

City of Cumming, Georgia
Financial Statements
With Independent Auditors Report
For the Year ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2018, 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 Responsibilities 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 evaluation 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 City of Cumming, Georgia, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes F & J, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of December 31, 2018. The Standard significantly changed the accounting for the City's net other postemployment benefits (OPEB) liability(asset) and the related disclosures. Our opinions are not modified with respect to the matter.

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 44 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

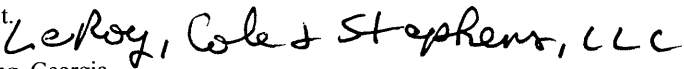
essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 a report dated April 2, 2019, 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, 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 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
April 2, 2019

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, 2018.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$260,204,328. Of this amount \$60,516,699 (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 \$13,535,487.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,633,765 an increase of \$5,240,542 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 \$17,502,424.

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, fire, 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 Position 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 2018 by \$13,535,487, of which \$6,704,596 was an increase in governmental activities and \$6,830,891 was an increase in business-type activities.

Table 1
Net Position
December 31, 2018

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and Other Assets	\$ 24,958,463	\$ 30,213,332	\$ 62,723,444	\$ 57,696,959	\$ 87,681,907	\$ 87,910,291
Capital Assets	72,298,575	71,201,845	99,522,200	109,728,553	171,820,775	180,930,398
Total Assets	97,257,038	101,415,177	162,245,644	167,425,512	259,502,682	268,840,689
Deferred outflows of Resources						
Related to Pensions	345,558	658,938	323,220	647,183	668,778	1,306,121
Related to OPEB		369,798		363,202		733,000
Total Deferred outflows of Resources	345,558	1,028,736	323,220	1,010,385		2,039,121
Current Liabilities	425,167	432,914	2,683,293	2,947,698	3,108,460	3,380,612
Non-Current Liabilities	3,604,998	2,439,327	4,388,774	3,728,161	7,993,772	6,167,488
Total Liabilities	4,030,165	2,872,241	7,072,067	6,675,859	11,102,232	9,548,100
Deferred inflows of Resources						
Unearned revenues	148,073	154,653			148,073	154,653
Related to Pensions	21,560	327,816	20,166	321,968	41,726	649,784
Related to OPEB		162,926		160,019		322,945
Total Deferred inflows of Resources	169,633	645,395	20,166	481,987	189,799	1,127,382
Net Assets:						
Invested in Capital Assets	72,298,575	71,201,845	99,522,200	109,728,553	171,820,775	180,930,398
Restricted for Capital Projects	7,499,073	10,422,044	7,684,010	8,335,187	15,183,083	18,757,231
Unrestricted	13,605,150	17,302,388	48,270,421	43,214,311	61,875,571	60,516,699
Total Net Position	\$ 93,402,798	\$ 98,926,277	\$ 155,476,631	\$ 161,278,051	\$ 248,879,429	\$ 260,204,328

Table 2
Changes in Net Position
December 31, 2018

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 6,029,750	\$ 6,313,954	\$ 20,130,310	\$ 21,337,829	\$ 26,160,060	\$ 27,651,783
Operating Grants & Contributions	2,300	7,600			2,300	7,600
Capital Grants and Contributions	4,752,249	5,091,556	4,465,952	1,518,044	9,218,201	6,609,600
General Revenues:						
Sales Taxes	5,602,649	5,136,802			5,602,649	5,136,802
Franchise Taxes	1,000,286	1,008,072			1,000,286	1,008,072
Title Ad valorem Tax	932,175	1,134,441			932,175	1,134,441
Insurance Premium Taxes	361,747	390,128			361,747	390,128
Alcoholic Beverage Taxes	774,580	783,093			774,580	783,093
Hotel Motel Taxes	19,000	20,479			19,000	20,479
Unrestricted Investment Earnings	10	20	47,774	286,987	47,784	287,007
Restricted Investment Earnings			52,395	104,328	52,395	104,328
Grants & Contributions not restricted to Programs	64,506				64,506	
Gain on Disposition of Capital Assets			541,296		541,296	
Transfers		(750,000)		750,000		
Special Item	1,050,000				1,050,000	
Total Revenues	<u>\$ 20,589,252</u>	<u>\$ 19,136,145</u>	<u>\$ 25,237,727</u>	<u>\$ 23,997,188</u>	<u>\$ 45,826,979</u>	<u>\$ 43,133,333</u>

Program Expenses					
General Government	\$ 1,895,597	\$ 1,907,235	\$	\$	\$ 1,895,597 \$ 1,907,235
Public Safety	2,072,667	1,322,884			2,072,667 1,322,884
Streets	2,900,058	2,690,455			2,900,058 2,690,455
Sanitation	459,781	393,064			459,781 393,064
Planning & Zoning	655,520	503,138			655,520 503,138
Culture and Recreation	6,396,646	5,614,773			6,396,646 5,614,773
Water & Sewer			17,231,682	17,166,297	17,231,682 17,166,297
Total Expenses	14,380,269	12,431,549	17,231,682	17,166,297	31,611,951 29,597,846
Excess(Deficiency)	6,208,983	6,704,596	8,006,045	6,830,891	14,215,028 13,535,487
Net position, beginning	87,193,815	92,221,681	147,470,586	154,447,160	234,664,401 246,668,841
GASB 75 restatement	(1,181,117)		(1,029,471)		(2,210,588)
Net position, end of year	\$ 92,221,681	\$ 98,926,277	\$ 154,447,160	\$ 161,278,051	\$ 246,668,841 \$ 260,204,328

Total government wide revenue for 2018 was \$43,133,333 with \$27,651,783 in charges for services, \$6,617,200 in grants and contributions, \$8,473,015 in taxes, and \$391,335 in investment earnings. Of this amount, \$19,136,145 was in governmental activities and \$23,997,188 in business-type activities.

The City's expenses for 2018 government wide were \$29,597,846 with \$12,431,549 of the total included in governmental activities and \$17,166,297 for business type activities.

Governmental Activities

The City's 2018 governmental activities revenues decreased by \$1,453,107. Of this amount, \$1,050,000 is comprised of the absence of the special item related to the settlement of litigation regarding Lake Alice Dam from 2017, with the remaining amount consisting of a decrease in Sales Taxes.

