. The Plan assets do not include any loans, notes, bonds or other instruments or securities of the City or related parties.

*Benefits provided.* All full-time City employees are eligible to participate in the plan (effective 1/1/15 the one year of service waiting period was eliminated). City employees may retire at age 55 under the early retirement provision if they have completed ten years of service. Normal retirement is at age 65. Benefits are payable for life in an amount equal to 1.50 percent of annual salary up to the dynamic breakpoint (DBP) plus 2.00 percent of annual salary over the DBP multiplied by total years of service. The DBP is subject to annual change. Benefits are based on the final average salary which is computed using the highest five consecutive years of the last ten years. The plan also provides death and disability benefits. These benefit provisions and all other requirements are established by the GMA Benefit System and the adoption agreement executed by the City.

Employees covered by benefit terms. At December 31, 2016, there were:

Retirees and beneficiaries currently receiving benefits	32
Inactive employees entitled to benefits but not yet receiving them	39
Active employees (95 fully vested and 48 not vested).	<u>146</u>
	<u>217</u>

*Contributions.* The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employees make no contributions to the Plan. The City is required to contribute at an actuarially determined rate. For the year ended December 31, 2016, The City's contribution rate was 8.73% of annual payroll. City contributions to the Plan were \$540,929 for the year ended December 31, 2016.

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

The City's net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. An expected total pension liability as of March 31, 2016 was determined using standard roll-forward techniques.

*Actuarial assumptions.* The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	3.25% plus age and service based merit increases
Net investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - June 30, 2014.

The cost of living adjustment is assumed to be 3.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return *</b>	<b>Long-term Nominal Real Rate of Return</b>
Domestic equity	45.00%	6.75%	10.00%
International equity	20.00%	7.45%	10.70%
Domestic fixed income	20.00%	1.75%	5.00%
Real estate	10.00%	4.55%	7.80%
Global fixed income	5.00%	3.30%	6.55%
Cash	0.00%		
Total	100.00%		

\* Rates shown are net of the 3.25% assumed rate of inflation

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

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

*Changes in the Net Pension Liability of the City.* The changes in the components of the net pension liability of the City for the year ended December 31, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	\$ 15,792,566	\$ 13,968,553	\$ 1,824,013
Changes for the year:			
Service cost	286,083	-	286,083
Interest	1,209,216	-	1,209,216
Differences between expected and actual experience	147,575	-	147,575
Contributions-employer	-	508,484	(508,484)
Net investment income	-	45,252	(45,252)
Benefit payments, including refunds of employee contributions	(379,549)	(379,549)	-
Administrative expense		(20,096)	20,096
Other	-	-	-
Net changes	1,263,325	154,091	1,109,234
Balances as December 31, 2016	\$ 17,055,891	\$ 14,122,644	\$ 2,933,247

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of the plan assets is increasing or decreasing over time relative to the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Cumming's net pension liability	\$ 5,145,280	\$ 2,933,247	\$ 1,096,287

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 31, 2016 and the current sharing pattern of costs between employer and employee.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2016, the City recognized pension expense of \$579,228. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual expense	\$ 39,652	\$ -
Changes in assumptions	-	(35,820)
Net difference between projected and actual earnings on pension plan investments	685,834	
City contributions subsequent to the measurement date	374,675	
Total	<u>\$ 1,100,161</u>	<u>\$ (35,820)</u>

City contributions subsequent to the measurement date of \$374,675 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as a component of pension expense as follows:

Year ending December 31:	
2017	\$ 150,615
2018	150,615
2019	150,615
2020	237,821
Total	<u>\$ 689,666</u>

