

**City of Cumming, Georgia**

**Financial Statements**

**With Independent Auditors Report**

**For the Year ended December 31, 2019**

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-General Fund	17
Statement of Net Position-Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds	19
Statement of Cash Flows-Proprietary Funds	20
<i>Notes to Financial Statements</i>	21
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the City's Net OPEB Liability and Related Ratios	41
Schedule of City Contributions - OPEB Plan	42
Schedule of Changes in the City's Net Pension Liability and Related Ratios	43
Schedule of City Contributions - Pension Plan	44
SUPPLEMENTARY INFORMATION	
Combining Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	47
<i>Schedule of Projects Constructed with Special 1% Sales and Use Tax</i>	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

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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 aggregate remaining fund information of the City of Cumming, Georgia, (the City) as of and for the year ended December 31, 2019, 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining aggregate fund information of City of Cumming, Georgia, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 basic financial statements. The combining nonmajor fund financial statements and the schedule of projects funded with special purpose 1% local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of projects funded with special purpose 1% local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Le Roy Cole + Stephens, LLC*  
Cumming, Georgia  
August 14, 2020

## 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, 2019.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$270,285,696. Of this amount \$47,576,066 (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 \$10,081,368.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,128,727 a decrease of \$4,505,038 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 \$18,152,048.

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

#### Reporting the City's Most Significant Funds

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

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

#### Notes to the Financial Statements

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

## THE CITY AS A WHOLE

The City's combined net position increased during 2019 by \$10,081,368, of which \$3,783,281 was an increase in governmental activities and \$6,298,087 was an increase in business-type activities.

**Table 1**  
**Net Position**  
**December 31, 2019**

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and Other Assets	\$ 30,213,332	\$ 26,227,494	\$ 57,696,959	\$ 50,506,823	\$ 87,910,291	\$ 76,734,317
Capital Assets	71,201,845	79,480,467	109,728,553	125,254,156	180,930,398	204,734,623
Total Assets	101,415,177	105,707,961	167,425,512	175,760,979	268,840,689	281,468,940
Deferred outflows of Resources						
Related to Pensions	658,938	784,301	647,183	770,309	1,306,121	1,554,610
Related to OPEB	369,798	531,845	363,202	522,357	733,000	1,054,202
Total Deferred outflows of Resources	1,028,736	1,316,146	1,010,385	1,292,666	2,039,121	2,608,812
Current Liabilities	432,914	851,079	2,947,598	4,878,760	3,380,612	5,729,839
Non-Current Liabilities	2,439,327	3,168,736	3,728,161	4,560,397	6,167,488	7,729,133
Total Liabilities	2,872,241	4,019,815	6,675,859	9,439,157	9,548,100	13,458,972
Deferred inflows of Resources						
Unearned revenues	154,653	255,688			154,653	255,688
Related to Pensions	327,816		321,968		649,784	
Related to OPEB	162,926	39,046	160,019	38,350	322,945	77,396
Total Deferred inflows of Resources	645,395	294,734	481,987	38,350	1,127,382	333,084
Net Position:						
Invested in Capital Assets	71,201,845	79,480,467	109,728,553	125,254,156	180,930,398	204,734,623
Restricted	10,422,044	9,820,941	8,335,187		18,757,231	9,820,941
Unrestricted	17,302,388	13,408,150	43,214,311	42,321,982	60,516,699	55,730,132
Total Net Position	\$ 98,926,277	\$ 102,709,558	\$ 161,278,051	\$ 167,576,138	\$ 260,204,328	\$ 270,285,696

**Table 2**  
**Changes in Net Position**  
**December 31, 2019**

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 6,313,954	\$ 6,259,977	\$ 21,337,829	\$ 23,174,152	\$ 27,651,783	\$ 29,434,129
Operating Grants & Contributions	7,600	5,325			7,600	5,325
Capital Grants and Contributions	5,091,556	3,839,712	1,518,044	3,214,986	6,609,600	7,054,698
General Revenues:						
Sales Taxes	5,136,802	5,349,568			5,136,802	5,349,568
Franchise Taxes	1,008,072	1,010,581			1,008,072	1,010,581
Title Ad valorem Tax	1,134,441	601,077			1,134,441	601,077
Insurance Premium Taxes	390,128	415,467			390,128	415,467
Alcoholic Beverage Taxes	783,093	782,439			783,093	782,439
Hotel Motel Taxes	20,479	23,517			20,479	23,517
Unrestricted Investment Earnings	20	54,282	286,987	687,238	287,007	741,520
Restricted Investment Earnings		2,318	104,328	31,405	104,328	33,723
Transfers	(750,000)		750,000			
<b>Total Revenues</b>	\$ 19,136,145	\$ 18,344,263	\$ 23,997,188	\$ 27,107,781	\$ 43,133,333	\$ 45,452,044

<b>Program Expenses</b>						
General Government	\$ 1,907,235	\$ 1,959,558	\$	\$	\$ 1,907,235	\$ 1,959,558
Public Safety	1,322,884	2,068,203			1,322,884	2,068,203
Streets	2,690,455	3,146,016			2,690,455	3,146,016
Sanitation	393,064	366,352			393,064	366,352
Planning & Zoning	503,138	731,203			503,138	731,203
Culture and Recreation	5,614,773	6,289,650			5,614,773	6,289,650
Water & Sewer			17,166,297	20,809,694	17,166,297	20,809,694
Total Expenses	12,431,549	14,560,982	17,166,297	20,809,694	29,597,846	35,370,676
Excess(Deficiency)	6,704,596	3,783,281	6,830,891	6,298,087	13,535,487	10,081,368
Net position, beginning	92,221,681	98,926,277	154,447,160	161,278,051	246,668,841	260,204,328
Net position, ending	\$ 98,926,277	\$ 102,709,558	\$ 161,278,051	\$ 167,576,138	\$ 260,204,328	\$ 270,285,696

Total government wide revenue for 2019 was \$45,452,044 with \$29,434,129 in charges for services, \$7,060,023 in grants and contributions, \$8,182,649 in taxes, and \$775,243 in investment earnings. Of this amount, \$18,344,263 was in governmental activities and \$27,107,781 in business-type activities.