The cost of all governmental activities this year was \$12,431,549. Of this amount, \$6,313,954 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

	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
General Government	\$ 1,895,597	\$ 1,907,235	\$ (3,535,640)	\$ (3,629,066)
Public Safety	2,072,667	1,322,884	2,035,003	1,300,958
Streets	2,900,058	2,690,455	2,817,451	2,554,916
Sanitation	459,781	393,064	(32,164)	(102,206)
Planning & Zoning	655,520	503,138	(213,653)	(313,753)
Culture & Recreation	6,396,646	5,614,773	2,524,973	1,207,590
Totals	<u>\$ 14,380,269</u>	<u>\$ 12,431,549</u>	<u>\$ 3,595,970</u>	<u>\$ 1,018,439</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$1,240,539, and expenses decreased by \$65,385. 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 page 41 of this report.

General Fund Budgetary Highlights

During 2018, there was an \$844,600 increase in expenditures between the original and final amended budget. Of this increase, \$393,000 was offset by an increase in various taxes. The remaining \$451,600 increase reflects increases in revenues such as fees for services for a net total increase of 5.92% of the total budget.

CAPITAL ASSET AND LONG-TERM LIABILITIES

Capital Assets

At the end of 2018, the City had \$180,930,398 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 \$9,109,623. 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

During 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits (OPEB) Other than Pensions* which establishes accounting and financial reporting standards that revised the recognition, measurement, and disclosure requirements pertaining to other post-employment benefits (OPEB). Employers now report the difference between actuarially determined total OPEB liability and the OPEB plan's fiduciary net position; this difference is reported as the net OPEB liability. The City was required to calculate the net OPEB liability as of December 31, 2017, which totaled \$6,640,973, and restate beginning balance of net position to record the liability. Previously, a net OPEB asset or obligation was recognized if the City's contributions to the OPEB plan differed from the actuarially determined recommended contribution. At December 31, 2017, the City reported a net OPEB obligation of \$4,130,385; the beginning balance of net position was restated to remove the net OPEB obligation. Further effects of the restatement to the City's financial statements can be found in Notes F and J on pages 35 and 39.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2019 budget reflects anticipated general fund revenues of \$14,321,400 and is balanced including a contingency reserve of \$1,200,000. This represents a decrease of \$776,100 or 5.14% under the final budget for 2018. This reflects a decrease in revenues from fees for services. The water and sewer fund budget reflects anticipated revenues of \$22,403,000. This budgeted amount represents an increase of \$1,837,500 or approximately 8.93% compared to 2018. 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, 2018

	Governmental Activities	Primary Government Business-type Activities	Total	Component Unit
<u>ASSETS</u>				
Cash and cash equivalents	\$ 13,514,197	\$ 44,514,401	\$ 58,028,598	\$ 2,616,961
Receivables, net	198,769	2,769,166	2,967,935	
Intergovernmental receivable	4,692,209		4,692,209	
Note receivable				405,000
Internal balances	994,571	(994,571)		
Inventory		468,755	468,755	
Prepaid expenses	332,789	22,218	355,007	
Receivables-non-current				1,012,500
Restricted assets	10,480,797	10,916,990	21,397,787	
Capital assets, not being depreciated	10,776,316	27,467,572	38,243,888	
Capital assets, net of accumulated depreciation	<u>60,425,529</u>	<u>82,260,981</u>	<u>142,686,510</u>	
Total Assets	<u>101,415,177</u>	<u>167,425,512</u>	<u>268,840,689</u>	<u>4,034,461</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources related to pension	658,938	647,183	1,306,121	
Deferred outflows of resources related to OPEB	<u>369,798</u>	<u>363,202</u>	<u>733,000</u>	
Total Deferred Outflows of resources	<u>1,028,736</u>	<u>1,010,385</u>	<u>2,039,121</u>	
<u>LIABILITIES</u>				
Accounts payable	321,181	1,660,123	1,981,304	
Accrued liabilities	44,980	36,204	81,184	
Liabilities payable from restricted assets	58,753	1,221,371	1,280,124	
Noncurrent liabilities:				
Due within one year	8,000	30,000	38,000	
Due in more than one year	<u>2,439,327</u>	<u>3,728,161</u>	<u>6,167,488</u>	<u>4,055,000</u>
Total Liabilities	<u>2,872,241</u>	<u>6,675,859</u>	<u>9,548,100</u>	<u>4,055,000</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unearned revenues	154,653		154,653	
Deferred inflows of resources related to pension	327,816	321,968	649,784	
Deferred inflows of resources related to OPEB	<u>162,926</u>	<u>160,019</u>	<u>322,945</u>	
Total Deferred Inflows of Resources	<u>645,395</u>	<u>481,987</u>	<u>1,127,382</u>	
<u>NET POSITION</u>				
Invested in capital assets	71,201,845	109,728,553	180,930,398	
Restricted for capital projects	10,422,044	8,335,187	18,757,231	
Unrestricted	<u>17,302,388</u>	<u>43,214,311</u>	<u>60,516,699</u>	<u>(20,539)</u>
Total Net Position	<u>\$ 98,926,277</u>	<u>\$161,278,051</u>	<u>\$260,204,328</u>	<u>\$ (20,539)</u>

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

CITY OF CUMMING, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Program Revenues				Primary Government		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Governmental activities:								
General government	\$ 1,907,235	\$ 572,684	\$ 7,600	\$ 4,956,017	\$ 3,629,066	\$	\$ 3,629,066	\$
Public safety	1,322,884	21,926			(1,300,958)		(1,300,958)	
Streets	2,690,455			135,539	(2,554,916)		(2,554,916)	
Sanitation	393,064	495,270			102,206		102,206	
Planning and zoning	503,138	816,891			313,753		313,753	
Culture and recreation	5,614,773	4,407,183			(1,207,590)		(1,207,590)	
Total governmental activities	12,431,549	6,313,954	7,600	5,091,556	(1,018,439)		(1,018,439)	
Business-type activities:								
Water and sewer	17,166,297	21,337,829		1,518,044		5,689,576	5,389,576	
Total business-type activities	17,166,297	21,337,829		1,518,044		5,689,576	5,689,576	
Total City of Cumming	\$ 29,597,846	\$ 27,651,783	\$ 7,600	\$ 6,609,600	\$ (1,018,439)	\$ 5,689,579	\$ 4,671,137	\$
Component unit								
Downtown Development Authority	\$	\$	\$	\$	\$	\$	\$	\$
Total component unit	\$	\$	\$	\$	\$	\$	\$	\$
General revenues:								
Title ad valorem tax				1,134,441			1,134,441	
Sales taxes				5,136,802			5,136,802	
Franchise taxes				1,008,072			1,008,072	
Insurance premium taxes				390,128			390,128	
Alcoholic beverage taxes				783,093			783,093	
Hotel/motel taxes				20,479			20,479	
Unrestricted investment earnings				20		286,987	287,007	
Restricted investment earnings						104,328	104,328	
Transfers				(750,000)		750,000		
Total general revenues and transfers				7,723,035		1,141,315	8,864,350	
Change in net position				6,704,596		6,830,891	13,535,487	
Net position – beginning (restated)				92,221,681		154,447,160	246,668,841	(20,539)
Net position – ending				\$ 98,926,277		\$161,278,051	\$260,204,328	\$ (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, 2018**

