

City of Cumming, Georgia
Financial Statements
With Independent Auditor's Report
For the year ended December 31, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year 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 30, 2018, 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 30, 2018

Le Roy, Cole & Stephens, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Cumming's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$248,879,429. Of this amount \$61,875,571 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$14,215,028.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,393,223 an increase of \$6,112,851 in comparison with the prior year.
- At the end of the current fiscal year, the City's unreserved, unassigned fund balance for the general fund was \$16,641,708.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11-12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities that explain whether the City is in a better or worse position as a whole as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The measurement of increases and decreases in a City's net position—the difference between assets and liabilities—over time are one indicator of the City's overall financial position. An increase in net position indicates an improvement in the City's financial condition, whereas a decrease in net position may indicate deterioration in financial condition.

In the Statement of Net Position and the Statement of Activities, we divide the City into two types of activities:

- Governmental activities – Most of the City's basic services are reported here, including police, street, planning and parks departments as well as general administration, the fairgrounds and the Playhouse Theater. Most of these activities are funded by franchise, licensing, and permit fees, program fees, and sales tax as well as fees for services.
- Business type activities – The City charges a fee to customers to cover the cost of certain services it provides. The City's water and sewer system, is reported here.

Reporting the City's Most Significant Funds

The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. However, the City Council may also establish other funds to help it control and manage money for particular purposes, or to show that it is meeting its responsibilities in how a particular type of resource is handled. The City's two kinds of funds are:

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for this fund.

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.

THE CITY AS A WHOLE

The City's combined net position increased during 2017 by \$14,215,028, of which \$6,208,983 was an increase in governmental activities and \$8,006,045 was an increase in business-type activities.

Table 1
Net Position
December 31, 2017

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and Other Assets	\$ 18,767,340	\$ 24,958,463	\$ 60,708,515	\$ 62,723,444	\$ 79,475,855	\$ 87,681,907
Capital Assets	74,415,424	72,298,575	94,248,054	99,522,200	168,663,478	171,820,775
Total Assets	93,182,764	97,257,038	154,956,569	162,245,644	248,139,333	259,502,682
Deferred outflows of Resources						
Deferred outflows related to Pensions	562,401	345,558	537,759	323,220	1,100,160	668,778
Current Liabilities	335,753	425,167	1,475,592	2,683,293	1,811,345	3,108,460
Non-Current Liabilities	6,038,071	3,604,998	6,530,641	4,388,774	12,568,712	7,993,772
Total Liabilities	6,373,824	4,030,165	8,006,233	7,072,067	14,380,057	11,102,232
Deferred inflows of Resources						
Unearned revenues	159,215	148,073			159,215	148,073
Deferred Inflows related to Pensions	18,311	21,560	17,509	20,166	35,820	41,726
Total Deferred Inflow of Resources	177,526	169,633	17,509	20,166	195,035	189,799
Net Assets:						
Invested in Capital Assets	74,415,424	72,298,575	94,248,054	99,522,200	168,663,478	171,820,775
Restricted for Capital Projects	3,251,072	7,499,073	9,219,924	7,684,010	12,470,996	15,183,083
Unrestricted	9,527,319	13,605,150	44,002,608	48,270,421	53,529,927	61,875,571
Total Net Position	\$ 87,193,815	\$ 93,402,798	\$ 147,470,586	\$ 155,476,631	\$ 234,664,401	\$ 248,879,429

Table 2
Changes in Net Position
December 31, 2017

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 5,912,078	\$ 6,029,750	\$ 19,959,503	\$ 20,130,310	\$ 25,871,581	\$ 26,160,060
Operating Grants & Contributions	6,500	2,300			6,500	2,300
Capital Grants and Contributions	2,650,441	4,752,249	7,077,442	4,465,952	9,727,883	9,218,201
General Revenues:						
Sales Taxes	5,361,649	5,602,649			5,361,649	5,602,649
Franchise Taxes	1,035,366	1,000,286			1,035,366	1,000,286
Title Ad valorem Tax	867,939	932,175			867,939	932,175
Insurance Premium Taxes	339,658	361,747			339,658	361,747
Alcoholic Beverage Taxes	770,257	774,580			770,257	774,580
Hotel Motel Taxes	20,380	19,000			20,380	19,000
Unrestricted Investment Earnings	4	10	42,096	47,774	42,100	47,784
Restricted Investment Earnings			231,726	52,395	231,726	52,395
Grants & Contributions not restricted to Programs	1,301	64,506			1,301	64,506
Gain on Disposition of Capital Assets				541,296		541,296
Transfers	(250,000)		250,000			
Special Item		1,050,000				1,050,000
Total Revenues	\$ 16,715,573	\$ 20,589,252	\$ 27,560,767	\$ 25,237,727	\$ 44,276,340	\$ 45,826,979

Program Expenses						
General Government	\$ 2,841,068	\$ 1,895,597	\$	\$	\$ 2,841,068	\$ 1,895,597
Public Safety	2,561,810	2,072,667			2,561,810	2,072,667
Streets	3,787,741	2,900,058			3,787,741	2,900,058
Sanitation	416,387	459,781			416,387	459,781
Planning & Zoning	645,944	655,520			645,944	655,520
Culture and Recreation	6,773,414	6,396,646			6,773,414	6,396,646
Water & Sewer			17,040,110	17,231,682	17,040,110	17,231,682
Total Expenses	17,026,364	14,380,269	17,040,110	17,231,682	34,066,474	31,611,951
Excess(Deficiency)	(310,791)	6,208,983	10,520,657	8,006,045	10,209,866	14,215,028
Net position, beginning	87,504,606	87,193,815	136,949,929	147,470,586	224,454,535	234,664,401
Net position, end of year	\$ 87,193,815	\$ 93,402,798	\$ 147,470,586	\$ 155,476,631	\$ 234,664,401	\$ 248,879,429

Total government wide revenue for 2017 was \$45,826,979 with \$26,160,060 in charges for services, \$9,285,007 in grants and contributions, \$8,690,437 in taxes, \$541,296 in the disposition of capital assets, \$100,179 in investment earnings, and \$1,050,000 for a settlement related to the Lake Alice Dam breach. Of this amount, \$20,589,252 was in governmental activities and \$25,237,727 in business-type activities.