The City's expenses for 2019 government wide were \$35,370,676 with \$14,560,982 of the total included in governmental activities and \$20,809,694 for business type activities

#### Governmental Activities

The City's 2019 governmental activities revenues decreased by \$791,882. Of this amount, \$533,364 is comprised of a difference in the Title Ad Valorem Tax due to a change in allocation to municipalities by the State of Georgia, with the remaining amount consisting of a decrease in Charges for Services and Capital Grants and Contributions.

The cost of all governmental activities this year was \$14,560,982. Of this amount, \$6,259,977 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**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
General Government	\$ 1,907,235	\$ 1,959,558	\$ (3,629,066)	\$ (2,420,599)
Public Safety	1,322,884	2,068,203	1,300,958	2,026,668
Streets	2,690,455	3,146,016	2,554,916	2,991,259
Sanitation	393,064	366,352	(102,206)	(162,425)
Planning & Zoning	503,138	731,203	(313,753)	(116,014)
Culture & Recreation	5,614,773	6,289,650	1,297,590	2,137,079
Totals	\$ 12,431,549	\$ 14,560,982	\$ 1,018,439	\$ 4,455,968

#### Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased by \$3,110,593, and expenses increased by \$3,643,397. Revenues increased due to an increase in Charges for Services and 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 two categories: governmental funds and proprietary 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 five 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, SPLOST fund and the capital projects fund, all of which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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.

The combining statements referred to earlier in connections with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and other postemployment benefits. Combining statements can be found beginning on page 46 of this report.

#### **General Fund Budgetary Highlights**

During 2019, there was an \$623,900 increase in expenditures between the original and final amended budget. Of this increase, \$177,100 was offset by an increase in various taxes. The remaining \$446,800 increase reflects increases in revenues such as charges for services and license and permits for a net total increase of 4.35% of the total budget.

#### **CAPITAL ASSET AND LONG-TERM LIABILITIES**

##### **Capital Assets**

At the end of 2019, the City had \$204,734,623 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 \$23,804,225. This increase primarily reflects the addition of capital assets added that have been under construction in previous years. Additional information on the City's capital assets can be found in Note IV, C., on pages 29 and 30.

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

The 2020 budget as adopted reflects anticipated general fund revenues of \$14,235,356 and is balanced including a contingency reserve of \$1,200,000. This represents a decrease of \$709,944 or 4.75% under the final budget for 2019. This reflects a decrease in revenues from title and ad valorem taxes due to the changed allocation to municipalities by the State of Georgia. The water and sewer fund budget reflects anticipated revenues of \$24,036,000. This budgeted amount represents an increase of \$1,633,000 or approximately 7.29% compared to 2019. This increase reflects an increase in sewer charges, investment income and increased water sales. Construction is ongoing on various capital projects for the Water and Sewer system.

The financial impact of the COVID-19 crisis will impact subsequent periods of the City's 2020 budget. The impact on the City's future operating costs and revenues cannot be currently estimated.

#### **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, 2019**

	Governmental Activities	Primary Government Business-type Activities	Total	Component Unit
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 16,181,105	\$ 43,385,560	\$ 59,566,665	\$ 521,961
Receivables, net	214,159	2,719,846	2,934,005	
Intergovernmental receivable	2,084,469		2,084,469	
Note receivable				405,000
Internal balances	(2,148,145)	2,148,145		
Inventory		722,989	722,989	
Prepaid expenses	50,881	36,017	86,898	
Receivables-non-current				607,500
Restricted assets	9,845,025	1,494,266	11,339,291	
Capital assets, not being depreciated	16,951,419	34,743,678	51,695,097	
Capital assets, net of accumulated depreciation	<u>62,529,048</u>	<u>96,510,478</u>	<u>153,039,526</u>	
Total Assets	<u>105,707,961</u>	<u>175,760,979</u>	<u>281,468,940</u>	<u>1,534,461</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows of resources related to pension	784,301	770,309	1,554,610	
Deferred outflows of resources related to OPEB	<u>531,845</u>	<u>522,357</u>	<u>1,054,202</u>	
Total Deferred Outflows of resources	<u>1,316,146</u>	<u>1,292,666</u>	<u>2,608,812</u>	
<b><u>LIABILITIES</u></b>				
Accounts payable	815,523	4,817,377	5,632,900	
Accrued liabilities	3,472	31,383	34,855	
Liabilities payable from restricted assets	24,084		24,084	
Noncurrent liabilities:				
Due within one year	8,000	30,000	38,000	
Due in more than one year	<u>3,168,736</u>	<u>4,560,397</u>	<u>7,729,133</u>	<u>1,555,000</u>
Total Liabilities	<u>4,019,815</u>	<u>9,439,157</u>	<u>13,458,972</u>	<u>1,555,000</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unearned revenues	255,688		255,688	
Deferred inflows of resources related to OPEB	<u>39,046</u>	<u>38,350</u>	<u>77,396</u>	
Total Deferred Inflows of Resources	<u>294,734</u>	<u>38,350</u>	<u>333,084</u>	
<b><u>NET POSITION</u></b>				
Invested in capital assets	79,480,467	125,254,156	204,734,623	
Restricted for:				
Capital projects	9,820,833		9,820,833	
Promotion of tourism	108		108	
Unrestricted	<u>13,408,150</u>	<u>42,321,982</u>	<u>55,730,132</u>	<u>(20,539)</u>
Total Net Position	<u>\$ 102,709,558</u>	<u>\$ 167,576,138</u>	<u>\$ 270,285,696</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, 2019**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Business-Type Activities
						Total
<b>Governmental activities:</b>						
General government	\$ 1,959,558	\$ 689,877	\$ 5,325	\$ 3,684,955	\$ 2,420,599	\$ 2,420,599
Public safety	2,068,203	41,535			(2,026,668)	(2,026,668)
Streets	3,146,016			154,757	(2,991,259)	(2,991,259)
Sanitation	366,352	528,777			162,425	162,425
Planning and zoning	731,203	847,217			116,014	116,014
Culture and recreation	6,289,650	4,152,571			(2,137,079)	(2,137,079)
Total governmental activities	14,560,982	6,259,577	5,325	3,839,712	(4,455,968)	(4,455,968)
<b>Business-type activities:</b>						
Water and sewer	20,809,694	23,174,152		3,214,986		5,579,444
Total business-type activities	20,809,694	23,174,152		3,214,986		5,579,444
<b>Total City of Cumming</b>	<b>\$ 35,370,676</b>	<b>\$ 29,434,129</b>	<b>\$ 5,325</b>	<b>\$ 7,054,698</b>	<b>\$ (4,455,968)</b>	<b>\$ 1,123,476</b>
<b>Component unit</b>						
Downtown Development Authority	\$	\$	\$	\$	\$	\$
Total component unit	\$	\$	\$	\$	\$	\$
<b>General revenues:</b>						
Title ad valorem tax				601,077	601,077	601,077
Sales taxes				5,349,568	5,349,568	5,349,568
Franchise taxes				1,010,581	1,010,581	1,010,581
Insurance premium taxes				415,467	415,467	415,467
Alcoholic beverage taxes				782,439	782,439	782,439
Hotel/motel taxes				23,517	23,517	23,517
Unrestricted investment earnings				54,282	687,238	741,520
Restricted investment earnings				2,318	31,405	33,723
Total general revenues				8,239,249	718,643	8,957,892
Change in net position				3,783,281	6,298,087	10,081,368
Net position – beginning				98,926,277	161,278,051	260,204,328
Net position – ending				\$107,709,558	\$167,576,138	\$270,285,696
						\$ (20,539)
						\$ (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, 2019**