	Major		Nonmajor	Total
	General	SPLOST	Hotel/Motel	Governmental
	Fund	Fund	Tax	Funds
			Fund	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 10,647,552	\$	\$ 2,866,645	\$ 13,514,197
Receivables (net):				
Taxes			1,356	1,356
Franchise fees	62,591			62,591
Beverage taxes	71,777			71,777
Garbage collection and other fees	63,045			63,045
Intergovernmental receivable	4,692,209			4,692,209
Interfund receivables	2,445,652		26,182	2,472,581
Prepaid items	32,789		300,000	332,789
Restricted assets:				
Cash and cash equivalents		9,581,965		9,581,965
Receivable		898,832		898,832
Total Assets	<u>\$ 18,015,615</u>	<u>\$ 10,480,797</u>	<u>\$ 3,192,827</u>	<u>\$ 31,691,342</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 252,627	\$	\$ 66,451	\$ 321,181
Accrued liabilities	44,980			44,980
Interfund payable	26,929	24,608	1,426,473	1,478,010
Liabilities payable from restricted assets	1,213	57,540		58,753
Total Liabilities	<u>325,749</u>	<u>82,148</u>	<u>1,492,924</u>	<u>1,902,924</u>
Deferred inflows of resources				
Unearned revenues	154,653			154,653
Total Deferred Inflows of Resources	<u>154,653</u>			<u>154,653</u>
Fund balances				
Nonspendable for prepaid items	32,789			32,789
Restricted for capital projects		10,398,649		10,398,649
Assigned to construction of capital assets			1,699,903	1,699,903
Unassigned	17,502,424			17,502,424
Total Fund Balances	<u>17,535,213</u>	<u>10,398,649</u>	<u>1,699,903</u>	<u>29,633,765</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 18,015,615</u>	<u>\$ 10,480,797</u>	<u>\$ 3,192,827</u>	<u>\$ 31,691,342</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.	71,201,845
Long-term liabilities, are not due and payable in the current period, therefore, are not reported in the funds.	
Net OPEB Liability and related deferred outflows and inflows of resources	(811,810)
Net pension liability and related deferred outflows and inflows of resources	(1,028,991)
Compensated absences	(68,532)
Net position of governmental activities	<u>\$ 98,926,277</u>

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

CITY OF CUMMING, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Major			Nonmajor	Total
	General Fund	SPLOST Fund	Capital Projects Fund	Hotel/Motel Tax Fund	Governmental Funds
REVENUES					
Taxes	\$ 8,452,535	\$	\$	\$ 20,479	\$ 8,473,014
Licenses and permits	827,925				827,925
Intergovernmental	135,539	4,956,017			5,091,556
Charges for services	5,076,136				5,076,136
Fines and forfeitures	398,460				398,460
Investment earnings	20				20
Miscellaneous	19,034				19,034
Total Revenues	14,909,649	4,956,017		20,479	19,886,145
EXPENDITURES					
Current:					
General government	1,951,002				1,951,002
Public safety	2,222,016				2,222,016
Streets	1,581,241				1,581,241
Planning and zoning	714,384				714,384
Sanitation	393,064				393,064
Culture and recreation	5,706,976			20,479	5,727,455
Capital Outlay:					
Streets		1,182,255			1,182,255
Culture and recreation		90,974			90,974
Greenspace		33,212			33,212
Total expenditures	12,568,683	1,306,441		20,479	13,895,603
Excess (deficiency) of Revenues Over (under) Expenditures	2,340,966	3,649,576			5,990,542
OTHER FINANCING SOURCES(USES)					
Transfers in			1,556,475		1,556,475
Transfers out	(1,556,475)	(750,000)			(2,306,475)
Change in fund balance	784,491	2,899,576	1,556,475		5,240,542
Fund Balances – beginning	16,750,722	7,499,073	143,428		24,393,223
Fund Balances – ending	\$ 17,535,213	\$ 10,398,649	\$ 1,699,903	\$	\$ 29,633,765

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, 2018**

Net change in fund balances – total governmental funds	\$ 5,240,542
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Net change in OPEB liability	2,576,482	
Net change in pension liability and related deferred outflows and inflows of resources	(30,500)	
Net change in long-term compensated absences	14,803	2,560,785

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 (\$2,913,375) exceeded capital outlays (\$1,816,644) in the current period.

(1,096,731)

Change in net position of governmental activities	\$ <u>6,704,596</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CUMMING, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
REVENUES				
Taxes	\$ 8,130,000	\$ 8,507,000	\$ 8,452,535	\$ (54,465)
Licenses and permits	786,000	872,500	827,925	(44,575)
Intergovernmental		136,000	135,539	(461)
Charges for services	4,876,900	5,146,500	5,076,136	(70,364)
Fines and forfeitures	450,000	418,000	398,460	(19,540)
Investment earnings			20	20
Miscellaneous	<u>10,000</u>	<u>17,500</u>	<u>19,034</u>	<u>1,534</u>
Total Revenues	<u>14,252,900</u>	<u>15,097,500</u>	<u>14,909,649</u>	<u>(187,851)</u>
EXPENDITURES				
Current:				
General government	1,707,715	2,107,315	1,951,002	156,313
Public safety	2,313,000	2,417,750	2,222,016	195,734
Streets	1,942,770	1,661,370	1,581,241	80,129
Planning and zoning	720,290	784,790	714,384	70,406
Sanitation	450,000	450,000	393,064	56,936
Culture and recreations	<u>5,478,550</u>	<u>6,119,800</u>	<u>5,706,976</u>	<u>412,824</u>
Total expenditures	<u>12,612,325</u>	<u>13,541,025</u>	<u>12,568,683</u>	<u>972,342</u>
Excess of Revenues over Expenditures	<u>1,640,575</u>	<u>1,556,475</u>	<u>2,340,966</u>	<u>784,491</u>
OTHER FINANCING SOURCES(USES)				
Transfers out	<u>(1,640,575)</u>	<u>(1,556,475)</u>	<u>(1,556,475)</u>	
Total other financing sources and uses	<u>(1,640,575)</u>	<u>(1,556,475)</u>	<u>(1,556,475)</u>	
Change in fund balances			<u>784,491</u>	<u>784,491</u>
Fund Balance – beginning	<u>16,750,722</u>	<u>16,750,722</u>	<u>16,750,722</u>	
Fund Balance – ending	<u>\$ 16,750,722</u>	<u>\$ 16,750,722</u>	<u>\$ 17,535,213</u>	<u>\$ 784,491</u>

