

**CITY OF FORSYTH, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

Prepared under authority
of the Office of the
City Manager

CITY OF FORSYTH, GEORGIA
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 DECEMBER 31, 2017

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**CITY OF FORSYTH, GEORGIA
LIST OF PRINCIPAL OFFICIALS**

MAYOR

Eric S. Wilson

CITY COUNCIL MEMBERS

Mike Dodd

Greg Goolsby

Chris Hewett

Dexter King

Melvin Lawrence

Julius Stroud

CITY MANAGER

Janice Hall

CITY CLERK

Kristal Dunn

POLICE CHIEF

Eddie Harris

FIRE CHIEF

David Herndon

PUBLIC WORKS DEPARTMENT HEAD

Alvin Randall

ELECTRIC DEPARTMENT HEAD

Johnny Hodges

GARAGE DEPARTMENT HEAD

Steve Butler

**ECONOMIC DEVELOPMENT/
DOWNTOWN DEVELOPMENT AUTHORITY**

Michael Norris

BETTER HOMETOWN DIRECTOR

Vacant

MUNICIPAL COURT JUDGE

J. Kristi Lovelace

CITY ATTORNEY

C. Robert Melton

CITY AUDITOR

Buckley & Hopkins



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INDEPENDENT AUDITORS' REPORT

January 31, 2019

To the Mayor and City Council
City of Forsyth, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Forsyth, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 aggregate remaining fund information of the City of Forsyth, Georgia, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and schedule of funding progress, changes in net pension liability and related ratios, and schedule of contributions for the City of Forsyth's defined benefit plan on pages 51-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Forsyth, Georgia's basic financial statements. The introductory section, combining and individual non major fund financial statements, the budgetary comparison schedules, statistical section, and the schedule of projects constructed with special sales tax proceeds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements, the budgetary comparison schedules and the schedule of projects constructed with special sales tax proceeds 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 combining and individual non major fund financial statements, the

budgetary comparison schedules, and the schedule of projects constructed with special sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the City of Forsyth, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Forsyth, Georgia's internal control over financial reporting and compliance.

Forsyth, Georgia
January 31, 2019

CITY OF FORSYTH, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|--------------|--------|---|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Taxes | | | | |
| General property tax | \$ 496,372 | \$ 496,372 | | \$ (496,372) |
| Local option sales tax | 913,000 | 913,000 | | (913,000) |
| Insurance premium tax | 240,000 | 240,000 | | (240,000) |
| Beer, wine and alcohol tax | 201,100 | 201,100 | | (201,100) |
| Franchise fees | 111,700 | 111,700 | | (111,700) |
| Licenses and permits | 125,500 | 125,500 | | (125,500) |
| Intergovernmental | 50,000 | 1,050,046 | | (1,050,046) |
| Fines and forfeitures | 332,200 | 332,200 | | (332,200) |
| Charges for services | 310,400 | 310,400 | | (310,400) |
| Investment income | 2,400 | 2,400 | | (2,400) |
| Miscellaneous income | 5,000 | 5,000 | | (5,000) |
| | 2,787,672 | 3,787,718 | - | (3,787,718) |
| <u>Expenditures:</u> | | | | |
| General Government | | | | |
| Administration | 936,671 | 936,671 | | 936,671 |
| Governing Body | 242,960 | 242,960 | | 242,960 |
| Mayor | 13,457 | 13,457 | | 13,457 |
| | 1,193,088 | 1,193,088 | - | 1,193,088 |
| Public Safety | | | | |
| Police | 1,550,847 | 1,550,847 | | 1,550,847 |
| Fire | 946,158 | 946,158 | | 946,158 |
| Municipal Court | 93,290 | 93,290 | | 93,290 |
| | \$ 2,590,295 | \$ 2,590,295 | \$ - | \$ 2,590,295 |

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

CITY OF FORSYTH, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Downtown Development Authority |
|--|-------------------|-------------------------|--|--|--|-----------------------------|----------------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Primary Government: | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 1,570,103 | \$ 116,628 | \$ - | \$ 1,233,674 | \$ (219,801) | \$ - | \$ (219,801) | \$ - |
| Public safety | 2,326,825 | 358,043 | - | - | (1,968,782) | - | (1,968,782) | - |
| Public works | 1,710,250 | 305,751 | - | - | (1,404,499) | - | (1,404,499) | - |
| Recreation and parks | 63,729 | - | - | - | (63,729) | - | (63,729) | - |
| Better Hometown | 258,470 | - | - | - | (258,470) | - | (258,470) | - |
| Interest on long-term debt | 76,050 | - | - | - | (76,050) | - | (76,050) | - |
| Total governmental activities | <u>6,005,427</u> | <u>780,422</u> | <u>-</u> | <u>1,233,674</u> | <u>(3,991,331)</u> | <u>-</u> | <u>(3,991,331)</u> | <u>-</u> |
| Business-type Activities: | | | | | | | | |
| Combined Utility System - | | | | | | | | |
| Water & Sewer | 3,161,040 | 3,375,343 | - | 186,321 | - | 400,624 | 400,624 | - |
| Electric | 7,961,400 | 8,995,614 | - | - | - | 1,034,214 | 1,034,214 | - |
| Cable | - | - | - | - | - | - | - | - |
| Total business-type activities | <u>11,122,440</u> | <u>12,370,957</u> | <u>-</u> | <u>186,321</u> | <u>-</u> | <u>1,434,838</u> | <u>1,434,838</u> | <u>-</u> |
| Total Primary Government | <u>17,127,867</u> | <u>13,151,379</u> | <u>-</u> | <u>1,419,995</u> | <u>(3,991,331)</u> | <u>1,434,838</u> | <u>(2,556,493)</u> | <u>-</u> |
| Downtown Development Authority | \$ - | \$ - | \$ - | \$ - | | | | - |
| Total Component Units | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | <u>\$ -</u> |
| General Revenues | | | | | | | | |
| Property Tax | | | | | 470,156 | - | 470,156 | - |
| Sales Tax | | | | | 952,728 | - | 952,728 | - |
| Insurance premium tax | | | | | 255,476 | - | 255,476 | - |
| Beer, wine and alcohol tax | | | | | 205,545 | - | 205,545 | - |
| Hotel/motel tax | | | | | 453,642 | - | 453,642 | - |
| Franchise tax | | | | | 98,205 | - | 98,205 | - |
| Investment and interest revenue | | | | | 1,374 | 26,100 | 27,474 | - |
| Miscellaneous | | | | | 194,372 | 134,237 | 328,609 | - |
| Total General Revenues | | | | | <u>2,631,498</u> | <u>160,337</u> | <u>2,791,835</u> | <u>-</u> |
| Transfers | | | | | | | | |
| Total General Revenues and Transfers | | | | | <u>2,938,691</u> | <u>(2,938,691)</u> | <u>-</u> | <u>-</u> |
| Change in Net Position | | | | | | | | |
| | | | | | <u>1,578,858</u> | <u>(1,343,516)</u> | <u>235,342</u> | <u>-</u> |
| Net Position - Beginning of Year | | | | | | | | |
| | | | | | 3,696,743 | 15,615,510 | 19,312,253 | 4,814 |
| Prior Period Adjustment (Note #) | | | | | | | | |
| | | | | | | (64,551) | (64,551) | - |
| Net Position - Beginning, As Restated | | | | | | | | |
| | | | | | <u>3,696,743</u> | <u>15,550,959</u> | <u>19,247,702</u> | <u>4,814</u> |
| Net Position - End of Year | | | | | | | | |
| | | | | | <u>\$ 5,275,601</u> | <u>\$ 14,207,443</u> | <u>\$ 19,483,044</u> | <u>\$ 4,814</u> |