The City's expenses for 2017 government wide were \$31,611,591 with \$14,380,269 of the total included in governmental activities and \$17,231,682 for business type activities.

Governmental Activities

The City's 2017 governmental activities revenues increased by \$3,873,679. This amount is comprised of increases in Charges for Services, Sales Taxes, Capital Grants and Contributions, Title Ad Valorem Taxes, Beverage Taxes and a settlement related to the Lake Alice Dam breach.

The cost of all governmental activities this year was \$14,380,269. Of this amount, \$6,029,750 was paid by program fees from those who directly benefited from the programs. The remainder was financed by other sources of revenue such as beverage and sales taxes as well as other general revenues. Table 3 presents the total cost of each of the City's largest programs as well as each program's net cost (total cost less revenues generated by the activities.) The net cost reflects the amount that was financed by general revenues other than program fees.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2016	2017	2016	2017
General Government	\$ 2,841,068	\$ 1,895,597	\$ 43,231	\$ (3,535,640)
Public Safety	2,561,810	2,072,667	2,091,477	2,035,003
Streets	3,787,741	2,900,058	3,651,895	2,817,451
Sanitation	416,387	459,781	(61,790)	(32,164)
Planning & Zoning	645,944	655,520	(46,299)	(213,653)
Culture & Recreation	6,773,414	6,396,646	2,778,831	2,524,973
Totals	<u>\$ 17,026,364</u>	<u>\$ 14,380,269</u>	<u>\$ 8,457,345</u>	<u>\$ 3,595,970</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$2,323,040, and expenses increased by \$191,572. Revenues decreased primarily due to a decrease in Capital Grants and Contributions.

THE CITY'S FUNDS

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By 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 pages 41 - 43 of this report.

General Fund Budgetary Highlights

During 2017, there was a \$2,104,800 increase in expenditures between the original and final amended budget. Of this increase, \$758,500 was offset by an increase in various taxes. The remaining \$1,346,300 increase reflects increases in revenues such as fees for services and other revenues such as license and permits for a net total increase of 15.1% of the total budget.

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

At the end of 2017, the City had \$171,820,775 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 \$3,157,297. 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.

Long-Term Liabilities

The City Council adopted an ordinance/resolution on January 17, 2017 whereby the City joined 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 has also begun making 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 of these contributions on the City's net OPEB liability along with information on the City's other Long-term Liabilities can be found in Note IV. E., on page 31.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2018 budget reflects anticipated general fund revenues of \$14,252,900 and is balanced including a contingency reserve of \$1,200,000. This represents a decrease of \$1,728,400 or 10% under the final budget for 2017. 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 2017. The water and sewer fund budget reflects anticipated revenues of \$20,565,500. This budgeted amount represents an increase of \$1,033,000 or approximately 5% compared to 2017. 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.

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, 2017

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
<u>ASSETS</u>				
Cash and cash equivalents	\$ 12,042,996	\$ 48,838,573	\$ 60,881,569	\$ 2,211,961
Receivables, net	201,677	2,962,201	3,163,878	-
Intergovernmental receivable	4,687,891	-	4,687,891	-
Note receivable	-	-	-	405,000
Internal balances	410,611	(410,611)	-	-
Inventory	-	470,988	470,988	-
Prepaid expenses	109,014	21,618	130,632	-
Receivables-non-current	-	-	-	1,417,500
Restricted assets	7,506,274	10,840,675	18,346,949	-
Capital assets, not being depreciated	10,638,006	23,380,492	34,018,498	-
Capital assets, net of accumulated depreciation	61,660,569	76,141,708	137,802,277	-
Total Assets	97,257,038	162,245,644	259,502,682	4,034,461
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pensions	345,558	323,220	668,778	-
Total Deferred Outflows of Resources	345,558	323,220	668,778	-
<u>LIABILITIES</u>				
Accounts payable	381,843	1,608,325	1,990,168	-
Accrued liabilities	28,123	64,639	92,762	-
Liabilities payable from restricted assets	7,201	980,329	987,530	-
Noncurrent liabilities:				
Due within one year	8,000	30,000	38,000	-
Due in more than one year	3,604,998	4,388,774	7,993,772	4,055,000
Total Liabilities	4,030,165	7,072,067	11,102,232	4,055,000
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned revenues	148,073	-	148,073	-
Deferred inflows of resources related to pensions	21,560	20,166	41,726	-
Total Deferred Inflows of Resources	169,633	20,166	189,799	-
<u>NET POSITION</u>				
Invested in capital assets	72,298,575	99,522,200	171,820,775	-
Restricted for capital projects	7,499,073	7,684,010	15,183,083	-
Unrestricted	13,605,150	48,270,421	61,875,571	(20,539)
Total Net Position	\$ 93,402,798	\$ 155,476,631	\$ 248,879,429	\$ (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, 2017