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

CITY OF CUMMING, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash on hand and in banks	\$ 44,514,401
Accounts receivable, net	2,769,166
Inventory	468,755
Prepaid expenses	22,218
Interfund receivable	298,215
Restricted cash	<u>1,018,291</u>
Total Current Assets	<u>49,091,046</u>
Noncurrent Assets:	
Restricted cash, cash equivalents and investments	<u>9,898,699</u>
Total Restricted Assets	<u>9,898,699</u>
Capital assets:	
Capital assets, not being depreciated	27,467,572
Capital assets being depreciated	<u>183,436,003</u>
	210,903,575
Accumulated depreciation	<u>101,175,022</u>
Net Capital Assets	<u>109,728,553</u>
Total Noncurrent Assets	<u>119,627,252</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pension	647,183
Deferred outflows of resources related to OPEB	<u>363,202</u>
Total deferred outflows of resources	<u>1,010,385</u>
Total Assets	<u>\$ 169,728,683</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,660,123
Accrued liabilities	66,204
Interfund payable	1,292,786
Liabilities payable from restricted assets	<u>1,221,371</u>
Total Current Liabilities	<u>4,240,484</u>
Noncurrent Liabilities:	
Accrued employee benefits	31,371
Accrued OPEB obligation	1,000,509
Net Pension obligation	1,335,849
Customer deposits	<u>1,360,432</u>
Total Noncurrent Liabilities	<u>3,728,161</u>
Total Liabilities	<u>7,968,645</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pension	321,968
Deferred inflows of resources related to OPEB	<u>160,019</u>
Total deferred inflows of resources	<u>481,987</u>
NET POSITION	
Invested in capital assets	109,728,553
Restricted for capital projects	8,335,187
Unrestricted	<u>43,214,311</u>
Total Net Position	<u>\$ 161,278,051</u>

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

CITY OF CUMMING, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for services	\$ 21,337,829
Total Operating Revenues	<u>21,337,829</u>
Operating Expenses:	
Personal services	3,374,480
Purchased and contracted services	3,280,175
Supplies	3,388,936
Depreciation	<u>7,122,706</u>
Total Operating Expenses	<u>17,166,297</u>
Income from operations	<u>4,171,532</u>
Nonoperating Revenues (Expenses):	
Interest income	<u>391,315</u>
Total Nonoperating Revenues (Expenses)	<u>391,315</u>
Income before contributions and transfers	4,562,847
Capital contributions	1,518,044
Transfers in	<u>750,000</u>
Change in net position	6,830,891
Total net position – beginning (restated)	<u>154,447,160</u>
Total net position – ending	<u>\$ 161,278,051</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, 2018**

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 21,695,289
Payments to suppliers	(6,599,982)
Payments to employees	(5,257,424)
Net cash provided by operating activities	<u>9,837,883</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from other funds	<u>1,333,960</u>
Net cash provided (used) by noncapital financing activities	<u>1,333,960</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(17,329,059)
Proceeds from capital contributions	<u>1,518,044</u>
Net cash (used) provided by capital and related financing activities	<u>(15,811,015)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>391,315</u>
Net cash (used) provided by investing activities	<u>391,315</u>
Net increase in cash and cash equivalents	(4,247,857)
Cash and cash equivalents at beginning of year	<u>59,679,248</u>
Cash and cash equivalents at end of year	<u>\$ 55,431,391</u>
Cash and cash equivalents at end of year	\$ 47,835,162
Investments	<u>7,596,229</u>
Cash, cash equivalents and investments at end of year	<u>\$ 55,431,391</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 4,171,532
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,122,706
Change in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	193,035
(Increase) decrease in inventory	2,233
(Increase) decrease in prepaid expenses	(600)
(Increase) decrease in deferred outflows of resources related to pensions	(687,165)
Increase (decrease) in accounts payable	292,840
Increase (decrease) in accrued liabilities	(28,435)
Increase (decrease) in customer deposits	164,425
Increase (decrease) in accrued employee benefits	(1,854,509)
Increase (decrease) in deferred inflows of resources related to pensions	<u>461,821</u>
Net cash provided by operating activities	<u>\$ 9,837,883</u>

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

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 discretely 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, 2018 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 Development Authority of Cumming (a legally separate organization) established by OCGA 36-42-4 is a component unit of the City of Cumming, Georgia that requires discrete 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.

The Downtown Development Authority (a legally separate organization) established by OCGA 36-42-1 is a component unit of the City of Cumming, Georgia that requires discrete presentation. The City appoints all seven members of the board. Financial information of the Downtown Development Authority can be obtained from the City Clerk. The Downtown Development Authority operates on a calendar year. Separate financial statements for the Downtown Development Authority are not prepared. The entity had no assets and there was no activity in 2018.

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. Certain indirect costs have been included as part of the program expenses for various functional activities.

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 Special Purpose Local Option Sales Tax (SPLOST) 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 operations.

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.

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.

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources 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 Georgia.

Cash and investments are separately held and reflected in their respective funds. All investments in certificates of deposit have an original maturity of one year or less and are stated at amortized cost. 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 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 investment to fair market value as of year-end and the City's 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 used the weighted average maturity (WAM) method to report interest rate risk. As of December 31, 2018, the funds' WAM is 21 days.

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018.