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

**F. Other postemployment benefits**

*Plan Description.* The City provides a single employer other postemployment benefits (OPEB) (strictly limited to health insurance) plan to all eligible employees through the Georgia Municipal Association (GMA) healthcare conversion plan. The plan does not issue a stand-alone financial report and it is not included in the report of another entity. The authority to establish and amend the benefit provisions of the OPEB plan rests with the City. Any employee meeting the plans requirements will receive healthcare benefits for the employee's lifetime or as long as the Georgia Municipal Association Retirement Plan is in existence, whichever is less. The extent of the City's contribution to premium payments for eligible employees varies based on the requirements and options of the plan. The plan is financed on a pay-as-you-go basis. The plans eligibility requirements are: 1) age 55 or older; 2) fully vested in the Georgia Municipal Association Retirement Plan; 3) ten (10) years or more of consecutive service with the City of Cumming; 4) five (5) years or more of consecutive participation by the employee in the City's health insurance plan at the time of retirement. If employee elects benefit option 2, employee's spouse must have participated in the City's health insurance plan for at least five (5) consecutive years; and 5) employee's retirement decision must be officially approved by the Mayor and Council. Any employee whose employment is terminated for any reason other than approved retirement is not eligible. There are three benefit options available based on age at retirement. Option 1 - the eligible employee retires after reaching age 55, but before age 62. The City will pay 100% of the retiree's healthcare insurance cost through the GMA conversion plan until the retiree is medicare eligible. The retiree is responsible for 100% of the cost for any spouse or dependent coverage under this option. Option 2 - the eligible employee retires after reaching age 62, but before becoming medicare eligible. The City will pay 100% of the retiree's healthcare insurance cost through the GMA conversion plan until the retiree is medicare eligible. Additionally, the City will pay 50% of the healthcare cost for the retiree's spouse (if the spouse is a "qualified spouse" as defined by the plan) until the spouse is medicare eligible or 5 years, whichever occurs first. The retiree is responsible for the remaining 50% of spousal coverage and 100% of any other dependent coverage. Option 3 - the eligible employee retires after becoming medicare eligible or previously retired under option 1 or 2 and becomes medicare eligible. The City will pay 100% of the cost of the retiree's Medicare Supplement Policy for the retiree's lifetime. The retiree is responsible for 100% of the cost of any spouse coverage available under the Medicare Supplement Policy offered through the GMA. Membership in the plan as of the latest actuarial valuation date included 12 current retirees, beneficiaries and dependents and 144 current active participants for a total of 156.

*Funding Policy.* The contribution requirements are established and may be amended by the City. The required contribution was determined by an actuarial valuation. For the year ended December 31, 2016, the City contributed \$157,469 to the plan in the form of insurance premiums paid on behalf of existing retirees.

*Annual OPEB Cost and Net OPEB Obligation.* The City had an actuarial valuation performed for the plan as of July 1, 2016 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the period according to the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost (income) of \$1,384,750 is equal to the ARC for the corresponding period, as the transition liability was set at zero as of December 31, 2007. The following table shows the component's of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,679,416
Interest on net OPEB obligation	289,390
Adjustment to annual required contribution	<u>(584,056)</u>
Annual OPEB cost (income)	1,384,750
Contributions made	<u>(157,469)</u>
Increase in net OPEB obligation	1,227,281
Net OPEB obligation-beginning of year	<u>7,234,742</u>
Net OPEB obligation-end of year	<u><u>\$ 8,462,023</u></u>

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

<u>Ended</u>	<u>Cost</u>	<u>Cost Contributed</u>	<u>Obligation</u>
12/31/16	\$ 1,384,750	11%	\$ 8,462,023
12/31/15	1,279,194	7%	7,234,742
12/31/14	1,279,194	7%	6,041,848

*Funded Status and Funding Progress.* As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$12,158,907, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,158,907. The covered payroll (annual payroll of active employees covered by the plan) was \$6,001,185, and the ratio of the UAAL to the covered payroll was 203 percent.

Actuarial valuation of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as the actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are assigned to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 4.5% over 5 years. Both rates included a 3.25% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2016, was 17.5 years.

**G. Hotel/motel lodging tax**

During the year ended December 31, 2016, the City levied a 5% lodging tax. The Official Code of Georgia Annotated (OCGA) 48-13-51(a)(3) requires that all lodging taxes levied in excess of 3% be expended or obligated contractually for the promotion of tourism, conventions or trade shows. The City's hotel/motel tax receipts for the year ended December 31, 2016 was \$20,380. Of that amount 100% or \$20,380 was spent during 2016 in compliance with OCGA 48-13-51(a)(3).



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

**H. Discreetly presented component unit**

As discussed in Note I. A. the Downtown Development Authority is a component unit if the City requiring discreet presentation. The Downtown Development Authority is comprised of one fund (the General Fund) and is presented as a separate column in both the Statement of Net Position and the Statement of Activities. Significant disclosures related the the Downtown Development Authority follow.

Receivables consists of amounts due (\$2,261,250 at December 31, 2016) under a line of credit agreement dated November 28, 2011 in the amount of \$4,050,000 with Pilgrim Mill Center, LLC. The line of credit proceeds were to partially fund the construction of a facility for post-secondary educational purposes on the campus of University of North Georgia in Forsyth County. The line of credit agreement calls for payment to begin on the first day of the first month following the issuance of a Certificate of Occupancy for the facility constructed. Payments shall consist of 60 equal consecutive monthly payments of \$33,750 followed by 20 quarterly payments of \$101,250. The line of credit is secured by a Guaranty and Letter of Credit provided by The University of North Georgia. Approximately \$1,856,250 of the balance is not expected to be repaid within one year.

Long-term liabilities consists of amounts due to the City of Cumming General Fund. The General Fund advanced \$4,055,000 to the Downtown Development Authority for the purpose of loaning the funds to Pilgrim Mill Center LLC (see above). The General fund will be repaid periodically as the Development Authority receives payments pursuant to its line of credit agreement with Pilgrim Mill Center LLC.