Functions/Programs	Program Revenues					Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		
			Operating Grants and Contributions			Governmental Activities	Business-Type Activities	Total
Governmental activities:								
General government	\$ 1,895,597	\$ 761,595	\$ -	\$ 4,669,642	\$ 3,535,640	\$ -	\$ -	\$ 3,535,640
Public safety	2,072,667	35,364	2,300	-	(2,035,003)	-	-	(2,035,003)
Streets	2,900,058	-	-	82,607	(2,817,451)	-	-	(2,817,451)
Sanitation	459,781	491,945	-	-	32,164	-	-	32,164
Planning and zoning	655,520	869,173	-	-	213,653	-	-	213,653
Culture and recreation	6,396,646	3,871,673	-	-	(2,524,973)	-	-	(2,524,973)
Total governmental activities	14,380,269	6,029,750	2,300	4,752,249	(3,595,970)	-	-	(3,595,970)
Business-type activities:								
Water and sewer	17,231,682	20,130,310	-	4,465,952	-	-	7,364,580	7,364,580
Total business-type activities	17,231,682	20,130,310	-	4,465,952	-	-	7,364,580	7,364,580
Total City of Cumming	\$ 31,611,951	\$ 26,160,060	\$ 2,300	\$ 9,218,201	\$ (3,595,970)	\$ 7,364,580	\$ 3,768,610	\$ 3,768,610
Component unit								
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General revenues:								
Title ad valorem tax					932,175	-	-	932,175
Sales taxes					5,602,649	-	-	5,602,649
Franchise taxes					1,000,286	-	-	1,000,286
Insurance premium taxes					361,747	-	-	361,747
Hotel/Motel taxes					19,000	-	-	19,000
Beverage taxes					774,580	-	-	774,580
Grants and contributions not restricted to programs					64,506	-	-	64,506
Unrestricted investment earnings					10	47,774	47,784	47,784
Restricted investment earnings					-	52,395	52,395	52,395
Gain on disposition of capital assets					-	541,296	541,296	541,296
Total general revenues and transfers					8,754,953	641,465	9,396,418	9,396,418
Special item					1,050,000	-	-	1,050,000
Change in net position					6,208,983	8,006,045	14,215,028	14,215,028
Net position-beginning					87,193,815	147,470,586	234,664,401	(20,539)
Net position-ending					\$ 93,402,798	\$ 155,476,631	\$ 248,879,429	\$ (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, 2017

	Major			Nonmajor	Total
	General	SPLOST	Capital Projects	Hotel/Motel Tax	Governmental
	Fund	Fund	Fund	Fund	Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 10,382,094	\$ -	\$ 1,660,902	\$ -	\$ 12,042,996
Receivables, net					
Taxes receivable	-	-	-	874	874
Franchise fees	64,885	-	-	-	64,885
Beverage taxes	66,047	-	-	-	66,047
Garbage collection and other fees	69,871	-	-	-	69,871
Intergovernmental receivable	4,687,891	-	-	-	4,687,891
Interfund receivables	1,954,267	-	27,967	-	1,982,234
Prepaid items	109,014	-	-	-	109,014
Restricted assets:					
Cash and cash equivalents	2,441	6,636,625	-	-	6,639,066
Receivables	-	867,208	-	-	867,208
Total Assets	<u>\$ 17,336,510</u>	<u>\$ 7,503,833</u>	<u>\$ 1,688,869</u>	<u>\$ 874</u>	<u>\$ 26,530,086</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>					
Liabilities					
Accounts payable	\$ 380,969	\$ -	\$ -	\$ 874	\$ 381,843
Accrued liabilities	28,123	-	-	-	28,123
Interfund payable	26,182	-	1,545,441	-	1,571,623
Liabilities payable from restricted assets	2,441	4,760	-	-	7,201
Total Liabilities	<u>437,715</u>	<u>4,760</u>	<u>1,545,441</u>	<u>874</u>	<u>1,988,790</u>
Deferred inflows of resources					
Unearned revenues	<u>148,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,073</u>
Total Deferred Inflows of Resources	<u>148,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,073</u>
Fund balances					
Nonspendable for prepaid items	109,014	-	-	-	109,014
Restricted for capital projects	-	7,499,073	-	-	7,499,073
Assigned to construction of capital assets	-	-	143,428	-	143,428
Unassigned	<u>16,641,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,641,708</u>
Total Fund Balances	<u>16,750,722</u>	<u>7,499,073</u>	<u>143,428</u>	<u>-</u>	<u>24,393,223</u>
 Total Liabilities and Fund Balances	 <u>\$ 17,336,510</u>	 <u>\$ 7,503,833</u>	 <u>\$ 1,688,869</u>	 <u>\$ 874</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

72,298,575

Long-term liabilities, are not due and payable in the current period, therefore, are not reported in the funds.

OPEB Liability (2,207,175)

Net pension liability and related deferred outflows and inflows of resources (998,490)

Compensated absences (83,335)

(3,289,000)