CITY OF FORSYTH, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | General Fund | Major Governmental Fund (SPLOST Fund) | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|--|-----------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 1,513,548 | \$ 421,154 | \$ 143,338 | \$ 2,078,040 |
| Receivables, net of allowance | | | | - |
| Claims | 130,442 | - | - | 130,442 |
| Taxes | 29,295 | - | 35,346 | 64,641 |
| Accounts | 34,585 | - | - | 34,585 |
| Due from other funds | 144,246 | - | - | 144,246 |
| Due from other governments | 371,639 | 172,743 | - | 544,382 |
| Prepaid Assets | 3,037 | 76,150 | - | 79,187 |
| Total Assets | \$ 2,226,792 | \$ 670,047 | \$ 178,684 | \$ 3,075,523 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts payable | \$ 292,574 | \$ - | \$ - | \$ 292,574 |
| Accrued liabilities | 79,102 | 3,050 | 30,810 | 112,962 |
| Due to other funds | - | - | 144,245 | 144,245 |
| Other liabilities | 19,979 | - | - | 19,979 |
| Total Liabilities | 391,655 | 3,050 | 175,055 | 569,760 |
| <u>Deferred Inflow of Resources:</u> | | | | |
| Deferred revenue | 168,821 | - | - | 168,821 |
| Total Deferred Inflow of Resources | 168,821 | - | - | 168,821 |
| <u>Fund Balances:</u> | | | | |
| Nonspendable | 3,037 | 76,150 | - | 79,187 |
| Restricted for: | | | | |
| Capital Outlay | - | 590,847 | - | 590,847 |
| Public Safety Expenditures | 2,686 | - | 3,629 | 6,315 |
| Debt Service | 52,088 | - | - | 52,088 |
| Postclosure landfill costs | 714,463 | - | - | 714,463 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | 894,042 | - | - | 894,042 |
| Total Fund Balances | 1,666,316 | 666,997 | 3,629 | 2,336,942 |
| Total Liabilities and Fund Balances | \$ 2,226,792 | \$ 670,047 | \$ 178,684 | \$ 3,075,523 |

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

CITY OF FORSYTH, GEORGIA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

| | |
|--|---------------------|
| Total Fund Equity per Balance Sheet of Governmental Funds | <u>\$ 2,336,942</u> |
| <p>Amounts reported for governmental activities in the Statement of Net Position differ from amounts reported in the Balance Sheet of Governmental Funds due to the following:</p> | |
| <p>Capital Assets</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> | |
| Cost of the assets | 12,323,659 |
| Accumulated depreciation | (5,495,327) |
| <p>Revenues</p> <p>Some of the government's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p> | |
| Receivables, taxes | 38,379 |
| Receivables, insurance claim | 130,442 |
| <p>Deferred outflows and inflows of resources related to pensions represent differences between actual and projected income that accounting standards require be amortized into income over future periods. These deferrals do not constitute current financial resources and are not reported in the funds.</p> | |
| | 78,972 |
| <p>Long-term liabilities at year-end consist of the following</p> | |
| Notes payable | (726,112) |
| Capital leases | (753,042) |
| SPLOST Bonds payable | (915,000) |
| Unamortized SPLOST bond premiums | (42,749) |
| Net pension liability | (993,727) |
| Postclosure Costs | <u>(714,463)</u> |
| Total Adjustments | <u>2,931,032</u> |
| Total Net Position of Governmental Activities | <u>\$ 5,267,974</u> |

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

CITY OF FORSYTH, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | General Fund | Major Governmental Fund (SPLOST Fund) | Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------------|--|-----------------------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Taxes | | | | |
| Property tax | \$ 470,156 | \$ - | \$ - | \$ 470,156 |
| Sales tax | 952,728 | - | - | 952,728 |
| Insurance premium tax | 255,476 | - | - | 255,476 |
| Beer, wine and alcohol tax | 205,545 | - | - | 205,545 |
| Other taxes | 98,205 | - | 453,642 | 551,847 |
| License and permits | 116,628 | - | - | 116,628 |
| Intergovernmental | 684,483 | 548,919 | - | 1,233,402 |
| Fines and forfeitures | 358,043 | - | - | 358,043 |
| Charges for services | 305,751 | - | - | 305,751 |
| Investment earnings | 1,369 | 272 | 5 | 1,646 |
| Other revenues | 193,200 | - | 1,172 | 194,372 |
| Total Revenues | 3,641,584 | 549,191 | 454,819 | 4,645,594 |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| General government | \$ 1,311,764 | - | 181,457 | 1,493,221 |
| Public safety | 2,219,479 | - | 2,648 | 2,222,127 |
| Public works | 1,726,703 | - | - | 1,726,703 |
| Recreation and parks | 34,017 | - | - | 34,017 |
| Better Hometown | 203,398 | - | - | 203,398 |
| Capital Outlays | - | 137,757 | - | 137,757 |
| Debt Service | | | | |
| Principal | 13,727 | 430,000 | - | 443,727 |
| Interest | 76,050 | 53,800 | - | 129,850 |
| Total Expenditures | 5,585,138 | 621,557 | 184,105 | 6,390,800 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (1,943,554) | \$ (72,366) | \$ 270,714 | \$ (1,745,206) |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Transfers in | \$ 3,221,429 | | | \$ 3,221,429 |
| Transfers out | | (10,553) | (272,185) | (282,738) |
| Total other financing sources (uses) | 3,221,429 | (10,553) | (272,185) | 2,938,691 |
| Net Change in fund balances | 1,277,875 | (82,919) | (1,471) | 1,193,485 |
| Fund Balance, beginning of year | 1,561,729 | 748,483 | 5,100 | 2,315,312 |
| Fund Balance, end of year | \$ 2,839,604 | \$ 665,564 | \$ 3,629 | \$ 3,508,797 |

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

CITY OF FORSYTH, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other
Uses Per Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances \$ 1,193,485

Amounts reported for governmental activities in the Statement of Activities differ from amounts reported in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances due to the following:

Capital Assets

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

| | |
|-------------------------|-----------|
| Total capital outlays | 479,636 |
| Total capital deletions | - |
| Total depreciation | (339,671) |

Long-term Debt

The issuance of bonds and similar long-term debt provides current financial resources to governmental funds and thus contributes to the change in the fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditures in the governmental funds, but reduces the liability in the Statement of Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts of the items that make up these differences in the treatment of long-term debt and related items are as follows:

| | |
|--|---------|
| Decrease in accrued bond debt service | 51,296 |
| Principal repayments | 501,474 |
| Increase in long-term interest expense | 23,374 |

Revenues

Because some revenues will not be collected for several months after the government's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.