**I. Subsequent Event**

The City Council adopted an ordinance/resolution on January 17, 2017 which established the GMEBS OPEB Trust effective January 1, 2017. The city determined that it is in its best interest to prefund post-employment benefits by participating in the trust. The city made an initial contribution to the trust of \$4,000,000 and will make future contributions based on periodic actuarial valuations.

## Required Supplementary Information

**CITY OF CUMMING, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**Schedule of Funding Progress for the City of Cumming OPEB Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/16	\$ 0	\$ 12,158,907	\$ 12,158,907	0%	\$ 6,001,185	202.61%
7/1/13	0	10,403,925	10,403,925	0	5,328,393	204.24
7/1/10	0	7,034,653	7,034,653	0	4,634,562	151.79
3/1/08	0	4,674,654	4,674,654	0	5,328,393	87.73

**CITY OF CUMMING, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios**

	<u>2015</u>	<u>2016</u>
<b>Total pension liability</b>		
Service cost	\$ 297,936	\$ 286,083
Interest on total pension liability	1,138,867	1,209,216
Differences between expected and actual experience	(130,682)	147,575
Changes of assumptions	(59,699)	-
Benefit payments, including refunds of employee contributions	(297,822)	(379,549)
<b>Net change in total pension liability</b>	948,600	1,263,325
<b>Total pension liability - beginning</b>	14,843,966	15,792,566
<b>Total pension liability - ending (a)</b>	<u>\$ 15,792,566</u>	<u>\$ 17,055,891</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 491,544	\$ 508,484
Net investment income	1,226,368	45,252
Benefit payments, including refunds of employee contributions	(297,822)	(379,549)
Administrative expenses	(18,200)	(20,096)
<b>Net change in plan fiduciary net position</b>	1,401,890	154,091
<b>Plan fiduciary net position - beginning</b>	12,566,663	13,968,553
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 13,968,553</u>	<u>\$ 14,122,644</u>
<b>City's net pension liability - ending (a) - (b)</b>	<u>\$ 1,824,013</u>	<u>\$ 2,933,247</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.45%	82.80%
<b>Covered-employee payroll</b>	\$ 5,748,609	\$ 6,100,315
<b>City's net pension liability as a percentage of covered-employee payroll</b>	31.73%	48.08%

**Notes to the schedule**

The schedule will present 10 years of information once it is accumulated

**CITY OF CUMMING**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**

**Schedule of City Contributions**

	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 511,456	*
Contributions in relation to the actuarilly determined contribution	511,456	*
Contribution deficiency (excess)	\$ -	*
Covered-employee payroll	\$ 5,748,609	*
Contributions as a percentage of covered-employee payroll	8.9%	*

**Notes to the schedule**

**Valuation Date**

The actuarially determined contribution rate was determined as of July 1, 2015, with an interest adjust to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2017. \*

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.

**Asset Valuation Method**

Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to the within 20% of market value.

**Actuarial Assumptions**

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	3.00%
Retirement Age	Employees: 65+5 or 55+25 (participant is not required to be in service of the employer at the time of satisfying the alternative normal)
	Officials: 65 or 55+25 (participant is not required to be in service of the employer at the time of satisfying the alternative normal)

**Mortality**

The actuarial valuation assumed life expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortatlity Table.

The schedule will present 10 years of information once it is accumulated.

## **Supplementary Information**

**CITY OF CUMMING, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH**  
**SPECIAL 1% SALES AND USE TAX**  
**DECEMBER 31, 2016**

PROJECT NAME	Original Estimated Cost	Current Estimated Cost	Prior Years Cost	Current Years Cost	Total Cost
<u>SPLOST # 5</u>					
Street improvements	\$ 12,600,000	\$ 20,900,000	\$ 20,295,010	\$ 318,028	\$ 20,613,038
Historical preservation	2,300,000	2,300,000	2,560,777	-	2,560,777
Aquatic facility	6,000,000	6,000,000	6,000,000	-	6,000,000
Greenspace restoration	3,100,000	3,100,000	1,452,690	683,262	2,135,952
TOTALS FOR SPLOST # 5	<u>\$ 24,000,000</u>	<u>\$ 32,300,000</u>	<u>\$ 30,308,477</u>	<u>\$ 1,001,290</u>	<u>\$ 31,309,767</u>
<u>SPLOST # 7 - SEE NOTE 1 &amp; 2 BELOW</u>					
Parks and recreation	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	\$ -
Street improvements	10,500,000	10,500,000	-	-	-
Intake generator - water system	1,000,000	1,000,000	156,596	843,404	1,000,000
TOTALS FOR SPLOST # 7	<u>\$ 13,500,000</u>	<u>\$ 13,500,000</u>	<u>\$ 156,596</u>	<u>\$ 843,404</u>	<u>\$ 1,000,000</u>

**NOTE - 1**

The City and Forsyth County entered into an intergovernmental agreement whereby the County would receive the first \$100,000,000 of SPLOST #7 proceeds and assume responsibility for construction of a courthouse and jail.