Net position of governmental activities

\$ 93,402,798

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, 2017

	Major			Nonmajor	Total
	General	SPLOST	Capital Projects	Hotel/Motel Tax	Governmental
	Fund	Fund	Fund	Fund	Funds
REVENUES					
Taxes	\$ 8,671,437	\$ -	\$ -	\$ 19,000	\$ 8,690,437
Licenses and permits	880,980	-	-	-	880,980
Intergovernmental	64,979	4,669,642	-	-	4,734,621
Charges for services	4,639,404	-	-	-	4,639,404
Fines and forfeitures	509,366	-	-	-	509,366
Investment earnings	10	-	-	-	10
Miscellaneous	84,434	-	-	-	84,434
Total Revenues	14,850,610	4,669,642	-	19,000	19,539,252
EXPENDITURES					
Current:					
General government	1,977,683	-	-	-	1,977,683
Public Safety	2,618,684	-	-	-	2,618,684
Streets	1,901,791	-	-	-	1,901,791
Planning and zoning	831,687	-	-	-	831,687
Sanitation	459,781	-	-	-	459,781
Culture and recreation	6,246,134	-	-	19,000	6,265,134
Capital Outlay:					
Streets	-	394,982	-	-	394,982
Culture and recreation	-	26,659	-	-	26,659
Total Expenditures	14,035,760	421,641	-	19,000	14,476,401
Excess (deficiency) of revenues over (under) expenditures	814,850	4,248,001	-	-	5,062,851
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
SPECIAL ITEM					
Alice Lake Settlement	1,050,000	-	-	-	1,050,000
Change in fund balance	1,864,850	4,248,001	-	-	6,112,851
Fund balances - beginning	14,885,872	3,251,072	143,428	-	18,280,372
Fund balances - ending	\$ 16,750,722	\$ 7,499,073	\$ 143,428	\$ -	\$ 24,393,223

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, 2017

Net change in fund balances - total governmental funds \$ 6,112,851

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	2,238,254	
Net change in pension liability and related deferred outflows and inflows of resources	(43,104)	
Net change in long-term compensated absences	<u>17,831</u>	2,212,981

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 (\$2,882,274) exceeded net capital outlay (\$765,425) in the current period.

(2,116,849)

Change in net position of governmental activities \$ 6,208,983

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, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Budget
REVENUES				
Taxes	\$ 7,930,000	\$ 8,688,500	\$ 8,671,437	\$ (17,063)
Licenses and permits	780,000	927,800	880,980	(46,820)
Intergovernmental	-	65,000	64,979	(21)
Charges for services	4,764,000	4,679,700	4,639,404	(40,296)
Fines and forfeitures	400,000	472,000	509,366	37,366
Investment earnings	-	-	10	10
Miscellaneous	2,500	66,300	84,434	18,134
Total Revenues	13,876,500	14,899,300	14,850,610	(48,690)
EXPENDITURES				
Current:				
General government	2,753,450	2,002,250	1,977,683	24,567
Public Safety	2,190,800	2,737,700	2,618,684	119,016
Streets	1,824,400	1,957,300	1,901,791	55,509
Planning and zoning	661,700	857,500	831,687	25,813
Sanitation	370,000	464,500	459,781	4,719
Culture and recreation	5,272,000	6,477,050	6,246,134	230,916
Total Expenditures	13,072,350	14,496,300	14,035,760	460,540
Excess (deficiency) of revenues over				
(under) expenditures	804,150	403,000	814,850	411,850
OTHER FINANCING SOURCES (USES)				
Transfers out	(804,150)	(1,485,000)	-	1,485,000
Total other financing sources and uses	(804,150)	(1,485,000)	-	1,485,000
SPECIAL ITEM				
Alice Lake settlement	-	1,082,000	1,050,000	32,000
Change in fund balance	-	-	1,864,850	1,864,850
Fund balances - beginning	14,885,872	14,885,872	14,885,872	-
Fund balances - ending	\$ 14,885,872	\$ 14,885,872	\$ 16,750,722	\$ 1,864,850

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

CITY OF CUMMING, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash on hand and in banks	\$ 48,838,573
Accounts receivable, net	2,962,201
Inventory	470,988
Prepaid expenses	21,618
Restricted cash	2,176,336
Total Current Assets	<u>54,469,716</u>
Noncurrent Assets:	
Restricted cash, cash equivalents and investments	8,664,339
Total Restricted Assets	<u>8,664,339</u>
Capital Assets:	
Capital assets, not being depreciated	23,380,492
Capital assets, being depreciated	170,218,698
	<u>193,599,190</u>
Accumulated depreciation	(94,076,990)
Net Capital Assets	<u>99,522,200</u>
Total Noncurrent Assets	<u>108,186,539</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	323,220
Total deferred outflows of resources	<u>323,220</u>
TOTAL ASSETS	<u><u>\$ 162,979,475</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,608,325
Accrued liabilities	94,639
Interfund payable	410,611
Liabilities payable from restricted assets	980,329
Total Current Liabilities	<u>3,093,904</u>
Noncurrent Liabilities:	
Accrued employee benefits	32,555
Accrued OPEB Obligation	1,923,210
Net Pension Obligation	1,237,002
Customer's deposits	1,196,007
Total Noncurrent Liabilities	<u>4,388,774</u>
Total Liabilities	<u>7,482,678</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	20,166
Total deferred inflows of resources	<u>20,166</u>
NET POSITION	
Invested in capital assets	99,522,200
Restricted for capital projects	7,684,010
Unrestricted	48,270,421
Total Net Position	<u><u>\$ 155,476,631</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, 2017

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 20,130,310
Total Operating Revenues	<u>20,130,310</u>
Operating Expenses:	
Personal services	4,957,965
Purchased and contracted services	2,462,500
Supplies	3,122,725
Depreciation	<u>6,688,492</u>
Total Operating Expenses	<u>17,231,682</u>
Income from operations	<u>2,898,628</u>
Nonoperating Revenues/(Expenses):	
Interest income	100,169
Gain on sale of capital assets	<u>541,296</u>
Total Nonoperating Revenues/(Expenses)	<u>641,465</u>
Income before contributions	3,540,093
Capital contributions	<u>4,465,952</u>
Change in net position	8,006,045
Total net position - beginning	<u>147,470,586</u>
Total net position - ending	<u><u>\$ 155,476,631</u></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, 2017