| | |
|--|--------------|
| Deferred revenues decreased by this amount during the fiscal year. | <u>(648)</u> |
|--|--------------|

| | |
|-------------------|----------------|
| Total Adjustments | <u>715,461</u> |
|-------------------|----------------|

| | |
|---|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ 1,908,946</u> |
|---|---------------------|

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

CITY OF FORSYTH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Final Budget Positive (Negative) |
|----------------------------|---------------------|---------------------|--------|--|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Taxes | | | | |
| General property tax | \$ 496,372 | \$ 496,372 | | \$ (496,372) |
| Local option sales tax | 913,000 | 913,000 | | (913,000) |
| Insurance premium tax | 240,000 | 240,000 | | (240,000) |
| Beer, wine and alcohol tax | 201,100 | 201,100 | | (201,100) |
| Franchise fees | 111,700 | 111,700 | | (111,700) |
| Licenses and permits | 125,500 | 125,500 | | (125,500) |
| Intergovernmental | 50,000 | 1,050,046 | | (1,050,046) |
| Fines and forfeitures | 332,200 | 332,200 | | (332,200) |
| Charges for services | 310,400 | 310,400 | | (310,400) |
| Investment income | 2,400 | 2,400 | | (2,400) |
| Miscellaneous income | 5,000 | 5,000 | | (5,000) |
| | | | | |
| Total Revenues | <u>2,787,672</u> | <u>3,787,718</u> | - | <u>(3,787,718)</u> |
| | | | | |
| <u>Expenditures:</u> | | | | |
| General Government | | | | |
| Administration | 936,671 | 936,671 | | 936,671 |
| Governing Body | 242,960 | 242,960 | | 242,960 |
| Mayor | 13,457 | 13,457 | | 13,457 |
| | | | | |
| Total General Government | <u>1,193,088</u> | <u>1,193,088</u> | - | <u>1,193,088</u> |
| | | | | |
| Public Safety | | | | |
| Police | 1,550,847 | 1,550,847 | | 1,550,847 |
| Fire | 946,158 | 946,158 | | 946,158 |
| Municipal Court | 93,290 | 93,290 | | 93,290 |
| | | | | |
| Total Public Safety | <u>\$ 2,590,295</u> | <u>\$ 2,590,295</u> | \$ - | <u>\$ 2,590,295</u> |

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

CITY OF FORSYTH, GEORGIA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Budgeted Amounts</u> | | Actual | Variance with |
|--|-------------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| Public Works | | | | |
| Streets/Sanitation | \$ 987,820 | \$ 987,820 | | \$ 987,820 |
| Garage | 199,341 | 199,341 | | 199,341 |
| Cemetery | 135,676 | 135,676 | | 135,676 |
| Total Public Works | <u>1,322,837</u> | <u>1,322,837</u> | - | <u>1,322,837</u> |
| Better Hometown | <u>236,730</u> | <u>236,730</u> | | <u>236,730</u> |
| Recreation | <u>27,660</u> | <u>27,660</u> | | <u>27,660</u> |
| Total expenditures | <u>5,370,610</u> | <u>5,370,610</u> | - | <u>5,370,610</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,582,938)</u> | <u>(1,582,892)</u> | - | <u>1,582,892</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 3,097,414 | 3,097,414 | | (3,097,414) |
| Transfers Out | - | - | - | - |
| Total other financing sources and uses | <u>3,097,414</u> | <u>3,097,414</u> | - | <u>(3,097,414)</u> |
| Net change in fund balance | <u>\$ 514,476</u> | <u>\$ 1,514,522</u> | - | <u>\$ (1,514,522)</u> |
| Fund balance, beginning of year | | | <u>1,561,729</u> | |
| Fund balance, end of year | | | <u>\$ 1,561,729</u> | |

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

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

| | <u>Business-type Activities Combined Utilities Fund</u> |
|--|---|
| <u>ASSETS</u> | |
| Current assets | |
| Cash and cash equivalents | \$ 2,343,666 |
| Receivables, net of allowance | |
| Accounts | 855,517 |
| Due from other governments | - |
| Inventories | 393,718 |
| Prepaid expenses | <u>62,546</u> |
| Total current assets | <u>3,655,447</u> |
| Noncurrent assets | |
| Capital assets: | |
| Land | 249,261 |
| Construction in progress | 79,186 |
| Building and improvements | 5,091,203 |
| Machinery and equipment | 998,289 |
| Vehicles | 1,004,625 |
| Distribution system | 27,174,194 |
| Less accumulated depreciation | <u>(21,557,956)</u> |
| Total capital assets (net of accumulated depreciation) | <u>13,038,802</u> |
| Total noncurrent assets | <u>13,038,802</u> |
| Total Assets | <u>\$ 16,694,249</u> |

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

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

| | <u>Combined Utilities Fund</u> |
|------------------------------------|------------------------------------|
| <u>LIABILITIES</u> | |
| Current liabilities | |
| Accounts payable | \$ 738,052 |
| Accrued liabilities | 36,953 |
| Customer deposits | 504,640 |
| Other liabilities | 108,595 |
| Capital leases payable - current | <u>30,819</u> |
| Total current liabilities | <u>1,419,059</u> |
| Noncurrent liabilities | |
| Capital leases payable - long term | 84,082 |
| Notes Payable - long term | <u>983,665</u> |
| Total noncurrent liabilities | <u>1,067,747</u> |
| Total Liabilities | <u>2,486,806</u> |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 11,940,235 |
| Unrestricted | <u>2,267,208</u> |
| Total Net Position | <u>\$ 14,207,443</u> |

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

CITY OF FORSYTH, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Business-type Activities Combined Utilities Fund</u> |
|---|---|
| <u>Operating revenues:</u> | |
| Charges for sales and services | |
| Water and sewer | \$ 3,561,664 |
| Electric | 8,995,614 |
| Miscellaneous | <u>134,237</u> |
| Total operating revenues | <u>12,691,515</u> |
| <u>Operating expenses:</u> | |
| Salaries and benefits | 526,687 |
| Purchase of utilities | 6,609,679 |
| Materials and supplies | 415,123 |
| Repairs and maintenance | 299,734 |
| Depreciation | 946,856 |
| Management fees | 1,185,377 |
| Other | <u>1,112,290</u> |
| Total operating expenses | <u>11,095,746</u> |
| Total operating income | <u>1,595,769</u> |
| <u>Nonoperating revenues (expenses):</u> | |
| Investment income | 26,100 |
| Interest expense | <u>(26,694)</u> |
| Total nonoperating revenues (expenses) | <u>(594)</u> |
| Income before contributions and transfers | <u>1,595,175</u> |
| Transfers in | 10,553 |
| Transfers out | <u>(2,949,244)</u> |
| Total contributions and transfers | <u>(2,938,691)</u> |
| Change in net position | (1,343,516) |
| <u>Net Position</u> | |
| Beginning of year, as previously stated | 15,615,510 |
| Proir Period Adjustment (Note XX) | (64,551) |
| Beginning of year, as restated | <u>15,550,959</u> |
| End of year | <u>\$ 14,207,443</u> |