	General Fund	SPLOST Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 15,248,916	\$	\$ 932,189	\$	\$ 16,181,105
Receivables (net):					
Franchise fees	64,077				64,077
Beverage taxes	81,938				81,938
Garbage collection and other fees	68,144				68,144
Intergovernmental receivable	2,084,469				2,084,469
Interfund receivables	1,199,573		26,182	199	1,225,954
Prepaid items	50,881				50,881
Restricted assets:					
Cash and cash equivalents		9,548,941		82,442	9,631,383
Receivable		212,153		1,489	213,642
Total Assets	<u>\$ 18,797,998</u>	<u>\$ 9,761,094</u>	<u>\$ 958,371</u>	<u>\$ 84,130</u>	<u>\$ 29,501,593</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>					
<b><u>Liabilities</u></b>					
Accounts payable	\$ 309,528	\$	\$ 505,995	\$	\$ 815,523
Accrued liabilities	3,472				3,472
Interfund payable	26,381		3,347,718		3,374,099
Liabilities payable from restricted assets		22,595		1,489	24,084
Total Liabilities	<u>339,381</u>	<u>22,595</u>	<u>3,853,713</u>	<u>1,489</u>	<u>4,217,178</u>
<b><u>Deferred inflows of resources</u></b>					
Unearned revenues	255,688				255,688
Total Deferred Inflows of Resources	<u>255,688</u>				<u>255,688</u>
<b><u>Fund balances</u></b>					
Nonspendable for prepaid items	50,881				50,881
Restricted for capital projects		9,738,499		82,533	9,821,032
Restricted for tourism				108	108
Unassigned	18,152,048		(2,895,342)		15,256,706
Total Fund Balances	<u>18,202,929</u>	<u>9,738,499</u>	<u>(2,895,342)</u>	<u>82,641</u>	<u>25,128,727</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 18,797,998</u>	<u>\$ 9,761,094</u>	<u>\$ 958,371</u>	<u>\$ 84,130</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.	79,480,467
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	(704,986)
Net pension liability and related deferred outflows and inflows of resources	(1,133,512)
Compensated absences	(61,138)
	<u>(1,899,636)</u>
Net position of governmental activities	<u>\$102,709,558</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, 2019**

	General Fund	SPLOST Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 8,159,133	\$	\$	\$ 23,517	\$ 8,182,650
Licenses and permits	854,938				854,938
Intergovernmental	154,757	3,602,446			3,757,203
Charges for services	4,990,414				4,990,414
Fines and forfeitures	379,803				379,803
Impact fees				82,509	82,509
Investment earnings	54,282	2,294		24	56,600
Miscellaneous	40,146				40,146
Total Revenues	<u>14,633,473</u>	<u>3,604,740</u>		<u>106,050</u>	<u>18,344,263</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,770,632				1,770,632
Public safety	2,087,361				2,087,361
Streets	1,862,457				1,862,457
Planning and zoning	718,551				718,551
Sanitation	366,352				366,352
Culture and recreation	6,120,973			23,409	6,144,382
Capital Outlay:					
Streets		3,718,602			3,718,602
Culture and recreation		43,209	5,634,673		5,677,882
Greenspace		503,079			503,079
Total expenditures	<u>12,926,329</u>	<u>4,264,890</u>	<u>5,634,673</u>	<u>23,409</u>	<u>22,849,301</u>
Excess (deficiency) of Revenues Over (under) Expenditures	<u>1,707,144</u>	<u>(660,150)</u>	<u>(5,634,673)</u>	<u>82,641</u>	<u>(4,505,038)</u>
<b>OTHER FINANCING SOURCES(USES)</b>					
Transfers in			1,039,428		1,039,428
Transfers out	(1,039,428)				(1,039,428)
Change in fund balance	<u>667,716</u>	<u>(660,150)</u>	<u>(4,595,245)</u>	<u>82,641</u>	<u>(4,505,038)</u>
Fund Balances – beginning	<u>17,535,213</u>	<u>10,398,649</u>	<u>1,699,903</u>		<u>29,633,765</u>
Fund Balances – ending	<u>\$ 18,202,929</u>	<u>\$ 9,738,499</u>	<u>\$ (2,895,342)</u>	<u>\$ 82,641</u>	<u>\$ 25,128,727</u>

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

CITY OF CUMMING, GEORGIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances – total governmental funds \$ (4,505,038)

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 and related deferred outflows and inflows of resources	\$ 106,824	
Net change in pension liability and related deferred outflows and inflows of resources	(104,521)	
Net change in long-term compensated absences	7,394	9,697

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,066,786) exceeded capital outlays (\$11,345,408) in the current period.