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 19,241,564
Payments to suppliers	(4,239,387)
Payments to employees	(7,250,180)
Net cash provided by operating activities	<u>7,751,997</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	<u>648,506</u>
Net cash provided by noncapital financing activities	<u>648,506</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(12,110,558)
Proceeds from capital contributions	4,465,952
Proceeds from sales of capital assets	<u>689,215</u>
Net cash used by capital and related financing activities	<u>(6,955,391)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>100,169</u>
Net cash provided by investing activities	<u>100,169</u>
Net increase in cash and cash equivalents	1,545,281
Cash and cash equivalents at beginning of year	<u>58,133,967</u>
Cash and cash equivalents at end of year	<u><u>\$ 59,679,248</u></u>
 Cash and cash equivalents at end of year	 \$ 52,098,569
Investments	<u>7,580,679</u>
Cash, cash equivalents and investments at end of year	<u><u>\$ 59,679,248</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 2,898,628
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,688,492
Change in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	(1,041,150)
(Increase) decrease in inventory	(154,664)
(Increase) decrease in prepaid expenses	77,661
(Increase) decrease in deferred outflows of resources related to pensions	214,539
Increase (decrease) in accounts payable	1,205,645
Increase (decrease) in accrued liabilities	2,056
Increase (decrease) in customer deposits	152,405
Increase (decrease) in accrued employee benefits	(2,294,272)
Increase (decrease) in deferred inflows of resources related to pensions	<u>2,657</u>
Net cash provided by operating activities	<u><u>\$ 7,751,997</u></u>

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

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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: municipal court, 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, 2017 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, 2017

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, 2017

The government reports the following major proprietary fund:

The water and sewer fund accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems, the water treatment plant and water distribution system.

The government has no other major funds.

Additionally, the government reports the following fund types:

The Hotel/Motel Tax special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned and unassigned as they are needed.

D. Assets, liabilities, and net assets or equity

1. Cash and investments

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

The City is authorized to invest idle cash from operating accounts for the purpose of increasing income through investment activities. State statutes authorize the City to invest in obligations of states, the United States government, obligations fully insured or guaranteed by the United States government or its agency, obligations of any corporation of the United States government, prime bankers' acceptances, the local government investment pool established by Code Section 36-83-8, repurchase agreements, and obligations of other political subdivisions of the State of Georgia.

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

Cash and investments are separately held and reflected in their respective funds. Investments in certificates of deposit with an original maturity of one year or less are stated at amortized cost, all others are stated at fair value based on quoted market prices. Investments in the State Treasurer's investment pool are stated at fair value which equals the value of the pool shares. The City has not elected to report realized gains and losses. Participation in the State Treasurer's investment pool is voluntary and no income from investments associated with one fund is assigned to another fund. The State Treasurer's investment pool is managed by the State Treasurer and represents the combined state general fund and local government investment pool.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the School Districts investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation. The City uses the weighted average maturity (WAM) method to report interest rate risk. As of December 31, 2017 the funds' WAM is 9 days.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the Noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. The trade accounts receivable allowance is calculated based on historical results see footnote IV B for further information.

3. Inventories and prepaid items

All inventories are valued at cost, which approximates market, using the average cost method. Inventories in the Enterprise Fund consist of expendable supplies held for consumption and items needed for repairs or improvements to the utility system. The cost is recorded as an asset at the time individual inventory items are purchased. Governmental funds did not maintain inventories at December 31, 2017.

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

4. Restricted assets

Certain resources accumulated in the capital projects fund and the water and sewer enterprise funds are restricted for construction of capital assets. The government-wide statement of net position reports \$15,183,073 of restricted net position, of which \$7,499,073 is restricted by enabling legislation.

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

5. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 for infrastructure and \$10,000 for equipment and vehicles (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending and has reported infrastructure assets as of January 1, 2002 consistent with the retroactive reporting requirements of GASB Statement 34. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the year was \$0.

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

Assets	Years
Public domain infrastructure	10 - 50
Buildings	10 - 40
Sewer treatment plant and improvements	20 - 30
Water system plant and improvements	15 - 30
Water distribution system	20 - 30
Equipment	3 - 10

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused paid time off. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For all governmental activities compensated activities are generally liquidated by the general fund.

7. Deferred outflows/inflows of resources

The City implemented GASB 65, Items Previously Reported as Assets and Liabilities as of January 1, 2013. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item in this category related to the pension contributions between the measurement date and year-end. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of deferred inflows, which arise only under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from taxes, charges for services and other fees. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The City also has deferred inflows of resources related to its pension plan for the differences between expected and actual experience, changes in assumptions and the net difference between projected and actual earnings on the pension plan investments. This amount is deferred and will be recognized as a reduction of the net pension liability in future years.

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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.

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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 \$83,335, OPEB liabilities in the amount of \$2,207,175 and net pension liability of \$998,490 from the fund financial statements because they are not due and payable in the current period. The City also excluded \$72,298,575 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 (\$2,116,849) difference are as follows:

Capital outlay	\$ 765,425
Depreciation expense	<u>(2,882,274)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,116,849)</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 \$2,212,981 difference are as follows:

Change in OPEB liability	\$ 2,238,254
Change in net pension liability	176,988
Change in deferred outflows related to pensions	(216,843)
Change in deferred inflows related to pensions	(3,249)
Compensated absences	<u>17,831</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,212,981</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.

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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, 2017, no departments' expenditures exceeded appropriations.

C. Deficit fund equity

No funds reflected deficit fund equity at December 31, 2017.