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

CITY OF FORSYTH, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Business-type Activities Combined Utilities Fund</u> |
|---|---|
| <u>Cash Flows from Operating Activities:</u> | |
| Cash received from customers | \$ 12,541,831 |
| Cash paid to suppliers for goods and services | (9,264,513) |
| Cash paid to employees | <u>(526,687)</u> |
| Net Cash Flows Provided by (Used for) Operating Activities | <u>2,750,631</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Transfers to other funds | <u>(2,949,244)</u> |
| Net Cash Flows Provided by (Used for) Noncapital Financing Activities | <u>(2,949,244)</u> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | |
| Transfer in from SPLOST Fund | 10,553 |
| CDBG grant funding | 186,321 |
| GEFA loan payments | (16,335) |
| Purchase of capital assets | (435,454) |
| Principal payments of capital lease | (29,894) |
| Interest payments | <u>(26,694)</u> |
| Net Cash Flows Provided by (Used for) Capital and Related Financing Activities | <u>(311,503)</u> |
| <u>Cash flows from Investing Activities:</u> | |
| Investment income | <u>26,100</u> |
| Net Cash Flows Provided by (Used for) Investing Activities | <u>26,100</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (484,016) |
| Cash and Cash Equivalents, Beginning of Year | <u>3,012,130</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,528,114</u> |

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

CITY OF FORSYTH, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Business-type Activities Combined Utilities Fund</u> |
|--|---|
| <u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u> | |
| Net Operating Income (Loss) | <u>\$ 1,595,769</u> |
| <u>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u> | |
| Depreciation | 946,856 |
| Changes in Assets and Liabilities: | |
| (Increase) decrease in accounts receivable | (154,438) |
| (Increase) decrease in inventories | 2 |
| (Increase) decrease in other current assets | 259,725 |
| Increase (decrease) in accounts payable | 118,133 |
| Increase (decrease) in accrued liabilities | (20,170) |
| Increase (decrease) in deposits | <u>14,936</u> |
| Total Adjustments | <u>1,165,044</u> |
| Net Cash Provided by (Used for) Operating Activities | <u><u>\$ 2,760,813</u></u> |

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

CITY OF FORSYTH, GEORGIA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2017

| | <u>Municipal Court Fund</u> |
|---------------------------|---------------------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | <u>\$ 60,729</u> |
| Total Assets | <u><u>\$ 60,729</u></u> |
| <u>LIABILITIES</u> | |
| Funds held in escrow | \$ 51,167 |
| Due to others | <u>9,562</u> |
| Total Liabilities | <u><u>\$ 60,729</u></u> |

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

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Forsyth, Georgia (City) is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financial accountable. The 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.

Discretely presented component unit. The Downtown Development Authority of Forsyth was utilized to issue bonds related to the purchase and establishment of the cable system for the City of Forsyth. The governing board is appointed by the City Council. The Authority is fiscally dependent upon the City because the City provides the majority of the general fund revenues.

The Downtown Development Authority of Forsyth does not issue separate component unit financial statements.

Under Georgia law, the City in conjunction with other cities and counties in the Middle Georgia area is a member of the Middle Georgia Regional Commission (MGRC) and is required to pay annual dues thereto. Membership in an MGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the MGRC in Georgia. The MGRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.0 provides that the member governments are liable for any debts or obligations of an MGRC. Separate financial statements may be obtained from:

Middle Georgia Regional Commission
175 Emery Highway
Macon, Georgia 31217

The Housing Authority of the City of Forsyth, Georgia is considered a related organization based upon the criteria of GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Forsyth, Georgia. The City of Forsyth, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Forsyth, Georgia is a related organization.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement activities) report information on all non fiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type*

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) 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 or other items not properly included among program revenues are reported instead as *general revenues*.

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 is used in the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as 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, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 fund* accounts for the activities of the government's special purpose local option sales tax.

The government reports the following major proprietary fund:

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

The *combined utility system fund* accounts for the activities of the government's electric, water and sewer and cable television systems.

The government reports the following fiduciary fund:

The *municipal court fund* accounts for the activities of the government's municipal court collected funds.

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 combined utility system fund are charges to customers for sales and services. Operating expenses 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, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits 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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component unit, are reported at fair value.

2. *Receivables and payables*

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

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

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

All trade and property tax receivables are presented net of an allowance for uncollectibles. Trade accounts receivables in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance for uncollectible is equal to approximately 24 percent of the outstanding property taxes at December 31, 2017.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy is billed on November 1 annually, and is due December 20. The billings are considered past due 60 days after the tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. During 2017 the tax levy was billed on November 1 and was due December 20.

3. *Inventories*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is nonspendable, as this amount is not available for general appropriation.

5. *Restricted assets*

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

6. *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, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements.

Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

CITY OF FORSYTH, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2017
 (CONTINUED)

| <u>Assets</u> | <u>Years</u> |
|------------------------------|--------------|
| Buildings | 40 |
| Building improvement | 20 |
| Land improvement | 10 |
| Public domain infrastructure | 40 |
| System infrastructure | 30 |
| Vehicles | 5 |
| Office equipment | 5 |
| Computer equipment | 5 |

7. *Compensated absences*

In accordance with the government’s policy, employees are entitled to annual vacation and sick leave. These benefits do not accrue and cannot be carried forward to subsequent periods. Accordingly, there is no liability for unpaid accumulated vacation or sick leave.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. *Fund Equity*

In the fund financial statements, governmental fund balances are classified based on the level of restrictions placed on the fund balances. The classifications include non-spendable, restricted, committed, assigned, and unassigned.

The City’s policies require that committed fund balances can only be established by city council through resolution and released or modified from those restrictions by city council through resolution. Under the City’s adopted fund assignment policy, the City allows the mayor and city clerk to assign fund balances for specific purposes that will benefit the city without council approval; however these assigned designations can be released by council or city administration.

When committed, assigned, and unassigned funds are available for use, it is the City’s policy to use committed resources first, and then assigned resources, then unassigned resources as they are needed.

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

The appropriated budget is prepared by fund, function, and department. The government's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council made several supplemental budgetary appropriations throughout the year.

B. Expenditures in Excess of Appropriations

There were no material expenditures in excess of appropriations during the year ended December 31, 2017.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

A. Custodial Credit Risk – Deposits

The custodial credit risk of deposits is the risk that in the event of the failure of a bank the government will not be able to recover deposits. The city does not have a formal custodial risk policy. At December 31, 2017, the carrying amount of the City's deposits was \$2,143,583, and the bank balance was \$2,152,598. Of the bank balance, \$2,152,598 was covered by federal depository insurance, or by collateral held by the City's agent or pledging financial institution. Georgia state law requires that balances be insured or collateralized at 110% of the bank's balance. As of the December 31, 2017, the city was in compliance with this state requirement.

B. Investments

Investments are stated at fair value.

State statutes authorize the City to invest in obligations of the U.S. Treasury, other U.S. Government Agencies, State of Georgia, Other States, Prime Banker's Acceptances, repurchase agreements and other political subdivisions of Georgia.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the City to invest obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by U.S. government or by a government agency of the United States; obligations

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

As of December 31, 2017, the City had no investments in financial securities.