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. Prepaid items reported in the governmental funds are equally offset by a nonspendable fund balance category, which indicates that they do not constitute “available, spendable financial resources” even though they are a component of net current assets.

4. Restricted assets

Certain resources accumulated in the SPLOST 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 \$18,757,231 of restricted net position, of which \$10,422,044 is restricted by enabling legislation.

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. Total interest expense incurred by the City during the year was \$0. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
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

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. 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 and proprietary 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

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 two items in this category related to the pension and OPEB 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 and OPEB plans for the differences between expected and actual experience, changes in assumptions and the net difference between projected and actual earnings on plan investments. This amount is deferred and will be recognized as a reduction of the net liability in future years.

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 assets.

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:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- 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;
- 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;
- 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;
- 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).

Flow assumption. For unrestricted amount of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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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.

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 \$68,532, OPEB liabilities in the amount of \$811,810 and net pension liability of \$1,028,991 from the fund financial statements because they are not due and payable in the current period. The City also excluded \$71,201,845 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 (\$1,096,731) difference are as follows:

Capital outlay	\$ 1,816,644
Depreciation expense	<u>(2,913,375)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,096,731)</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 \$2,560,785 difference are as follows:

Change in OPEB liability	\$ 2,576,482
Change in net pension liability	(37,625)
Change in deferred outflows related to pensions	313,381
Change in deferred inflows related to pensions	(306,256)
Compensated absences	<u>14,803</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,560,785</u>

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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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.

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, 2018, no departments' expenditures exceeded appropriations.

C. Deficit fund equity

No funds reflected deficit fund equity at December 31, 2018.

IV. Detailed notes on all funds

A. Cash and investments

At December 31, 2018, the carrying amount of the City's cash deposits was \$70,931,324 and the bank balance was \$71,236,396.

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, 2018, the City's investments in certificates of deposit not included above was \$7,596,229 and their WAM is 196 days and the City's deposits in the State Treasurer's investment pool totaled \$3,321,848. Total deposits and investments as of December 31, 2018 are summarized as follows:

Carrying amount of deposits	\$ 67,609,476
Carrying amount of local government investment pool	3,321,848
Total shown above	70,931,324
Carrying amount of investments in certificates of deposit	7,596,229
Total deposits and investments	<u>\$ 78,527,553</u>
Cash on hand and in banks-total city	\$ 58,028,598
Restricted cash-General fund and SPLOST fund	9,581,965
Restricted cash and investments-enterprise fund	10,916,990
Total shown on financial statements	<u>\$ 78,527,553</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.

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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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, 2018, the City did not have any deposits that were uninsured or under collateralized, as defined by State statutes.

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	\$ 134,368	\$ -	\$ 1,356	\$ 135,724
Accounts	67,960	2,895,166	-	2,963,126
Gross total receivables	202,328	2,895,166	1,356	3,098,850
Less: allowance for uncollectibles	(4,915)	(126,000)		(130,915)
Net total receivables	<u>\$ 197,413</u>	<u>\$ 2,769,166</u>	<u>\$ 1,356</u>	<u>\$ 2,967,935</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, 2018, consists of sales taxes due from the State of Georgia Department of Revenue, SPLOST funds due from Forsyth County and funds due from the Cumming Development Authority.

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CITY OF CUMMING, GEORGIA
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C. Capital assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,638,006	\$ -	\$ -	\$ 10,638,006
Construction in progress	-	138,310	-	138,310
Total capital assets, not being depreciated	10,638,006	138,310	-	10,776,316
Capital assets, being depreciated:				
Buildings	37,926,884	-	-	37,926,884
Improvements other than buildings	7,397,701	70,115	-	7,467,816
Equipment	3,661,864	280,860	(24,105)	3,966,829
Infrastructure	66,483,275	1,327,360	-	67,810,635
Total capital assets, being depreciated	115,469,724	1,678,335	(24,105)	117,172,164
Less accumulated depreciation for:				
Buildings	8,603,051	933,397	-	9,536,448
Improvements other than buildings	3,113,592	213,654	-	3,327,246
Equipment	3,331,416	161,489	(24,105)	3,517,010
Infrastructure	38,761,096	1,604,835	-	40,365,931
Total accumulated depreciation	53,809,155	2,913,375	(24,105)	56,746,635
Total capital assets, being depreciated, net	61,660,569	(1,235,040)	-	60,425,529
Governmental activities capital assets, net	\$ 72,298,575	\$ (1,096,730)	\$ -	\$ 71,201,845
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,289,885	\$ -	\$ -	\$ 9,289,885
Construction in progress	14,090,607	17,903,726	13,816,646	18,177,687
Total capital assets, not being depreciated	23,380,492	17,903,726	13,816,646	27,467,572
Capital assets, being depreciated:				
Buildings	4,630,976	-	-	4,630,976
Water distribution system general	47,836,821	7,032,199	-	54,869,020
Water system plant	48,543,180	1,102,214	-	49,645,394
Wastewater treatment plant	66,942,699	4,878,300	-	71,820,999
Equipment	2,265,022	229,266	24,674	2,469,614
Total capital assets, being depreciated	170,218,698	13,241,979	24,674	183,436,003
Less accumulated depreciation for:				
Buildings	1,838,107	115,774	-	1,953,881
Water distribution system general	30,174,953	1,804,162	-	31,979,115
Water system plant	27,132,653	1,879,345	-	29,011,998
Wastewater treatment plant	33,072,539	3,179,994	-	36,252,533
Equipment	1,858,738	143,431	24,674	1,977,495
Total accumulated depreciation	94,076,990	7,122,706	24,674	101,175,022
Total capital assets, being depreciated, net	76,141,708	6,119,273	-	82,260,981
Business-type activities capital assets, net	\$ 99,522,200	\$ 24,022,999	\$ 13,816,646	\$ 109,728,553

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:

General government	\$ 192,481
Public safety	58,192
Highway and streets, including depreciation of general infrastructure assets	1,682,546
Planning and zoning	14,647
Culture and recreation	<u>965,509</u>
Total depreciation expense - governmental activities	<u>\$ 2,913,375</u>

Business-type activities:

Water and sewer	\$ 7,122,706
Total depreciation expense - business-type activities	<u>\$ 7,122,706</u>

Construction and other commitments

The government has certain commitments outstanding as of December 31, 2018 for construction projects and other items. The remaining amount due under the contracts as of December 31, 2018 was \$20,195,961 including \$17,795,999 for several construction projects in progress at year-end.