8,278,622

Change in net position of governmental activities \$ 3,783,281

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, 2019**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Budget
<b>REVENUES</b>				
Taxes	\$ 8,215,000	\$ 8,392,100	\$ 8,159,133	\$ (232,967)
Licenses and permits	800,000	842,700	854,938	12,238
Intergovernmental		155,000	154,757	(243)
Charges for services	4,866,400	5,087,700	4,990,414	(97,286)
Fines and forfeitures	430,000	375,000	379,803	4,803
Investment earnings		57,000	54,282	(2,718)
Miscellaneous	10,000	35,800	40,146	4,346
Total Revenues	14,321,400	14,945,300	14,633,473	(311,827)
<b>EXPENDITURES</b>				
Current:				
General government	1,669,900	1,867,150	1,770,632	96,518
Public safety	2,439,779	2,432,619	2,037,364	345,255
Streets	1,870,100	1,937,950	1,862,457	75,493
Planning and zoning	711,350	729,050	718,551	10,499
Sanitation	400,000	400,000	366,352	33,648
Culture and recreations	5,441,400	6,539,103	6,120,973	418,130
Total expenditures	12,532,529	13,905,872	12,926,329	979,543
Excess of Revenues over Expenditures	1,788,871	1,039,428	1,707,144	667,716
<b>OTHER FINANCING SOURCES(USES)</b>				
Transfers out	(1,788,871)	(1,039,428)	(1,039,428)	
Total other financing sources and uses	(1,788,871)	(1,039,428)	(1,039,428)	
Change in fund balances			667,716	667,716
Fund Balance -- beginning	17,535,213	17,535,213	17,535,213	
Fund Balance -- ending	\$ 17,535,213	\$ 17,535,213	\$ 18,202,929	\$ 667,716

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

**CITY OF CUMMING, GEORGIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash on hand and in banks	\$ 43,385,560
Accounts receivable, net	2,719,846
Inventory	722,989
Prepaid expenses	36,017
Interfund receivable	2,405,607
Total Current Assets	<u>49,270,019</u>
Noncurrent Assets:	
Restricted cash, cash equivalents and investments	1,494,266
Total Restricted Assets	<u>1,494,266</u>
Capital assets:	
Capital assets, not being depreciated	34,743,678
Capital assets being depreciated	199,430,737
	<u>234,174,415</u>
Accumulated depreciation	<u>108,920,259</u>
Net Capital Assets	<u>125,254,156</u>
Total Noncurrent Assets	<u>126,748,422</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pension	770,309
Deferred outflows of resources related to OPEB	522,357
Total deferred outflows of resources	<u>1,292,666</u>
Total Assets	<u>\$ 177,311,107</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 4,817,377
Accrued liabilities	31,383
Interfund payable	257,462
Total Current Liabilities	<u>5,106,222</u>
Noncurrent Liabilities:	
Accrued employee benefits	36,114
Accrued OPEB obligation	1,176,417
Net Pension obligation	1,883,600
Customer deposits	1,494,266
Total Noncurrent Liabilities	<u>4,590,397</u>
Total Liabilities	<u>9,696,619</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	38,350
Total deferred inflows of resources	<u>38,350</u>
<b>NET POSITION</b>	
Invested in capital assets	125,254,156
Unrestricted	42,321,982
Total Net Position	<u>\$ 167,576,138</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, 2019

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 23,174,152
Total Operating Revenues	<u>23,174,152</u>
Operating Expenses:	
Personal services	5,773,340
Purchased and contracted services	3,436,672
Supplies	3,854,445
Depreciation	<u>7,745,237</u>
Total Operating Expenses	<u>20,809,694</u>
Income from operations	<u>2,364,458</u>
Nonoperating Revenues (Expenses):	
Interest income	<u>718,643</u>
Total Nonoperating Revenues (Expenses)	<u>718,643</u>
Income before capital contributions	3,083,101
Capital contributions	<u>3,214,986</u>
Change in net position	6,298,087
Total net position – beginning	<u>161,278,051</u>
Total net position – ending	<u>\$ 167,576,138</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, 2019**

	Water and Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 23,357,306
Payments to suppliers	(5,658,088)
Payments to employees	(5,770,856)
Net cash provided by operating activities	<u>11,928,362</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to other funds	(3,142,716)
Net cash (used) by noncapital financing activities	<u>(3,142,716)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(23,270,840)
Proceeds from capital contributions	3,214,986
Net cash (used) by capital and related financing activities	<u>(20,055,854)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	718,643
Net cash provided by investing activities	<u>718,643</u>
Net decrease in cash and cash equivalents	<u>(10,551,565)</u>
Cash and cash equivalents at beginning of year (including restricted accounts of \$10,916,990)	<u>55,431,391</u>
Cash and cash equivalents at end of year (including restricted accounts of \$1,494,266)	<u>\$ 44,879,826</u>
Cash and cash equivalents at end of year	\$ 37,139,018
Investments in certificates of deposit	<u>7,740,808</u>
Cash, cash equivalents and investments at end of year	<u>\$ 44,879,826</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating Income	\$ 2,364,458
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,745,237
Change in assets and liabilities:	
(Increase) decrease in accounts receivable (net)	49,320
(Increase) decrease in inventory	(254,234)
(Increase) decrease in prepaid expenses	(13,799)
(Increase) decrease in deferred outflows of resources related to pensions and OPEB	(282,281)
Increase (decrease) in accounts payable	1,935,883
Increase (decrease) in accrued liabilities	(34,821)
Increase (decrease) in customer deposits	133,834
Increase (decrease) in accrued employee benefits	728,402
Increase (decrease) in deferred inflows of resources related to pensions and OPEB	<u>(443,637)</u>
Net cash provided by operating activities	<u>\$ 11,928,362</u>

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

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2019 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 2019.

**CITY OF CUMMING, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

The Impact Fee capital projects fund accounts for fees assessed upon development activity, these fees are collected to pay for system improvements as detailed within the City's impact fee ordinance, as required by state law.

**CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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 AAAA-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, 2019, the funds' WAM is 39 days.