C. Receivables

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

| | <u>General</u> | <u>Combined Utility Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|---------------------------------------|-------------------|--------------------------------------|--|---------------------|
| Receivables: | | | | |
| Taxes | \$ 49,295 | \$ - | \$ 35,346 | \$ 84,641 |
| Claims | 130,442 | - | - | 130,442 |
| Accounts | <u>48,585</u> | <u>1,168,517</u> | <u>-</u> | <u>1,217,102</u> |
| Gross Receivables | <u>228,322</u> | <u>1,168,517</u> | <u>35,346</u> | <u>1,432,185</u> |
| Less: allowance for Uncollectibles | <u>(34,000)</u> | <u>(313,000)</u> | <u>-</u> | <u>(347,000)</u> |
| Total net receivables | <u>\$ 194,322</u> | <u>\$ 855,517</u> | <u>\$ 35,346</u> | <u>\$ 1,085,185</u> |

Receivables in the Combined Utility Fund increased by 30.42% this year, due to issues within the billing department. There were errors in the amounts billed to clients. Cut-offs for delinquent accounts were not performed. Proper adjustments were not made. Internal controls were not in place to identify these errors before year-end, making it impossible to identify the errors and determine the correct balance for these accounts and resulting in potential material misstatements in the financial statements.

Revenues of the Combined Utility Revenue Fund are reported gross of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | |
|---|-------------------|
| Uncollectibles related to electric sales | \$ 208,000 |
| Uncollectibles related to water and sewer sales | <u>105,000</u> |
| Total Uncollectibles of the current year | <u>\$ 313,000</u> |

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.

At the end of the current year, the various components of deferred revenues and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---|--------------------|-----------------|
| Delinquent property taxes receivable (general fund) | \$ 38,379 | \$ - |

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

| | | |
|--|------------|------|
| Insurance claims (general fund) | 130,442 | - |
| SPLOST receivable from county (SPLOST Fund) | - | - |
| | - | - |
| Total deferred/unearned revenue for governmental funds | \$ 168,821 | \$ - |

D. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------|--------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 451,103 | \$ - | \$ - | \$ 451,103 |
| Construction in progress | 162,492 | 833,104 | (833,104) | 162,492 |
| Total capital assets, not being depreciated | 613,595 | 833,104 | (833,104) | 613,595 |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,030,567 | - | - | 2,030,567 |
| Infrastructure | 2,534,648 | - | - | 2,534,648 |
| Land improvements | 1,828,389 | 833,104 | - | 1,828,389 |
| Furniture, fixtures and equipment | 1,273,486 | 427,819 | - | 1,701,305 |
| Vehicles | 2,015,036 | 767,015 | - | 2,782,051 |
| Total capital assets being depreciated | 9,682,126 | 2,027,938 | - | 11,710,064 |
| Less accumulated depreciation for: | | | | |
| Buildings | (976,518) | (60,007) | - | (1,036,525) |
| Infrastructure | (490,778) | (71,223) | - | (562,001) |
| Land improvements | (1,014,895) | (86,856) | - | (1,101,751) |
| Furniture, fixtures and equipment | (1,041,025) | (66,415) | - | (1,107,440) |
| Vehicles | (1,632,440) | (198,223) | - | (1,830,663) |
| Total accumulated depreciation | (5,155,656) | (482,724) | - | (5,638,380) |
| Total assets, being depreciated, net | 4,526,470 | 1,545,214 | - | 6,071,684 |
| Governmental activities assets, net | \$ 5,140,065 | \$2,378,318 | \$ (833,104) | \$ 6,685,279 |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-----------|-------------|-------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 249,261 | \$ - | \$ - | \$ 249,261 |
| Construction in progress | 1,266,289 | 380,893 | (1,567,996) | 79,186 |
| Total capital assets, not being depreciated | 1,515,550 | 380,893 | (1,567,996) | 328,447 |

Capital assets, being depreciated:

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

| | | | | |
|--|----------------------|--------------------|----------------------|----------------------|
| Buildings | 5,091,203 | - | - | 5,091,203 |
| Distribution system | 25,607,880 | 1,566,314 | - | 27,174,194 |
| Machinery & equipment | 998,289 | - | - | 998,289 |
| Vehicles | 1,004,625 | - | - | 1,004,625 |
| Total capital assets, being depreciated | <u>32,701,997</u> | <u>1,566,314</u> | <u>-</u> | <u>34,268,311</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (5,022,522) | (4,421) | - | (5,026,943) |
| Distribution system | (13,805,565) | (904,224) | - | (14,709,789) |
| Machinery & equipment | (953,031) | (10,732) | - | (963,763) |
| Vehicles | (829,982) | (27,479) | - | (857,461) |
| Total accumulated depreciation | <u>(20,611,100)</u> | <u>(946,856)</u> | <u>-</u> | <u>(21,557,956)</u> |
| Total capital assets, being depreciated, net | <u>12,090,897</u> | <u>619,458</u> | <u>-</u> | <u>12,710,355</u> |
| Business-type activities capital assets, net | <u>\$ 13,606,447</u> | <u>\$1,000,351</u> | <u>\$(1,567,996)</u> | <u>\$ 13,038,802</u> |

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|--------------------------|
| Government activities: | |
| General government | \$ 76,882 |
| Public safety | 277,892 |
| Public works | 96,239 |
| Cemetery | 1,999 |
| Recreation | <u>29,712</u> |
| | |
| Total depreciation expense- governmental activities | <u><u>\$ 482,724</u></u> |
| | |
| Business-type activities: | |
| Electric | \$ 50,422 |
| Water and Sewer | <u>896,434</u> |
| | |
| Total depreciation expense- business-type activities | <u><u>\$ 946,856</u></u> |

E. Interfund Receivables, Payables, and Transfers

There were no interfund balances as of December 31, 2017.

The composition of interfund transfers as of December 31, 2017, is as follows:

| <u>Transfer out:</u> | <u>Transfer in:</u> | | | <u>Purpose</u> |
|-----------------------------|----------------------------|--------------------|-------------------------|--|
| | General Fund | SPLOST Fund | Combined Utilities | |
| Hotel/Motel | \$ 272,185 | \$ - | \$ - | Transfer of taxes; 40% passed through to CVB |
| Combined utilities | 2,949,244 | - | - | Operating Costs |
| General fund | - | - | - | |
| Major governmental - SPLOST | - | - | <u>10,553</u> | Water and sewer capital improvements |
| | | | | |
| Total | <u><u>\$ 3,221,429</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 10,553</u></u> | |

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

F. Capital Leases

In 2015, the City entered into a capital lease to purchase a Ford F-150. The lease for \$20,129 is due in annual installments of \$5,513.41, including interest at 6.45%, for a term of four years ending in 2018.

Also, in 2015, the City entered into a capital lease agreement with PNC Financial to purchase a fire truck. The amount financed was \$715,265, due in annual installments of \$64,520.79, including interest at 3.92%, for 15 years ending in 2030. The fire truck was not capitalized in 2015. An adjustment has been proposed to add the truck to the capital asset listing. Additionally, the first payment, made in 2016, was incorrectly paid for and capitalized with funds from the Water & Sewer fund. A prior period adjustment of \$64,521 has been made to correct the starting balances for 2017. Additionally, the fire truck has been added to the general fund capital assets, with one year of depreciation booked for 2018 in the amount of \$143,053.