IV. Detailed notes on all funds

A. Cash and investments

At December 31, 2017, the carrying amount of the City's cash deposits was \$70,780,631 and the bank balance was \$71,737,125.

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, 2017, the City's investments in certificates of deposit not included above was \$7,580,679 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, 2017, are summarized as follows:

Carrying amount of deposits	\$ 67,519,567
Carrying amount of local government investment pool	3,261,064
Total shown above	70,780,631
Carrying amount of investments in certificates of deposit	7,580,679
Total deposits and investments	<u>\$ 78,361,310</u>
Cash on hand and in banks-total city	\$ 60,881,569
Restricted cash-General fund and SPOOLST fund	6,639,066
Restricted cash and investments-enterprise fund	10,840,675
Total shown on financial statements	<u>\$ 78,361,310</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, 2017, the City did not have any deposits that were uninsured or under collateralized, as defined by State statutes.

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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	\$ 135,847	\$ -	\$ 874	\$ 136,721
Accounts	69,871	3,088,201		3,158,072
Gross total receivables	205,718	3,088,201	874	3,294,793
Less: allowance for uncollectibles	(4,915)	(126,000)		(130,915)
Net total receivables	<u>\$ 200,803</u>	<u>\$ 2,962,201</u>	<u>\$ 874</u>	<u>\$ 3,163,878</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, 2017, 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, 2017 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		-		-
Total capital assets, not being depreciated	<u>10,638,006</u>	<u>-</u>	<u>-</u>	<u>10,638,006</u>
Capital assets, being depreciated:				
Buildings	37,926,884	-	-	37,926,884
Improvements other than buildings	7,371,042	26,659	-	7,397,701
Equipment	3,627,257	34,607	-	3,661,864
Infrastructure	65,779,116	704,159	-	66,483,275
Total capital assets, being depreciated	<u>114,704,299</u>	<u>765,425</u>	<u>-</u>	<u>115,469,724</u>
Less accumulated depreciation for:				
Buildings	7,669,654	933,397	-	8,603,051
Improvements other than buildings	2,902,842	210,750	-	3,113,592
Equipment	3,157,644	173,772	-	3,331,416
Infrastructure	37,196,741	1,564,355	-	38,761,096
Total accumulated depreciation	<u>50,926,881</u>	<u>2,882,274</u>	<u>-</u>	<u>53,809,155</u>
Total capital assets, being depreciated, net	<u>63,777,418</u>	<u>(2,116,849)</u>	<u>-</u>	<u>61,660,569</u>
Governmental activities capital assets, net	<u>\$ 74,415,424</u>	<u>\$ (2,116,849)</u>	<u>\$ -</u>	<u>\$ 72,298,575</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,437,805	\$ -	\$ 147,920	\$ 9,289,885
Construction in progress	11,415,618	9,770,278	7,095,289	14,090,607
Total capital assets, not being depreciated	<u>20,853,423</u>	<u>9,770,278</u>	<u>7,243,209</u>	<u>23,380,492</u>
Capital assets, being depreciated:				
Buildings	4,630,976	-	-	4,630,976
Water distribution system general	42,348,544	5,488,277	-	47,836,821
Water system plant	47,620,516	922,664	-	48,543,180
Wastewater treatment plant	64,177,530	2,765,169	-	66,942,699
Equipment	2,005,563	259,459	-	2,265,022
Total capital assets, being depreciated	<u>160,783,129</u>	<u>9,435,569</u>	<u>-</u>	<u>170,218,698</u>
Less accumulated depreciation for:				
Buildings	1,722,333	115,774	-	1,838,107
Water distribution system general	28,578,014	1,596,939	-	30,174,953
Water system plant	25,290,956	1,841,697	-	27,132,653
Wastewater treatment plant	30,070,270	3,002,269	-	33,072,539
Equipment	1,726,925	131,813	-	1,858,738
Total accumulated depreciation	<u>87,388,498</u>	<u>6,688,492</u>	<u>-</u>	<u>94,076,990</u>
Total capital assets, being depreciated, net	<u>73,394,631</u>	<u>2,747,077</u>	<u>-</u>	<u>76,141,708</u>
Business-type activities capital assets, net	<u>\$ 94,248,054</u>	<u>\$ 12,517,355</u>	<u>\$ 7,243,209</u>	<u>\$ 99,522,200</u>

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

Governmental activities:

General government	\$ 193,825
Public safety	65,139
Highway and streets, including depreciation of general infrastructure assets	1,647,709
Planning and zoning	12,780
Culture and recreation	962,821
Total depreciation expense - governmental activities	<u>\$ 2,882,274</u>

Business-type activities:

Water and sewer	\$ 6,688,492
Total depreciation expense - business-type activities	<u>\$ 6,688,492</u>

Construction commitments

The government has construction commitments outstanding as of December 31, 2017 for several projects in progress at year-end. The remaining amount due under the contracts as of December 31, 2017 was \$9,087,573.

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D. Interfund receivables, payables and transfers

The composition of interfund balances which relate primarily to expense reimbursements and other transfers as of December 31, 2017, is as follows:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water and sewer fund	\$ 408,826
Capital projects fund	Water and sewer fund	1,785
General fund	Capital projects fund	1,545,441
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.

E. Long-term liabilities

There is no outstanding long-term debt at December 31, 2017 .