**CITY OF CUMMING, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019.

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, the impact fee capital projects fund, the hotel/motel tax special revenue fund and the water and sewer enterprise funds are restricted for construction of capital assets, and tourism. The government-wide statement of net position reports \$9,820,941 of restricted net position, of which \$9,820,941 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 infrastructures 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, 2019

**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**  
**DECEMBER 31, 2019**

**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 \$61,138, OPEB liabilities in the amount of \$704,986 and net pension liability of \$1,133,512 from the fund financial statements because they are not due and payable in the current period. The City also excluded \$79,480,467 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 \$8,278,622 difference are as follows:

Capital outlay	\$ 11,345,408
Depreciation expense	<u>(3,066,786)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 8,278,622</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 \$9,697 difference are as follows:

Change in OPEB liability	\$ (179,103)
Change in deferred outflows related to OPEB	162,047
Change in deferred inflows related to OPEB	123,880
Change in net pension liability	(557,700)
Change in deferred outflows related to pensions	125,363
Change in deferred inflows related to pensions	327,816
Compensated absences	<u>7,394</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 9,697</u>

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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, 2019, no departments' expenditures exceeded appropriations.

C. Deficit fund equity

The City's 2019 Capital Projects Fund had a deficit fund balance of \$2,895,342 at December 31, 2019. This deficit is a result of inadequate revenues to cover expenditures during the current year. The City will need to make transfers from the General Fund to the Capital Projects Fund in order to eliminate this deficit. The City had no other deficits in fund balances or net position as of December 31, 2019.

IV. Detailed notes on all funds

A. Cash and investments

At December 31, 2019, the carrying amount of the City's cash deposits was \$62,951,506 and the bank balance was \$63,153,115.

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, 2019, the City's investments in certificates of deposit not included above was \$7,740,808 and their WAM is 195 days and the City's deposits in the State Treasurer's investment pool totaled \$5,942,535. Total deposits and investments as of December 31, 2019 are summarized as follows:

Carrying amount of deposits	\$ 57,008,971
Carrying amount of local government investment pool	5,942,535
Total shown above	<u>62,951,506</u>
Carrying amount of investments in certificates of deposit	7,740,808
Total deposits and investments	<u><u>\$ 70,692,314</u></u>
Cash on hand and in banks-total city	\$ 59,566,665
Restricted cash-governmental funds	9,631,383
Restricted cash and investments-enterprise fund	<u>1,494,266</u>
Total shown on financial statements	<u><u>\$ 70,692,314</u></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  
DECEMBER 31, 2019

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 pool's collateral is insufficient to cover losses and therefore is similar to depository insurance. At December 31, 2019, 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	\$ 146,015	\$	\$ 1,489	\$ 147,504
Accounts	73,059	2,845,846	-	2,918,905
Gross total receivables	219,074	2,845,846	1,489	3,066,409
Less: allowance for uncollectibles	(4,915)	(126,000)		(130,915)
Net total receivables	<u>\$ 214,159</u>	<u>\$ 2,719,846</u>	<u>\$ 1,489</u>	<u>\$ 2,935,494</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, 2019, 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**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**C. Capital assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,638,006	\$ 4,720,653	\$ -	\$ 15,358,659
Construction in progress	138,310	1,592,760	138,310	1,592,760
Total capital assets, not being depreciated	10,776,316	6,313,413	138,310	16,951,419
Capital assets, being depreciated:				
Buildings	37,926,884	-	-	37,926,884
Improvements other than buildings	7,467,816	91,713	-	7,559,529
Equipment	3,918,619	298,636	81,431	4,135,824
Infrastructure	67,810,635	4,779,956	-	72,590,591
Total capital assets, being depreciated	117,123,954	5,170,305	81,431	122,212,828
Less accumulated depreciation for:				
Buildings	9,536,448	933,397	-	10,469,845
Improvements other than buildings	3,327,246	223,997	-	3,551,243
Equipment	3,468,800	178,502	81,431	3,565,871
Infrastructure	40,365,931	1,730,890	-	42,096,821
Total accumulated depreciation	56,698,425	3,066,786	81,431	59,683,780
Total capital assets, being depreciated, net	60,425,529	2,103,519	-	62,529,048
Governmental activities capital assets, net	\$ 71,201,845	\$ 8,416,932	\$ 138,310	\$ 79,480,467
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,289,885	\$ -	\$ -	\$ 9,289,885
Construction in progress	18,177,687	19,936,262	12,660,156	25,453,793
Total capital assets, not being depreciated	27,467,572	19,936,262	12,660,156	34,743,678
Capital assets, being depreciated:				
Buildings	4,630,976	1,127,132	-	5,758,108
Water distribution system general	54,869,017	11,154,024	-	66,023,041
Water system plant	49,603,355	-	-	49,603,355
Wastewater treatment plant	71,863,064	3,430,851	-	75,293,915
Equipment	2,469,591	282,727	-	2,752,318
Total capital assets, being depreciated	183,436,003	15,994,734	-	199,430,737
Less accumulated depreciation for:				
Buildings	1,953,882	148,649	-	2,102,531
Water distribution system general	31,979,115	2,156,998	-	34,136,113
Water system plant	29,011,998	1,899,161	-	30,911,159
Wastewater treatment plant	36,252,533	3,357,760	-	39,610,293
Equipment	1,977,494	182,669	-	2,160,163
Total accumulated depreciation	101,175,022	7,745,237	-	108,920,259
Total capital assets, being depreciated, net	82,260,981	8,249,497	-	90,510,478
Business-type activities capital assets, net	\$ 109,728,553	\$ 28,185,759	\$ 12,660,156	\$ 125,254,156

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**C. Capital assets, continued**

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

**Governmental activities:**

General government	\$ 191,095
Public safety	84,766
Highway and streets, including depreciation of general infrastructure assets	1,767,867
Planning and zoning	13,289
Culture and recreation	1,009,769
Total depreciation expense - governmental activities	<u>\$ 3,066,786</u>

**Business-type activities:**

Water and sewer	\$ 7,745,237
Total depreciation expense - business-type activities	<u>\$ 7,745,237</u>

**Construction and other commitments**

The government has certain commitments outstanding as of December 31, 2019 for construction projects and other items. The remaining amount due under the contracts as of December 31, 2019 was \$12,943,632 including \$12,658,955 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, 2019, 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	\$ 257,462
Water and sewer fund	Capital projects fund	2,405,607*
General fund	Capital projects fund	942,111*
Capital projects fund	General fund	26,182
Nonmajor governmental funds	General fund	199

\* Balance not expected to be paid within one year

A summary of interfund transfers is as follows:

<u>Transfer out fund</u>	<u>Transfer in fund</u>	<u>Amount</u>
General fund	Capital Projects fund	\$ 1,039,428

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budgets requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations

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**CITY OF CUMMING, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**E. Long-term liabilities**

There is no outstanding long-term debt at December 31, 2019.