In 2016, the City entered into a capital lease to purchase a bucket truck from ALTEC Capital Services. The lease is for \$164,764 and is due in annual installments of \$30,014.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

| Year Ended December 31 | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| 2018 | \$ 87,815 | \$ 35,527 |
| Total minimum lease payments | 87,815 | 35,527 |
| Less: amount representing interest | (31,703) | (4,708) |
| Present value of minimum lease payments | <u>\$ 56,112</u> | <u>\$ 30,819</u> |

Amortization associated with these capital leases are included in depreciation.

G. Long-term Debt

2012 SPLOST Bonds

In 2012, the City, in conjunction with City of Culloden and Monroe County, issued bonds of \$12,650,000 in anticipation of receiving special purpose local option sales tax proceeds starting in 2014. The City is responsible for \$2,160,000 of the total amount of the bonds. The bonds consist of 15 semi-annual payments of varying amounts in accordance with the bond ordinance. The annual interest rate was 3.000% through December 1, 2015 and then increased to 4.000% for the remainder of the bond terms. At issuance of the bond, the city received a premium of \$307,776, which is being amortized at a rate of \$51,296 per year over the life of the bond.

Annual debt service requirements to maturity for the bonds payable are as follows:

| Year | Principal | Interest |
|------|-----------|----------|
|------|-----------|----------|

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

| | | |
|-------|------------|-----------|
| 2018 | 450,000 | 36,600 |
| 2019 | 465,000 | 18,600 |
| <hr/> | | |
| Total | \$ 915,000 | \$ 55,200 |

Notes Payable

In 2005, the City obtained a note payable totaling \$862,080 from the United States Department of Agriculture for cost reimbursements associated with the construction of the Public Safety Building. The note consists of 478 monthly payments in the amount of \$3,742 and a final balloon payment in the amount of \$2,646.08. The annual interest rate is 4.25%.

Annual debt service requirements to maturity for the notes payable are as follows:

| Year | Principal | Interest |
|-----------|------------|------------|
| 2018 | 14,324 | 30,580 |
| 2019 | 14,945 | 29,959 |
| 2020 | 15,592 | 29,312 |
| 2021 | 16,268 | 28,636 |
| 2022 | 16,973 | 27,931 |
| 2023-2027 | 96,568 | 127,962 |
| 2028-2032 | 119,374 | 105,146 |
| 2033-2037 | 147,585 | 76,935 |
| 2038-2042 | 182,459 | 42,061 |
| 2043-2045 | 102,031 | 5,453 |
| <hr/> | | |
| Total | \$ 726,119 | \$ 503,975 |

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|-------------------|---------------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| USDA | \$ 739,839 | \$ - | \$ (13,727) | \$ 726,112 | \$ 14,324 |
| Capital leases | - | 810,789 | (74,078) | 736,711 | 56,112 |
| Post closure costs | 755,049 | - | (40,586) | 714,463 | 41,815 |
| 2012 SPLOST bonds | 1,345,000 | - | (430,000) | 915,000 | 450,000 |
| 2012 SPLOST premium | 94,043 | - | (51,296) | 42,747 | 42,747 |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 2,933,931</u> | <u>\$ 810,789</u> | <u>\$ (609,687)</u> | <u>\$ 3,135,033</u> | <u>\$ 604,998</u> |

For the governmental activities, compensated absences, and post closure landfill costs are generally liquidated by the General fund.

Beginning

Ending

Due Within

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>One Year</u> |
|----------------------------------|---------------------|------------------|--------------------|---------------------|------------------|
| Business-type activities: | | | | | |
| GEFA Loan | \$ 1,000,000 | \$ - | \$ (16,335) | \$ 983,665 | |
| Capital leases | 144,795 | - | (29,894) | 114,901 | 30,819 |
| Business-type activities | | | | | |
| Long-term liabilities | <u>\$ 1,144,795</u> | <u>\$ -</u> | <u>\$ (46,229)</u> | <u>\$ 1,098,566</u> | <u>\$ 30,819</u> |

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors or omissions. The City purchases commercial insurance for most types of risk. The government manages risk through various employee education and prevention programs.

The City has property, general liability, criminal, inland marine, workers' compensation, and employers' liability coverages. The policies have various deductibles ranging from \$500 to \$1,000 and co-insurance of 90% with replacement value on buildings and personal property. Policy limits extend from \$1,000,000 per occurrence to a general aggregate of \$3,000,000.

Liability insurance expense and workers' compensation expense totaled \$126,524 and \$181,851, respectively, for the year ended December 31, 2017.

J. Contingent Liabilities

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Commitments

The City has entered into power sales contracts together with 45 other cities and one county in the State of Georgia with the Municipal Electric Authority of Georgia (MEAG). Under terms of these contracts, the City purchases power and energy for resale to its electric system customers.

Litigation

During the course of normal operations of the City, various claims and lawsuits arise. The City attorney has advised that there are no potential liabilities that will impair the City's financial position as of the date of this audit report.

K. Tax Revenues

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

Property Taxes

State law requires that property taxes be based on assessed value, which is 40% of market value. All real and personal property (including motor vehicles) are valued as of January 1 of each year and must be returned for tax purposes by March 1. With the exception of motor vehicles and the property of public utilities, which are valued by the State Revenue Department, all assessments are made by the Board of Tax Assessors of Monroe County.

Upon completion of all assessments and tax returns, the information is turned over to the Monroe County Tax Commissioner for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent of fair market value. The Commissioner has the option to withhold certain state funding if the mandated 40% level is not reached.

During 2017, taxes were levied on November 1 and were due and payable on or before December 20. Unpaid property taxes attached as an enforceable lien on property as of April 1, 2018.

Hotel/Motel Taxes

A summary of the hotel/motel excise tax receipts and expenditures for the year ended December 31, 2017, is as follows:

| Expenditures by Purpose | Tax | |
|-----------------------------|-------------------|-------------|
| | Receipts | Percentage |
| Convention & Visitors Board | \$ 181,457 | 40% |
| General Fund | 272,185 | 60% |
| Total | <u>\$ 453,642</u> | <u>100%</u> |

L. Net Investment in Capital Assets

Net investment in capital assets on the Government-wide statement of net position as of December 31, 2017, are as follows:

| | Governmental Activities | Business-type Activities |
|-----------------------------------|----------------------------|-----------------------------|
| Net investment in capital assets: | | |
| Cost of capital assets | \$ 12,323,659 | \$ 34,596,758 |
| Less accumulated depreciation | <u>(5,638,380)</u> | <u>(21,557,956)</u> |
| Book value | 6,685,279 | 13,038,802 |
| Less capital related debt | <u>(2,420,570)</u> | <u>(1,098,566)</u> |
| Net investment in capital assets | <u>\$ 4,264,709</u> | <u>\$ 11,940,236</u> |

M. Nonspendable Fund Balance

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

Nonspendable fund balance on the governmental funds balance sheet, as of December 31, 2017, consisted of prepaid insurance of \$3,037 in the general fund and prepaid debt payments of \$76,150 in the SPLOST fund.