D. Interfund receivables, payables and transfers

The composition of interfund balances which relate primarily to expense reimbursements and other transfers as of December 31, 2018, 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	\$ 1,292,786
Water and sewer fund	Capital projects fund	298,215
General fund	SPLOST fund	24,608
General fund	Capital projects fund	1,128,258*
Capital projects fund	General fund	26,182
Hotel/Motel tax fund	General fund	747

* 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.

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CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

E. Long-term liabilities

There is no outstanding long-term debt at December 31, 2018.

Changes in Long-term liabilities

	(Restated) Beginning Balance	Additons	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
OPEB obligation	\$ 3,387,982	\$ -	\$ 2,369,300	\$ 1,018,682	\$ -
Net pension liability	1,322,488	37,625	-	1,360,113	-
Compensated absences	83,335	-	14,803	68,532	8,000
Governmental activity long-term liabilities	<u>\$ 4,793,805</u>	<u>\$ 37,625</u>	<u>\$ 2,384,103</u>	<u>\$ 2,447,327</u>	<u>\$ 8,000</u>
Business-type activities:					
Customer deposits	\$ 1,196,007	\$ 164,425	\$ -	\$ 1,360,432	\$ -
OPEB obligation	2,952,991	-	1,952,482	1,000,509	-
Net pension liability	1,237,002	98,847	-	1,335,849	-
Compensated absences	62,555	-	1,184	61,371	30,000
Business-type activity long-term liabilities	<u>\$ 5,448,555</u>	<u>\$ 263,272</u>	<u>\$ 1,953,666</u>	<u>\$ 3,758,161</u>	<u>\$ 30,000</u>

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 2018. 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.

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
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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 2018 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 2018, the City did not provide any funding for the Cumming housing authority.

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, 2018, there were:

Retirees and beneficiaries currently receiving benefits	38
Inactive employees entitled to benefits but not yet receiving them	46
Active employees (98 fully vested and 46 not vested).	<u>144</u>
	<u>228</u>

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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, 2018, the City's contribution rate was 9.07% of annual payroll. City contributions to the Plan were \$600,674 for the year ended December 31, 2018.

The City's net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. An expected total pension liability as of December 31, 2018 was determined using standard roll-forward techniques.

Actuarial assumptions. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	2.75% plus age and service based merit increases
Net investment rate of return	7.50%

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 other actuarial assumptions used in the July 1, 2018 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 2.75%.

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, 2018 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 2.75% assumed rate of inflation

CITY OF CUMMING, GEORGIA
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DECEMBER 31, 2018

Discount rate. The discount rate used to measure the total pension liability was 7.50%. 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.

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, 2018, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2017*	\$ 18,413,499	\$ 15,854,009	\$ 2,559,490
Changes for the year:			
Service cost	322,679	-	322,679
Interest	1,404,641	-	1,404,641
Differences between expected and actual experience	904,993	-	904,993
Contributions-employer	-	555,865	(555,865)
Net investment income	-	1,972,912	(1,972,912)
Benefit payments, including refunds of employee contributions	(578,193)	(578,193)	-
Administrative expense		(28,169)	28,169
Other	4,767	-	4,767
Net changes	2,058,887	1,922,415	136,472
Balances as December 31, 2018**	\$ 20,472,386	\$ 17,776,424	\$ 2,695,962

*Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2017 are used to measure TPL as of March 31, 2017. The balances as of March 31, 2017 constitute measurements of the NPL for the fiscal year ended December 31, 2017.

** Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2018 are used to measure TPL as of March 31, 2018. The balances as of March 31, 2018 constitute measurements of the NPL for the fiscal year ended December 31, 2018.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 5,346,408	\$ 2,695,962	\$ 489,088

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 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, 2018, the City recognized pension expense of \$678,156. At December 31, 2018, 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	\$ 881,744	\$ -
Changes in assumptions	-	(8,364)
Net difference between projected and actual earnings on pension plan investments	-	(637,844)
City contributions subsequent to the measurement date	450,505	
Total	<u>\$ 1,332,249</u>	<u>\$ (646,208)</u>

City contributions subsequent to the measurement date of \$450,505 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, 2018. 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:

2019	\$ 149,394
2020	236,600
2021	(1,221)
2022	(149,237)
Total	<u>\$ 235,536</u>

F. Other postemployment benefits

Plan Description. The City's Other Postemployment Benefits Plan (the "OPEB Plan") is a defined benefit postretirement healthcare, prescription drug and dental plan. The OPEB Plan is administered through the Georgia Municipal Association Employee Benefit System (GMEBS), an agent multiple employer OPEB Plan administered by the Georgia Municipal Association (GMA). The Plan's assets are held in an irrevocable trust for the exclusive benefit of Plan participants and are administered by the GMA. Funds are held in an irrevocable trust established pursuant to Section 115 of the Internal Revenue code and are held separate from the GMEBS retirement system, except for investment purposes. A publicly available financial report can be obtained from GMEBS at 201 Pryor Street, SW Atlanta, Georgia 30303.

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Eligibility. 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 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. The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of July 1, 2017.

Retired members or beneficiaries currently receiving benefits	11
Vested terminated members entitled to but not yet receiving benefits	0
Active members	<u>154</u>
Total	165

Benefits provided. The City provides Retiree Health benefits to employees that retire at age 55 with service greater than or equal to 10 years, are fully vested in the Georgia Municipal Retirement Plan, and have been on the health plan for five years. The benefits include medical, dental and prescription drugs pre-65 to both retirees and spouses, and a flat \$6,500 per year post-65 to an HRA. Retirees contribute the premium attributable toward the spouse if they cover their spouse. The City has the authority to establish and amend the plan.

Contributions. The City made a commitment to advance fund the OPEB Plan, with more than \$4 million contributed during fiscal 2017. The intent is to fully fund the Actuarially Determined Contribution each year. The GMA issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. The City's actuarially determined contribution to the plan was \$529,763 for the year ended December 31, 2018. The City's contribution rate was 8.26% of annual payroll.

Net OPEB Liability(Asset) of the City

Changes in Net OPEB liability(asset) of the City. Effective January 1, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the City's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City's Net OPEB liability(asset) was measured as of December 31, 2017 and 2016. The Plan Fiduciary Position (plan assets, if any) was valued as of the measurement dates and the total OPEB liability was determined from actuarial valuations using data as of July 1, 2017.