Changes in Long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
OPEB obligation	\$ 1,018,682	\$ 179,103	\$	\$ 1,197,785	\$
Net pension liability	1,360,113	557,700		1,917,813	
Compensated absences	<u>68,532</u>		<u>7,394</u>	<u>61,138</u>	<u>8,000</u>
Governmental activity long-term liabilities	<u>\$ 2,447,327</u>	<u>\$ 736,803</u>	<u>\$ 7,394</u>	<u>\$ 3,176,736</u>	<u>\$ 8,000</u>
Business-type activities:					
Customer deposits	\$ 1,360,432	\$ 133,834	\$	\$ 1,494,266	\$
OPEB obligation	1,000,509	175,908		1,176,417	
Net pension liability	1,335,849	547,751		1,883,600	
Compensated absences	<u>61,371</u>		<u>25,257</u>	<u>36,114</u>	<u>30,000</u>
Business-type activity Long-term liabilities	<u>\$ 3,758,161</u>	<u>\$ 857,493</u>	<u>\$ 25,257</u>	<u>\$ 4,590,397</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 2019. 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  
DECEMBER 31, 2019

**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 Affairs. The City's portion of 2019 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 2019, 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, 2019, there were:

Retirees and beneficiaries currently receiving benefits	41
Inactive employees entitled to benefits but not yet receiving them	51
Active employees (100 fully vested and 49 not vested).	<u>149</u>
	<u>241</u>



CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

*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, 2019, the City's contribution rate was 10.56% of annual payroll. City contributions to the Plan were \$717,575 for the year ended December 31, 2019.

The City's net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. An expected total pension liability as of December 31, 2019 was determined using standard roll-forward techniques.

*Actuarial assumptions.* The total pension liability in the July 1, 2019 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 service based merit increases
Net investment rate of return	7.50%

*Change of Assumptions*

The payroll increase assumption was changed from 3.25% to 2.75%.

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

The other actuarial assumptions used in the July 1, 2019 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Domestic equity	45.00%	6.40%
International equity	20.00%	7.40%
Domestic fixed income	20.00%	1.75%
Real estate	10.00%	5.10%
Global fixed income	5.00%	3.03%
Cash	0.00%	
Total	100.00%	

\* Rates shown are net of the 2.75% assumed rate of inflation

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

*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, 2019, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018*	\$ 20,472,386	\$ 17,776,424	\$ 2,695,962
Changes for the year:			
Service cost	308,279	-	308,279
Interest	1,529,419	-	1,529,419
Differences between expected and actual experience	507,906	-	507,906
Contributions-employer	-	629,899	(629,899)
Net investment income	-	639,913	(639,913)
Benefit payments, including refunds of employee contributions	(776,813)	(776,813)	-
Administrative expense		(29,659)	29,659
Other		-	-
Net changes	1,568,791	463,340	1,105,451
Balances as December 31, 2019**	\$ 22,041,177	\$ 18,239,764	\$ 3,801,413

\*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.

\*\* Entry Age Normal liabilities calculated using ages and service amounts as of July 1, 2019 are used to measure TPL as of March 31, 2019. The balances as of March 31, 2019 constitute measurements of the NPL for the fiscal year ended December 31, 2019.

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	\$ 6,624,274	\$ 3,801,413	\$ 1,446,008

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

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, 2019 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, 2019, the City recognized pension expense of \$954,457. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual expense	\$ 976,346	\$ -
Changes in assumptions	2,384	-
Net difference between projected and actual earnings on pension plan investments	37,699	-
City contributions subsequent to the measurement date	538,181	
Total	<u>\$ 1,554,610</u>	<u>\$ -</u>

City contributions subsequent to the measurement date of \$538,181 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, 2019. 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:

2020	\$ 500,916
2021	263,095
2022	115,079
2023	137,339
Total	<u>\$ 1,016,429</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, 2019

**F. Other postemployment benefits, continued**

*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 has the authority to establish contribution requirements for the Plan. 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 \$592,023 for the year ended December 31, 2019. The City's contribution rate was 8.72% of annual payroll.

**Net OPEB Liability(Asset) of the City**

The City's Net OPEB liability(asset) was measured as of December 31, 2018. The Plan Fiduciary Position (plan assets, if any) was valued as of the measurement date 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, 2018 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
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 December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**F. Other postemployment benefits, continued**

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	45%	6.71%
International equity	20%	7.71%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
Real estate	10%	5.21%
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, 2019 (measured at December 31, 2018) were as follows:

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at December 31, 2018	<u>\$ 6,901,837</u>	<u>\$ 4,882,646</u>	<u>\$ 2,019,191</u>
Changes for the year:			
Service cost	311,847	-	311,847
Interest	534,172	-	534,172
Differences between expected and actual experience	(57,024)	-	(57,024)
Contributions-employer	-	733,000	(733,000)
Net investment income	-	(283,585)	283,585
Benefit payments, including refunds of employee contributions	(182,785)	(182,785)	-
Administrative expense		(15,431)	15,431
Other	-	-	-
Net changes	<u>606,210</u>	<u>251,199</u>	<u>355,011</u>
Balances as December 31, 2019	<u>\$ 7,508,047</u>	<u>\$ 5,133,845</u>	<u>\$ 2,374,202</u>

The Plan's fiduciary net position as a percentage of the total OPEB liability	68.38%
Covered employee payroll	\$6,605,412
Plan Net OPEB liability as a percentage of covered employee payroll	35.94%

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

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**F. Other postemployment benefits, continued**

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:

	<u>1% Decrease</u> <u>(6.50%)</u>	<u>Discount Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
City of Cumming's net OPEB liability	\$ 3,208,685	\$ 2,374,202	\$ 1,663,479

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:

	<u>1% Decrease</u> <u>(6.00% to 3.50%)</u>	<u>Discount Rate</u> <u>(7.00% to 4.50%)</u>	<u>1% Increase</u> <u>(8.00% to 5.50%)</u>
City of Cumming's net OPEB liability	\$ 1,512,194	\$ 2,374,202	\$ 3,400,568

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, 2019 and the current sharing pattern of costs between employer and employee.