N. Restricted, Committed, and Assigned Fund Balance

Restricted, committed, and assigned fund balance on the governmental funds balance sheet as of December 31, 2017, consisted of:

| | <u>General Fund</u> | <u>SPLOST Fund</u> | <u>Police Special Revenue Fund</u> |
|-------------------------------------|---------------------|--------------------|--|
| Restricted fund balance | | | |
| Fire department equipment purchases | \$ 359 | \$ - | \$ - |
| Police department contributions | 2,327 | - | - |
| Debt service of USDA note | 52,088 | - | - |
| Postclosure landfill costs | 714,463 | - | - |
| SPLOST referendum purchases | - | 421,154 | - |
| Assigned fund balance | | | |
| Police department purchases | \$ - | \$ - | \$ 3,629 |

O. Defined Benefit Pension Plan

The City established a defined benefit plan for full-time employees. The City amended the plan by eliminating the one-year waiting period for eligibility to participate. Full-time city employees now participate in the plan immediately upon employment. The City's defined benefit pension plan, the City of Forsyth Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The plan has selected a measurement date of July 1.

Plan Description

The City's defined benefit pension plan, the City of Forsyth Retirement Plan, provides retirement and disability benefits to plan members and beneficiaries. The City of Forsyth Retirement Plan is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent-multiple-employer plan. O.G.G.A. Section 47- 5-1 et. Seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the GMEBS to the respective employer entities.

For the City of Forsyth Retirement Plan, that authority rests with the City of Forsyth, Georgia. It is the responsibility of the GMEBS to function as investment and administrative agent for the City of Forsyth, Georgia with respect to the pension plan. The Georgia Municipal Employee Benefits System issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Employee Benefits System, 201 Pryor Street, SW, Atlanta, GA 30303 or calling (404) 688-0472.

For the year ended December 31, 2017, the City's total covered payroll amounted to \$1,961,386. Covered payroll refers to all compensation paid by the City to active employees

CITY OF FORSYTH, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
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 (CONTINUED)

covered by the City of Forsyth Retirement Plan on which contributions to the pension are based.

Under the provision of the Plan, all employees who work twenty hours or more per week, including elected officials, are eligible to participate immediately. For regular employees, the pension benefits are fully vested after 5 years in the Plan. Vesting is immediate for officials.

Plan Asset Mix and Accounting Policies

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in cash value of death benefits. Plan member contributions are recognized when due and the City has made a formal commitment to provide the contributions. Investments in securities are valued at current market prices. Plan assets are invested approximately 65% in equity investments, 25% in fixed income investments and 10% in real estate investments. Plan assets do not include any loans, bonds, or other instruments or securities of the City or related parties.

Plan Membership

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 60 |
| Terminated plan participant entitled to, but not yet receiving benefits | 33 |
| Active employees participating in the plan | 48 |
| Number of active elected officials | 4 |
| Total number of participants | 145 |
| Covered compensation for active participants | \$ 1,961,386 |

Contributions

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The GMEBS Board of Trustees has adopted an actuarial funding policy which requires a different funding level than the estimated minimum annual contribution to minimize fluctuation in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement. The estimated minimum annual contribution under those standards is \$204,809, which is 10.28% of covered payroll. The City's contribution equaled the minimum contribution and the amount was paid prior to year-end. Accordingly, the City reported no current payable and the plan reported no receivable for amounts due for the current plan year. The GMEBS funding policy is to contribute an amount equal to the recommended contribution each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method. Plan members are not permitted to contribute to the City of Forsyth Retirement Plan.

Net Pension Liability

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

The City's total pension liability was determined based on an actuarial valuation as of March 31, 2017 and the net pension liability was measured as of the same date. The March 31, 2017 actuarial valuation determined the total pension liability using assumptions that were applied to all periods included in the measurement as follows:

Actuarial Methods and Assumptions

| | |
|-------------------------------------|---|
| Investment Return | 7.75% |
| Salary Increases | 3.25%, plus service based merit increases |
| Variable cost-of-living adjustments | N/A |
| Mortality | RP-2000, Combined |
| Mortality for disabled participants | RP-2000, Disabled Mortality Table with sex-distinct rates |

Discount Rate

The discount rate total pension liability and the expected rate of return on plan assets was determined using a building-block method in which expected arithmetic rates of future return for each asset class are weighted based on the expected asset allocation and then totaled to determine an expected real rate or return. The expected inflation is then added to the expected real rate of return to determine the discount rate. The asset allocation, estimate of arithmetic rates of return, weighted averages and the expected inflation rate follow:

| <u>Asset Class</u> | <u>Allocation</u> | <u>Long-term Expected Real Return</u> |
|----------------------------------|-------------------|---------------------------------------|
| Domestic equity | 45% | 6.71% |
| International equity | 20% | 7.71% |
| Fixed income | 25% | 5.47% |
| Real Estate | 10% | 5.21% |
| Cash | 0% | 0.00% |
| | <u>100%</u> | |
| Weighted average expected return | | 6.25% |
| Inflation expectation | | 3.25% |
| Total expected return | | <u>9.50%</u> |
| Discount rate | | 7.75% |

The above calculated discount rate was used to calculate both the beginning and ending total pension liability. The projected plan assets are sufficient to pay all projected benefits promised to current plan participants. Because projected plan assets are sufficient to pay all projected promised benefits, the expected long-term rate of return was used to discount all projected benefit payments.

Because of the sensitivity of the calculation of the total pension liability to relatively small changes in the discount rate, the total pension liability calculated using discount rates one percentage point higher and lower than the discount rates actually used to calculate the total pension liability follows:

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

| 1% Decrease 6.75% | Current Discount Rate 7.75% | 1% Increase 8.75% |
|----------------------|--------------------------------|----------------------|
| \$ 1,680,923 | \$ 993,727 | \$ 409,368 |

Summary of Changes in Total Pension Liability, Fiduciary Net Position and Net Pension Liability

The changes in the total pension liability from the beginning to the ending of the year are as follows:

| | Total Pension Liability (TPL) (a) | Fiduciary Net Position (FNP) (b) | Net Pension Liability (NPL) (a) - (b) |
|---|--|---|--|
| Balances at March 31, 2016 | \$ 5,827,194 | \$ 4,589,885 | \$ 1,237,309 |
| Changes for the year: | | | |
| Service cost | 96,516 | - | 96,516 |
| Interest | 438,598 | - | 438,598 |
| Differences between expected and actual experience | (20,384) | - | (20,384) |
| Contributions - employer | - | 211,981 | (211,981) |
| Contributions - employee | - | - | - |
| Net investment income | - | 570,789 | (570,789) |
| Benefit payments, including refunds of employee contributions | (335,735) | (335,735) | - |
| Administrative expense | - | (24,458) | 24,458 |
| Other | - | - | - |
| Net changes | 178,995 | 422,577 | (243,582) |
| Balances at March 31, 2017 | \$ 6,006,189 | \$ 5,012,462 | \$ 993,727 |

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(CONTINUED)

The beginning and ending net pension liability is calculated as follows:

| | <u>Beginning</u> | <u>Ending</u> |
|-------------------------|---------------------|-------------------|
| Total Pension Liability | \$ 5,827,194 | \$ 6,006,189 |
| Fiduciary Net Position | <u>4,589,885</u> | <u>5,012,462</u> |
| Net Pension Liability | <u>\$ 1,237,309</u> | <u>\$ 993,727</u> |

Pension Expense, Deferred Outflows Related to Pension Items and Deferred Inflows Related to Pension Items