Actuarial Assumptions. The total OPEB liability was measured as of December 31, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	7.50%
Long-term expected rate of return on OPEB investments	7.50%
Inflation	2.75%
Salary increases	3.25% to 8.25%, including inflation
Discount rate	7.50%
Healthcare cost trend rates	Medical and Drug: trended from 7.00% to 4.50% by 2022 Dental: 4.00% per year

Mortality rates for healthy were based on RP-2000 Combined Healthy Mortality Table with sex-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 to June 30, 2014.

The long-term expected rate of return on OPEB plan investments is 7.50%. It was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 (assumed to be 2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2017 are summarized in the following table:

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	45%	6.75%
International equity	20%	7.45%
Global fixed income	5%	3.30%
Domestic fixed income	20%	1.75%
Real estate	10%	4.55%
Total	100%	

Discount rate. The discount rate used to measure the total OPEB liability was 7.5%. 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. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover the projected benefit payments of current plan members.

The Components of the net OPEB liability(asset) of the City at December 31, 2018 (measured at December 31, 2017) were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2017	<u>\$ 6,340,973</u>	<u>\$ -</u>	<u>\$ 6,340,973</u>
Changes for the year:			
Service cost	307,617	-	307,617
Interest	491,521	-	491,521
Differences between expected and actual experience	(44,815)	-	(44,815)
Contributions-employer	-	4,559,959	(4,559,959)
Net investment income	-	520,578	(520,578)
Benefit payments, including refunds of employee contributions	(193,459)	(193,459)	-
Administrative expense	-	(4,432)	4,432
Other	-	-	-
Net changes	<u>560,864</u>	<u>4,882,646</u>	<u>(4,321,782)</u>
Balances as December 31, 2018	<u>\$ 6,901,837</u>	<u>\$ 4,882,646</u>	<u>\$ 2,019,191</u>

The Plan's fiduciary net position as a percentage of the total OPEB liability	70.74%
Covered employee payroll	\$6,409,937
Plan Net OPEB liability as a percentage of covered employee payroll	31.50%

There were no benefit changes or changes in assumptions since the implementation of GASB 75.

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

Sensitivity of the net OPEB liability(asset) to changes in the discount rate. The following presents the net OPEB liability(asset) of the City, as well as what the City's net OPEB liability(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City of Cumming's net OPEB liability	\$ 2,808,099	\$ 2,019,191	\$ 1,348,818

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability(asset) of the City, as well as what the City's net OPEB liability(asset) would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.00% decreasing to 3.50%) or 1-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates:

	1% Decrease (6.00% to 3.50%)	Discount Rate (7.00% to 4.50%)	1% Increase (8.00% to 5.50%)
City of Cumming's net OPEB liability	\$ 1,257,676	\$ 2,019,191	\$ 2,924,350

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 revisions 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 December 31, 2018 and the current sharing pattern of costs between employer and employee.

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB. For the year ended December 31, 2018, the City recognized OPEB expense of \$561,122. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual expense	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings		
on OPEB plan investments	-	285,600
Contributions subsequent to the measurement date	733,000	-
Net difference between projected and actual experience	-	37,345
Total	<u>\$ 733,000</u>	<u>\$ 322,945</u>

City contributions subsequent to the measurement date of \$733,000 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a component of OPEB expense as follows:

Year ending December 31:

2019	\$ (78,869)
2020	(78,869)
2021	(78,869)
2022	(78,869)
2023	(7,469)
Total	<u>\$ (322,945)</u>

**CITY OF CUMMING, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

G. Hotel/motel lodging tax

During the year ended December 31, 2018, 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, 2018 was \$20,479. Of that amount 100% or \$20,479 was spent during 2018 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 Downtown Development Authority follow.

Receivables consists of amounts due (\$1,417,500 at December 31, 2018) 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 \$1,012,500 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. Tax Abatements

During 2018, the City did not enter into any tax abatement agreements.

J. Restatements

During 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits (OPEB) Other than Pensions* which establishes accounting and financial reporting standards that revised the recognition, measurement, and disclosure requirements pertaining to other post-employment benefits (OPEB). Employers now report the difference between actuarially determined total OPEB liability and the OPEB plan's fiduciary net position; this difference is reported as the net OPEB liability. The City was required to calculate the net OPEB liability as of December 31, 2017, which totaled \$6,640,973, and restate beginning balance of net position to record the liability. Previously, a net OPEB asset or obligation was recognized if the City's contributions to the OPEB plan differed from the actuarially determined recommended contribution. At December 31, 2017, the City reported a net OPEB obligation of \$4,130,385; the beginning balance of net position was restated to remove the net OPEB obligation.

The effects of the restatement to the City's financial statements are listed below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position 12/31/17		
As previously reported	\$ 93,402,798	\$ 155,476,631
Restatement	<u>(1,181,117)</u>	<u>(1,029,471)</u>
As restated	<u>\$ 92,221,681</u>	<u>\$ 154,447,160</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CUMMING, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

Schedule of Changes in the City's Net OPEB Liability and Related Ratios – OPEB Plan

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 307,617
Interest	491,521
Differences between expected and actual experience	(44,815)
Change of assumptions	
Benefit payments, including refunds of employee contributions	(193,459)
Other	
Net change in total OPEB liability	<u>560,864</u>
Total OPEB liability - beginning	6,340,973
Total OPEB liability – ending (a)	<u><u>\$ 6,901,837</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 4,559,959
Net investment income	520,578
Benefit payments, including refunds of employee contributions	(193,459)
Administrative expenses	(4,432)
Net change in plan fiduciary net position	<u>4,882,646</u>
Plan fiduciary net position-beginning	-
Plan fiduciary net position-ending (b)	<u>\$ 4,882,646</u>
City's net OPEB liability-ending (a)-(b)	<u><u>\$ 2,019,191</u></u>
 Plan fiduciary net position as percentage of total OPEB liability	70.74%
Covered-employee payroll	\$ 6,409,937
City's net OPEB liability as a percentage of covered-employee payroll	31.50%
Notes to the schedule	