**Benefit Changes**

There were no changes in benefit provisions since GASB 75 implementation.

**Change of Assumptions**

The payroll increase assumption was changed from 3.25% to 2.75%.

*OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.* For the year ended December 31, 2019, the City recognized OPEB expense of \$520,790. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual expense	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	321,672	-
Contributions subsequent to the measurement date	732,530	-
Net difference between projected and actual experience	-	77,396
Total	<u>\$ 1,054,202</u>	<u>\$ 77,396</u>

CITY OF CUMMING, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**F. Other postemployment benefits, continued**

City contributions subsequent to the measurement date of \$732,530 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, 2019. 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:		
2020	\$	45,595
2021		45,595
2022		45,595
2023		116,995
2024		(9,504)
Total	\$	<u>244,276</u>

**G. Hotel/motel lodging tax**

During the year ended December 31, 2019, 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, 2019 was \$23,517. Of that amount 99.5% or \$23,409 was spent during 2019 in compliance with OCGA 48-13-51(a)(3).

**H. Discreetly presented component unit**

As discussed in Note 1. A. the Development Authority of Cumming is a component unit of the City requiring discreet presentation. The Development Authority of Cumming 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 Development Authority of Cumming follow.

Receivables consists of amounts due (\$1,012,500 at December 31, 2019) 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 \$607,500 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 Development Authority of Cumming 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 of Cumming receives payments pursuant to its line of credit agreement with Pilgrim Mill Center LLC. During 2019, the Development Authority of Cumming repaid \$2,500,000 of the original General Fund advance.

**I. Tax Abatements**

During 2019, the City did not enter into any tax abatement agreements.

**J. Subsequent Events**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United States has resulted in reduced customer traffic and the temporary reduction of operating hours. At the current time, we are unable to quantify the potential effects of this pandemic on future financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF CUMMING, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

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

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 311,847	\$ 307,617
Interest	534,172	491,521
Differences between expected and actual experience	(57,024)	(44,815)
Change of assumptions		
Benefit payments, including refunds of employee contributions	(182,785)	(193,459)
Other		
<b>Net change in total OPEB liability</b>	<u>606,210</u>	<u>560,864</u>
<b>Total OPEB liability - beginning</b>	6,901,837	6,340,973
<b>Total OPEB liability – ending (a)</b>	<u><u>\$ 7,508,047</u></u>	<u><u>\$ 6,901,837</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 733,000	\$ 4,559,959
Net investment income	(283,585)	520,578
Benefit payments, including refunds of employee contributions	(182,785)	(193,459)
Administrative expenses	(15,431)	(4,432)
<b>Net change in plan fiduciary net position</b>	<u>251,199</u>	<u>4,882,646</u>
<b>Plan fiduciary net position-beginning</b>	4,882,646	-
<b>Plan fiduciary net position-ending (b)</b>	<u><u>\$ 5,133,845</u></u>	<u><u>\$ 4,882,646</u></u>
<b>City's net OPEB liability-ending (a)-(b)</b>	<u><u>\$ 2,374,202</u></u>	<u><u>\$ 2,019,191</u></u>
 <b>Plan fiduciary net position as percentage of total OPEB liability</b>	68.38%	70.74%
<b>Covered-employee payroll</b>	\$ 6,605,412	\$ 6,409,937
<b>City's net OPEB liability as a percentage of covered-employee payroll</b>	35.94%	31.50%
<b>Notes to the schedule</b>		

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

**CITY OF CUMMING, GEORGIA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2019**

**Schedule of City Contributions – OPEB Plan**

	2019	2018	2017
Actuarially determined contribution	*	\$ 529,763	\$ 488,965
Contributions in relation to the actuarially determined contributions	*	733,000	4,559,959
Contribution deficiency (excess)	*	\$ (203,237)	(4,070,994)
Covered-employee payroll	*	\$ 6,605,412	\$6,409,937
Contributions as a percentage of covered-employee payroll	*	11.10%	71.14%

	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 1,679,416	\$ 1,407,262	\$ 1,407,262	\$ 1,019,254	\$ 1,019,254
Contributions in relation to the actuarially determined contributions	157,469	86,300	88,322	84,156	61,492
Contribution deficiency (excess)	\$ 1,521,947	\$ 1,320,962	\$ 1,318,940	\$ 935,098	\$ 957,762
Covered-employee payroll	\$ 6,001,185	\$ 5,093,889	\$ 5,093,889	\$ 5,093,889	\$ 4,634,562
Contributions as a percentage of covered-employee payroll	2.62%	1.69%	1.73%	1.65%	1.33%

**Notes to the schedule**

1 -- All "Actuarially Determined Contributions" through December 31, 2018, 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 rates are calculated as of December 31, 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, 2020. \***

**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	15 years as of December 31, 2018
Asset Valuation Method	Market value
Discount Rate	7.50%
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	2.75%
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 reasonably 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, 2019**