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	\$ 4,445,429	\$ -	\$ 2,238,254	\$ 2,207,175	\$ -
Net pension liability	1,499,476	-	176,988	1,322,488	
Compensated absences	101,166	-	17,831	83,335	8,000
Governmental activity long-term liabilities	<u>\$ 6,046,071</u>	<u>\$ -</u>	<u>\$ 2,433,073</u>	<u>\$ 3,612,998</u>	<u>\$ 8,000</u>
Business-type activities:					
Customer deposits	\$ 1,043,602	\$ 152,405	\$ -	\$ 1,196,007	\$ -
OPEB obligation	4,016,594	-	2,093,384	1,923,210	-
Net pension liability	1,433,771	-	196,769	1,237,002	
Compensated absences	66,674	-	4,119	62,555	30,000
Business-type activity long-term liabilities	<u>\$ 6,560,641</u>	<u>\$ 152,405</u>	<u>\$ 2,294,272</u>	<u>\$ 4,418,774</u>	<u>\$ 30,000</u>

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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 2017. 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 2017 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 2017, the City did not provide any funding for the Cumming housing authority.

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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, 2017, there were:

Retirees and beneficiaries currently receiving benefits	34
Inactive employees entitled to benefits but not yet receiving them	41
Active employees (95 fully vested and 59 not vested).	<u>154</u>
	<u>229</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, 2017, the City's contribution rate was 9.07% of annual payroll. City contributions to the Plan were \$540,929 for the year ended December 31, 2017 .

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The City's net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. An expected total pension liability as of March 31, 2017 was determined using standard roll-forward techniques.

Actuarial assumptions. The total pension liability in the July 1, 2017 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, 2017 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *	Long-term Nominal Real Rate of Return
Domestic equity	45.00%	6.71%	9.96%
International equity	20.00%	7.71%	10.96%
Domestic fixed income	20.00%	2.11%	5.36%
Real estate	10.00%	5.21%	8.46%
Global fixed income	5.00%	3.36%	6.61%
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.

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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, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2016	\$ 17,055,891	\$ 14,122,644	\$ 2,933,247
Changes for the year:			
Service cost	296,343	-	296,343
Interest	1,301,535	-	1,301,535
Differences between expected and actual experience	283,511	-	283,511
Contributions-employer	-	509,907	(509,907)
Net investment income	-	1,773,500	(1,773,500)
Benefit payments, including refunds of employee contributions	(523,781)	(523,781)	-
Administrative expense		(28,261)	28,261
Other	-	-	-
Net changes	1,357,608	1,731,365	(373,757)
Balances as December 31, 2017	\$ 18,413,499	\$ 15,854,009	\$ 2,559,490

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%)	Discount Rate (7.75%)	1% Increase (8.75%)
City of Cumming's net pension liability	\$ 4,931,698	\$ 2,559,490	\$ 587,518

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017 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, 2017, the City recognized pension expense of \$579,228. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual expense	\$ 263,081	\$ -
Changes in assumptions	-	(23,880)
Net difference between projected and actual earnings on pension plan investments	-	(17,846)
City contributions subsequent to the measurement date	405,697	
Total	<u>\$ 668,778</u>	<u>\$ (41,726)</u>

City contributions subsequent to the measurement date of \$405,697 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, 2017. 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:

2018	\$ 71,191
2019	71,191
2020	158,397
2021	(79,424)
Total	<u>\$ 221,355</u>

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 for employees hired prior to January 1, 2017 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 the employee fall within option 2 age parameters, the 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. The eligibility requirements for employees hired or elected January 1, 2017 or after require 25 years or more of consecutive service with the City of Cumming instead of 10 years. All other eligibility requirements are the same. Any employee whose employment is terminated for any reason other than approved retirement is not eligible. Membership in the plan as of the latest actuarial valuation date included 11 current retirees, beneficiaries and dependents and 154 current active participants for a total of 165.

There are three (3) 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 (age 65). 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 (age 65). The City will pay 100% of the retiree's healthcare insurance cost through the GMA conversion plan until the retiree is Medicare eligible (age 65). 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 qualified spouse is Medicare eligible (age 65) or 5 years ("spousal benefit period"), whichever occurs first. The retiree is responsible for the remaining 50% of the qualified spousal coverage during the spousal benefit period, 100% of the cost of spousal healthcare following the spousal benefit period, and 100% of any other dependent coverage. **Option 3** - the eligible employee retires after becoming Medicare eligible (age 65) or previously retired under option 1 or 2 and becomes Medicare eligible (age 65). The City will pay 100% of the cost of the retiree's Medicare Supplement Policy offered through the Georgia Municipal Association; or other sources for the retiree's lifetime. The retiree is responsible for 100% of the cost of any spousal coverage.

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, 2017, the City contributed \$193,459 to the plan in the form of insurance premiums paid on behalf of existing retirees and the City made an additional \$4,366,500 contribution to prefund future benefits.

Annual OPEB Cost and Net OPEB Obligation. The City had an actuarial valuation performed for the plan as of July 1, 2017 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 \$228,321 is equal to the ARC for the corresponding period, as the transition liability was set at zero as of December 31, 2007.

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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	\$ 488,965
Interest on net OPEB obligation	634,652
Adjustment to annual required contribution	<u>(895,296)</u>
Annual OPEB cost (income)	228,321
Contributions made	<u>(4,559,959)</u>
Decrease in net OPEB obligation	(4,331,638)
Net OPEB obligation-beginning of year	<u>8,462,023</u>
Net OPEB obligation-end of year	<u><u>\$ 4,130,385</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Year Ended	OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/17	\$ 228,321	1997%	\$ 4,130,385
12/31/16	1,384,750	11%	8,462,023
12/31/15	1,279,194	7%	7,234,742

Funded Status and Funding Progress. As of July 1, 2017, the most recent actuarial valuation date, the plan was 71.67% funded. The actuarial accrued liability for benefits was \$5,820,802, and the actuarial value of assets was \$4,172,059, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,648,743. The covered payroll (annual payroll of active employees covered by the plan) was \$6,409,937, and the ratio of the UAAL to the covered payroll was 25.7 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, 2017, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% 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 for pre-65 of 7% initially, reduced by decrements to an ultimate rate of 4.5% over 5 years and 3% for post-65 participants. 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, 2017 was 15.5 years.