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

**CITY OF CUMMING, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

Schedule of City Contributions – OPEB Plan

	2015	2016	2017	2018
Actuarially determined contribution	\$ 1,407,262	\$ 1,679,416	\$ 488,965	*
Contributions in relation to the actuarially determined contributions	86,300	157,469	4,559,959	*
Contribution deficiency (excess)	\$ 1,320,962	\$ 1,521,947	\$ (4,070,994)	*
Covered-employee payroll	\$ 5,093,889	\$ 6,001,185	\$ 6,409,937	*
Contributions as a percentage of covered-employee payroll	1.69%	2.62%	71.14%	*

	2012	2013	2014
Actuarially determined contribution	\$ 1,019,254	\$ 1,019,254	\$ 1,407,262
Contributions in relation to the actuarially determined contributions	61,492	84,156	88,322
Contribution deficiency (excess)	\$ 957,762	\$ 935,098	\$ 1,318,940
Covered-employee payroll	\$ 4,634,562	\$ 5,093,889	\$ 5,093,889
Contributions as a percentage of covered-employee payroll	1.33%	1.65%	1.73%

Notes to the schedule

1 – All “Actuarially Determined Contributions” through December 31, 2017, were determined as the “Annual Required Contribution” under GASB 43 and 45. These were calculated using the Projected Unit Credit and a 7.50% discount rate.

2 – Covered employee payroll represents compensation earnable for those employees who are currently eligible or could become eligible to receive benefits from this plan.

Valuation Date

The actuarially determined contribution rate was determined as of June 30, 2017, based on the most recent Valuation Date and projected to the following fiscal year. **Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2019. ***

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Level Percent of Pay
Amortization Method	Closed 25 years, level dollar
Remaining Amortization Period	16 years as of July 1, 2017
Asset Valuation Method	Market value
Net Investment Rate of Return	7.50%
Projected Salary Increases	3.25% to 8.25%, including inflation
Inflation rate	2.75%
Cost of Living Adjustments	3.25%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.
	Disabled: RP-2000 Disables Retire Mortality Table with sex-distinct rates, set forward two years for males and one year for females.
	The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonable reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 – June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.
Health Care Cost Trends	7.00% and gradually decreasing to an ultimate rate of 4.50%

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

CITY OF CUMMING, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

Schedule of Changes in the Net Pension Liability and Related Ratios

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 297,936	\$ 286,083	\$ 296,343	\$ 322,679
Interest on total pension liability	1,138,867	1,209,216	1,301,535	1,404,641
Differences between expected and actual experience	(130,682)	147,575	283,511	904,993
Change of assumptions	(59,699)			
Benefit payments, including refunds of employee contributions	(297,822)	(379,549)	(523,781)	(578,193)
Other				4,767
Net change in total pension liability	948,600	1,263,325	1,357,608	2,058,887
Total pension liability - beginning	14,843,966	15,792,566	17,055,891	18,413,499
Total pension liability - ending (a)	<u>\$ 15,792,566</u>	<u>\$ 17,055,891</u>	<u>\$ 18,413,499</u>	<u>\$ 20,472,386</u>
Plan fiduciary net position				
Contributions - employer	\$ 491,544	\$ 508,484	\$ 509,907	\$ 555,865
Net investment income	1,226,368	45,252	1,773,500	1,972,912
Benefit payments, including refunds of employee contributions	(297,822)	(379,549)	(523,781)	(578,193)
Administrative expenses	(18,200)	(20,096)	(28,261)	(28,169)
Net change in plan fiduciary net position	1,401,890	154,091	1,731,365	1,922,415
Plan fiduciary net position-beginning	12,566,663	13,968,553	14,122,644	15,854,009
Plan fiduciary net position-ending (b)	<u>\$ 13,968,553</u>	<u>\$ 14,122,644</u>	<u>\$ 15,854,009</u>	<u>\$ 17,776,424</u>
City's net pension liability-ending (a)-(b)	<u>\$ 1,824,013</u>	<u>\$ 2,933,247</u>	<u>\$ 2,559,490</u>	<u>\$ 2,695,962</u>
Plan fiduciary net position as percentage of total pension liability	88.45%	82.80%	86.10%	86.83%
Covered-employee payroll	\$ 5,748,609	\$ 6,100,315	\$ 6,515,819	\$ 6,705,563
City's net pension liability as a percentage of covered-employee payroll	31.73%	48.08%	39.28%	40.20%
Notes to the schedule				

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

**CITY OF CUMMING, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

Schedule of City Contributions – Pension Plan

	2015	2016	2017	2018
Actuarially determined contribution	\$ 511,456	499,567	540,929	*
Contributions in relation to the actuarially determined contributions	511,456	499,567	540,929	*
Contribution deficiency (excess)	\$	\$	\$	*
Covered-employee payroll	\$ 5,748,609	\$ 6,100,315	\$ 6,515,819	*
Contributions as a percentage of covered-employee payroll	8.9%	8.2%	8.3%	*

Notes to the schedule

Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2018, 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, 2019. *

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method
Amortization Method
Remaining Amortization Period

Asset Valuation Method

Projected Unit Credit
Closed level dollar for remaining unfunded liability
Remaining amortization period varies for the bases, with a net effective amortization period of 12 years
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 the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return
Projected Salary Increases
Cost of Living Adjustments
Retirement Age

7.50%
2.75% plus service based merit increases
2.75%
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 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, 2018**

PROJECT NAME	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years Cost</u>	<u>Current Years Cost</u>	<u>Total Cost</u>
<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	<u>3,100,000</u>	<u>3,100,000</u>	<u>2,135,952</u>	<u>33,212</u>	<u>2,169,164</u>
TOTALS SPLOST #5	<u>\$ 24,000,000</u>	<u>\$ 32,300,000</u>	<u>\$ 31,309,767</u>	<u>\$ 33,212</u>	<u>\$ 31,342,979</u>
<u>SPLOST #7 – NOTE 1</u>					
Parks and recreation	\$ 2,000,000	\$ 2,000,000	\$ 26,659	\$ 90,974	\$ 117,633
Street improvements	10,500,000	10,500,000	394,982	1,182,255	1,577,237
Intake generator-water system	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>		<u>1,000,000</u>
TOTALS SPLOST #7	<u>\$ 13,500,000</u>	<u>\$ 13,500,000</u>	<u>\$ 1,421,641</u>	<u>\$ 1,273,229</u>	<u>\$ 2,694,870</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
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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, 2018, 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 April 2, 2019.

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
April 2, 2019