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

	2019	2018	2017	2016	2015
<b>Total pension liability</b>					
Service cost	\$ 308,279	\$ 322,679	\$ 296,343	\$ 286,083	\$ 297,936
Interest on total pension liability	1,529,419	1,404,641	1,301,535	1,209,216	1,138,867
Differences between expected and actual experience	507,906	904,993	283,511	147,575	(130,682)
Change of assumptions	-	-	-	-	(59,699)
Benefit payments, including refunds of employee contributions	(776,813)	(578,193)	(523,781)	(379,549)	(297,822)
Other	-	4,767	-	-	-
<b>Net change in total pension liability</b>	1,568,791	2,058,887	1,357,608	1,263,325	948,600
<b>Total pension liability - beginning</b>	20,472,386	18,413,499	17,055,891	15,792,566	14,843,966
<b>Total pension liability - ending (a)</b>	\$ 22,041,177	\$ 20,472,386	\$ 18,413,499	\$ 17,055,891	\$ 15,792,566
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 629,899	\$ 555,865	\$ 509,907	\$ 508,484	\$ 491,544
Net investment income	639,913	1,972,912	1,773,500	45,252	1,226,368
Benefit payments, including refunds of employee contributions	(776,813)	(578,193)	(523,781)	(379,549)	(297,822)
Administrative expenses	(29,659)	(28,169)	(28,261)	(20,096)	(18,200)
<b>Net change in plan fiduciary net position</b>	463,340	1,922,415	1,731,365	154,091	1,401,890
<b>Plan fiduciary net position-beginning</b>	17,776,424	15,854,009	14,122,644	13,968,553	12,566,663
<b>Plan fiduciary net position-ending (b)</b>	\$ 18,239,764	\$ 17,776,424	\$ 15,854,009	\$ 14,122,644	\$ 13,968,553
<b>City's net pension liability-ending (a)-(b)</b>	\$ 3,801,413	\$ 2,695,962	\$ 2,559,490	\$ 2,933,247	\$ 1,824,013
<b>Plan fiduciary net position as percentage of total pension liability</b>	82.75%	86.83%	86.10%	82.80%	88.45%
<b>Covered-employee payroll</b>	\$ 7,179,461	\$ 6,705,563	\$ 6,515,819	\$ 6,100,315	\$ 5,748,609
<b>City's net pension liability as a percentage of covered-employee payroll</b>	52.95%	40.20%	39.28%	48.08%	31.73%
<b>Notes to the schedule</b>					

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

CITY OF CUMMING, GEORGIA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019

Schedule of City Contributions – Pension Plan

	2019	2018	2017	2016	2015
Actuarially determined contribution	*	\$ 600,674	\$ 540,929	\$ 499,567	\$ 511,456
Contributions in relation to the actuarially determined Contributions	*	600,674	540,929	499,567	511,456
Contribution deficiency (excess)	*	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	*	\$ 6,705,563	\$ 6,515,819	\$ 6,100,315	\$ 5,748,609
Contributions as a percentage of covered-employee payroll	*	9.0%	8.3%	8.2%	8.9%

**Notes to the schedule**

Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2019, 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, 2020. \***

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  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Impact Fee Fund</u>	<u>Hotel/ Motel Tax Fund</u>	
<b><u>ASSETS</u></b>			
Interfund receivables	\$ 91	\$ 108	\$ 199
Restricted assets:			
Cash and cash equivalents	82,442		82,442
Receivable		1,489	1,489
Total Assets	<u>\$ 82,533</u>	<u>\$ 1,597</u>	<u>\$ 84,130</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Liabilities payable from restricted assets	\$	\$ 1,489	\$ 1,489
Total Liabilities		<u>1,489</u>	<u>1,489</u>
<b><u>Fund balances</u></b>			
Restricted for capital projects	82,533		82,533
Restricted for tourism		108	108
Total Fund Balances	<u>82,533</u>	<u>108</u>	<u>82,641</u>
Total Liabilities and Fund Balances	<u>\$ 82,533</u>	<u>\$ 1,597</u>	<u>\$ 84,130</u>

CITY OF CUMMING, GEORGIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Impact Fee Fund</u>	<u>Hotel/ Motel Tax Fund</u>	
REVENUES			
Taxes	\$	\$ 23,517	\$ 23,517
Impact fees	82,509		82,509
Investment earnings	24		24
Total Revenues	<u>82,533</u>	<u>23,517</u>	<u>106,050</u>
EXPENDITURES			
Current:			
Culture and recreation		23,409	23,409
Total expenditures		<u>23,409</u>	<u>23,409</u>
Excess (deficiency) of Revenues Over (under) Expenditures	<u>82,533</u>	<u>108</u>	<u>82,641</u>
Change in fund balance	<u>82,533</u>	<u>108</u>	<u>82,641</u>
Fund Balances – beginning			
Fund Balances – ending	<u>\$ 82,533</u>	<u>\$ 108</u>	<u>\$ 82,641</u>

CITY OF CUMMING, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED WITH  
SPECIAL 1% SALES AND USE TAX  
DECEMBER 31, 2019

PROJECT NAME	Original Estimated Cost	Current Estimated Cost	Prior Years Cost	Current Years Cost	Total Cost
<u>SPLOST #5 – NOTE 1</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>2,169,164</u>	<u>503,079</u>	<u>2,672,243</u>
TOTALS SPLOST #5	<u>\$ 24,000,000</u>	<u>\$ 32,300,000</u>	<u>\$ 31,342,979</u>	<u>\$ 503,079</u>	<u>\$ 31,846,058</u>
<u>SPLOST #7 – NOTE 2</u>					
Parks and recreation	\$ 2,000,000	\$ 2,301,262	\$ 117,633	\$ 43,209	\$ 160,842
Street improvements	10,500,000	12,081,627	1,577,237	3,718,602	5,295,839
Intake generator-water system	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
TOTALS SPLOST #7	<u>\$ 13,500,000</u>	<u>\$ 15,382,889</u>	<u>\$ 2,694,870</u>	<u>\$ 3,761,811</u>	<u>\$ 6,456,681</u>
<u>SPLOST #8</u>					
Street improvements	\$ 13,500,000	\$ 13,500,000	\$ -	\$ -	\$ -
Dobbs Creek Recreation Center	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS SPLOST #8	<u>\$ 14,500,000</u>	<u>\$ 14,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1

At December 31, 2019 all SPLOST #5 funds have been expended.

NOTE 2

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. The City received its final allocation of SPLOST #7 funds on August 15, 2019. Funds received totaled \$15,382,889. Current estimated cost has been adjusted to match total funds received.



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CERTIFIED PUBLIC ACCOUNTANTS

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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 aggregate remaining fund information of City of Cumming, Georgia as of and for the year ended December 31, 2019, 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 June 16, 2020.

**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.

*LeRoy, Cole & Stephens, LLC*  
Cumming, Georgia  
August 14, 2020