**NOTE - 2**

Current years cost for the intake generator includes expenses paid by the Water & Sewer Enterprise Fund and will be reimbursed by the SPLOST Fund in 2017.

**LE ROY, COLE & STEPHENS, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

101 SAMARITAN DRIVE  
CUMMING, GEORGIA 30040

JOHN E. LE ROY, C.P.A.  
CHARLES W. COLE, C.P.A.  
JEFFREY A. STEPHENS, C.P.A.

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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**

Honorable Mayor, Members of the  
City Council and City Administrator  
City of Cumming, 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, the discretely presented component unit, each major fund, and the remaining fund information of City of Cumming, Georgia as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Cumming, Georgia's basic financial statements and have issued our report thereon dated March 21, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Cumming, 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 Cumming, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cumming, 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. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Cumming, 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 *Government Auditing Standards*.



***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cumming, Georgia  
March 21, 2017

*Leroy, Cole + Stephens, LLC*

**LE ROY, COLE & STEPHENS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

101 SAMARITAN DRIVE  
CUMMING, GEORGIA 30040

JOHN E. LE ROY, C.P.A.  
CHARLES W. COLE, C.P.A.  
JEFFREY A. STEPHENS, C.P.A.

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**INDEPENDENT ACCOUNTANT'S REPORT**

Honorable Mayor, Member of the  
City Council and City Administrator  
City of Cumming, Georgia

We have examined management's assertion included in the accompanying State of Georgia Grant Certification Form about the City of Cumming, Georgia's compliance during the fiscal year ended December 31, 2016 with the requirement to use grant proceeds solely for the purpose or purposes for which the grant was made for of the following grant award: Local Assistance Grant #06-C-L-052.

Management is responsible for the City of Cumming, Georgia's compliance with this requirement. Our responsibility is to express an opinion on management's assertion about the City of Cumming, Georgia's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Cumming, Georgia's compliance with this requirement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Cumming, Georgia's compliance with the specified requirement.

In our opinion, management's assertion that the City of Cumming, Georgia complied with the aforementioned requirement for the fiscal year ended December 31, 2016 is fairly stated, in all material respects.

This report is intended solely for the information and use of the Georgia Department of Audits and Accounts and the State grantor agency identified on the Grant Certification Form and is not intended to be and should not be used by anyone other than the specified parties.

*Le Roy, Cole & Stephens, LLC*

Cumming, Georgia  
March 21, 2017

**State of Georgia Grant Certification Form**  
**Local Government Recipient (with no subrecipient)**

LINE

A	Local Government .....	City of Cumming
B	State Awarding Agency .....	Georgia Department of Community Affairs
C	Grant Identification Number .....	06-C-L-052
D	Grant Title .....	To the City of Cumming to construct a bulkhead at Mary Alice Park
E	Grant Award Date .....	05/08/06
F	Grant Amount .....	\$500,000.00

COLUMN 1 Current Year Activity		COLUMN 2 Cumulative Grant Activity
For the Year Ended:		Through the Year Ended:
G		
12/31/2016		12/31/2016
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	
	\$13,182.00	
I	Grant Receipts or Revenue Recognized	\$500,000.00
	\$0.00	
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$486,818.00
	\$0.00	
K	Disbursements or Expenditures for Audit Fees	\$0.00
	\$0.00	
L	Balance - Current Year (Cash or Accrued or Deferred Revenue) [Line H (col 1 only) + Line I - Line J - Line K]	\$13,182.00
	\$13,182.00	\$13,182.00

**EDIT CHECKS IF FORM COMPLETED ON EXCEL SPREADSHEET:**

Column 1, Line L equals Column 2, Line L.  
 Grant Receipts/Revenue Does Not Exceed Grant Award.  
 Date Is Provided in Line G, Column 1.  
 Date Is Provided in Line G, Column 2.  
 Year End Dates On Line G Agree.  
 Column 1, Line L Foots Correctly.  
 Column 2, Line L Foots Correctly.  
 Audit Fee is Within Legal Limit (\$250).

Line A Is Completed.  
 Line B Is Completed.  
 Line C Is Completed.  
 Line D Is Completed.  
 Line E Is Completed.  
 Line F Is Completed.

**Certification of Local Government Officials**

I have reviewed the information presented above and certify that it is accurate and correct. I further certify that the proceeds of the grant award identified above were used solely for the express purpose or purposes for which the grant was made.

Signature of Chief Elected Official

*[Signature]*

Date

4-26-17

Signature of Chief Financial Officer

*[Signature]*

Date

4-26-17