CITY OF CUMMING, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

G. Hotel/motel lodging tax

During the year ended December 31, 2017, 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, 2017 was \$19,000. Of that amount 100% or \$19,000 was spent during 2017 in compliance with OCGA 48-13-51(a)(3).

H. Discreetly presented component unit

As discussed in Note I. A. the Downtown Development Authority is a component unit of 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 (\$1,822,500 at December 31, 2017) 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 \$1,417,500 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. Special item

During 2017, the City received a settlement of \$1,050,000 related to the Lake Alice Dam breach.

J. Subsequent event

In the first quarter of 2018, the mayor and council terminated the Cumming Fair Authority (a legally separate organization). Since the authority was never officially activated, the termination has no impact on the City of Cumming financial statements.

Required Supplementary Information

CITY OF CUMMING, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

Schedule of Funding Progress for the City of Cumming OPEB Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/17	\$ 4,172,059	\$ 5,820,802	\$ 1,648,743	71.67%	\$ 6,409,937	25.72%
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, 2017

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability			
Service cost	\$ 297,936	\$ 286,083	\$ 296,343
Interest on total pension liability	1,138,867	1,209,216	1,301,535
Differences between expected and actual experience	(130,682)	147,575	283,511
Changes of assumptions	(59,699)	-	-
Benefit payments, including refunds of employee contributions	(297,822)	(379,549)	(523,781)
Net change in total pension liability	<u>948,600</u>	<u>1,263,325</u>	<u>1,357,608</u>
Total pension liability - beginning	<u>14,843,966</u>	<u>15,792,566</u>	<u>17,055,891</u>
Total pension liability - ending (a)	<u><u>\$ 15,792,566</u></u>	<u><u>\$ 17,055,891</u></u>	<u><u>\$ 18,413,499</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 491,544	\$ 508,484	\$ 509,907
Net investment income	1,226,368	45,252	1,773,500
Benefit payments, including refunds of employee contributions	(297,822)	(379,549)	(523,781)
Administrative expenses	(18,200)	(20,096)	(28,261)
Net change in plan fiduciary net position	<u>1,401,890</u>	<u>154,091</u>	<u>1,731,365</u>
Plan fiduciary net position - beginning	<u>12,566,663</u>	<u>13,968,553</u>	<u>14,122,644</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 13,968,553</u></u>	<u><u>\$ 14,122,644</u></u>	<u><u>\$ 15,854,009</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ 1,824,013</u></u>	<u><u>\$ 2,933,247</u></u>	<u><u>\$ 2,559,490</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.45%	82.80%	86.10%
Covered-employee payroll	\$ 5,748,609	\$ 6,100,315	\$ 6,515,819
City's net pension liability as a percentage of covered-employee payroll	31.73%	48.08%	39.28%

Notes to the schedule

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

CITY OF CUMMING
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

Schedule of City Contributions

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 511,456	\$ 499,567	*
Contributions in relation to the actuarially determined contribution	511,456	499,567	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>
 Covered-employee payroll	 \$ 5,748,609	 \$ 6,100,315	 *
Contributions as a percentage of covered-employee payroll	8.9%	8.2%	*

Notes to the schedule

Valuation Date The actuarially determined contribution rate was determined as of July 1, 2017, with an interest adjustment to the fiscal year. **Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2018. ***

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded
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 Mortality 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, 2017

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	\$ 20,613,038	\$ -	\$ 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	2,135,952	-	2,135,952
TOTALS FOR SPLOST # 5	<u>\$ 24,000,000</u>	<u>\$ 32,300,000</u>	<u>\$ 31,309,767</u>	<u>\$ -</u>	<u>\$ 31,309,767</u>
<u>SPLOST # 7 - SEE NOTE 1</u>					
Parks and recreation	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 26,659	\$ 26,659
Street improvements	10,500,000	10,500,000	-	394,982	394,982
Intake generator - water system	1,000,000	1,000,000	1,000,000	-	1,000,000
TOTALS FOR SPLOST # 7	<u>\$ 13,500,000</u>	<u>\$ 13,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 421,641</u>	<u>\$ 1,421,641</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.

LE ROY, COLE & STEPHENS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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 30, 2018.

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.

Le Roy, Cole + Stephens, LLC

Cumming, Georgia
March 30, 2018

LE ROY, COLE & STEPHENS, LLC
CERTIFIED PUBLIC ACCOUNTANTS

101 SAMARITAN DRIVE
CUMMING, GEORGIA 30040

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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, 2017 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, 2017 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.

LeRoy, Cole & Stephens, LLC

Cumming, Georgia
March 30, 2018

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:
12/31/2017		12/31/2017
H	Balance - Prior Year (Cash or Accrued or Deferred Revenue)	
	\$13,182.00	
I	Grant Receipts or Revenue Recognized	\$500,000.00
J	Grant Disbursements or Expenditures EXCLUDING AUDIT FEES	\$486,818.00
K	Disbursements or Expenditures for Audit Fees	\$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

EDIT CHECKS IF FORM COMPLETED ON EXCEL SPREADSHEET:

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

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 3 Blm Date 6/20/18

Signature of Chief Financial Officer [Signature] Date 6/20/18

Rev. 8/2006