The following schedule reconciles the pension contributions to the total pension expense reported by the City in the government-wide statements:

| | |
|--|-------------------|
| Service cost | \$ 96,516 |
| Interest on TPL | 438,598 |
| Employee contributions | - |
| Administrative expenses | 24,458 |
| Expected return on assets | (349,973) |
| Expensed portion of current year period differences between expected and actual experience in TPL | (6,794) |
| Expensed portion of current year period assumption changes | - |
| Current year plan changes | - |
| Expensed portion of current year period differences between projected and actual investment earnings | (44,164) |
| Current year recognition of deferred inflows and outflows established in prior years | <u>87,693</u> |
| Total expense | <u>\$ 246,334</u> |

The unamortized deferred outflows and inflows related to pension items are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | 59,345 | (13,590) |
| Changes of assumptions | - | (2,589) |
| Net difference between projected and actual earnings on pension plan investments | - | (3,444) |
| Total | <u>59,345</u> | <u>(19,623)</u> |

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

The pension contributions paid after the measurement date will be recognized as a part of pension expense next year. City amortizes the differences between expected and actual experience, the changes of assumptions and the differences between projected and actual investment returns into pension expense equally over a closed five year amortization period. The effect of amortizing deferred outflows of resources will be to increase pension expense and the effect of amortizing deferred inflows of resources will be to decrease pension expense in future years. The expected amortization of the City’s current deferred outflows and inflows over the next five years is:

| Year ended December 31, | <u>Experience Difference</u> | <u>Assumption Change</u> | <u>Investment Results Difference</u> |
|-------------------------|----------------------------------|------------------------------|--|
| 2018 | 38,357 | (2,589) | 69,358 |
| 2019 | 20,988 | - | 69,358 |
| 2020 | - | - | 69,358 |
| 2021 | - | - | - |
| 2022 | - | - | - |
| | <u>\$ 59,345</u> | <u>\$ (2,589)</u> | <u>\$ 208,074</u> |

P. Other Post-Employment Benefits

The City provides funding for continued healthcare benefits to retired employees. The Healthcare Plan, administered by Blue Cross Blue Shield of Georgia, provides medical and prescription drug benefits to those who qualify. Continued healthcare benefits in the form of single coverage will be paid at 99% of the premium. All city employees may become eligible for post-employment health care benefits if they retire with a 70 year total of age plus years employed with the city. This benefit is limited to a period until the employee reaches age 65, at which time the benefit terminates. The City has the authority to amend or terminate this benefit. The Healthcare Plan was established by City Council and it may be amended by the same Council.

The Healthcare Plan is a single-employer defined benefit post-retirement healthcare. The City has not elected to advance fund the Plan, but rather maintains the Plan on a “pay as you go” basis. In 2017, early retiree health insurance had an annual cost of \$3,416.

The City also provides funding for life insurance benefits to retired employees. The Term Life Plan, administered by Mutual of Omaha Insurance Company, provides life insurance coverage to those who qualify. Life insurance benefits in the form of \$30,000 term life will be paid at 100% of the premium. All city employees may become eligible for post-employment life insurance benefits if they retire with a 70 year total of age plus years employed with the city. The benefit is provided until death of the retiree. The City has the authority to amend or terminate this benefit. The Term Life Plan was established by City Council and it may be amended by the same Council.

The Term Life Plan is a single-employer defined benefit term life plan. The City has not elected to advance fund the Plan, but rather maintains the Plan on a “pay as you go” basis. In 2017, the City spent \$3,668 for the Term Life Plan.

CITY OF FORSYTH, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)

Neither Plan has had actuarial calculations performed to establish net OPEB obligation since annual cost is minimal to the City's annual budget and the city pays both benefits on a "pay as you go" basis.

Q. Closure and Postclosure of Care Cost

State and federal laws and regulations require the Landfill to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although, closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet. The \$14,463 reported as landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to-date based on the use of 100% of the estimated capacity of the landfill site. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

R. Legal Contracts and Agreements

The City of Forsyth, Georgia is one of approximately 47 participants who have entered into Power and Sales Contract with the Municipal Electrical Authority of Georgia (MEAG). Under these contracts, the Authority has agreed to provide to the participant, and the participants have agreed to take from the Authority, such output and services from the various projects of the Authority as may be available for the useful life thereof. The participants are required to make payments therefore according to the rates and charges established by the Authority to produce revenues sufficient to pay the Authority's cost attributable to such projects. In general, the Power Sales Contract provide that if at any time, (i) a project is terminated prior to completion, or (ii) a project declared by the Authority to be totally and permanently retired from service, or (iii) a project is totally, but not permanently, out of service and the Authority is unable to provide service from alternative sources, then each participant will remain liable to pay a fixed percentage referred to an "obligation share" of the Authority's costs attributable to such projects. In case of default by a participant under its contracts relating to any of the various projects, such participant would remain liable to the greater of its obligation share of the Authority's costs attributable to such project or the amount determined to be due under the rates and charges established by the Authority.

Payments under the Power Sales contracts are not subject to reduction whether by offset or otherwise, and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. Each Power Sales Contract will continue in full force and effect at least until; such time, not to exceed 50 years, as all bonds issued for the purpose of financing the costs of acquisition and construction of the applicable project, and notes issued for such purpose in anticipation of the bonds, have been paid or provision has been made for their payment.

The City of Forsyth approved a resolution adopting the provisions of the Municipal Competitive Trust (the "Trust"), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was

CITY OF FORSYTH, GEORGIA
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(CONTINUED)

established to provide MEAG and the Trust's beneficiaries a means to mitigate the expected differential between market rates for power and the cost of power generated by MEAG facilities, after deregulation of the electric industry.

The Trust created two types of funds which are held by MEAG in the name of the City. The first type represents amounts that are available to the City for withdrawal without restriction. The second type represents amounts that are available to the City in the form of a loan or as an off-set to billings from MEAG for power usage if certain criteria related to the difference between the cost of power generated by MEAG facilities and the market rates for power are met.

S. Prior Period Adjustment

A prior period adjustment in the amount of \$64,521 was required in the City's Business-type Activities to reverse a capitalized expense booked in error in 2016. In 2016, the City of Forsyth made a payment towards the capital lease with PNC Financial out of the SPLOST fund and charged it to Water and Sewer Capital Improvements. This resulted in an increase to Retained Earnings in the Proprietary Fund.

T. Subsequent Events

City's management evaluated subsequent events through June 30, 2018 and found no reportable events.

CITY OF FORSYTH, GEORGIA
 REQUIRED SUPPLEMENTAL INFORMATION
 DECEMBER 31, 2017

City of Forsyth Defined Benefit Plan Trust
 Schedule of Funding Progress

| Actuarial Valuation Year | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded/ (Assets in Excess of) AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded/ (Assets in Excess of) AAL as a Percentage of Covered Payroll {(b-a)/c} |
|--------------------------------|--|--|---|--------------------------|---------------------------|---|
| 7/1/2017 | \$ 5,054,778 | \$ 5,491,698 | \$ 436,920 | 92.0% | \$ 1,961,386 | 22.3% |
| 7/1/2016 | \$ 4,838,455 | \$ 5,289,000 | \$ 450,545 | 91.5% | \$ 2,216,376 | 20.3% |
| 7/1/2015 | 4,640,000 | 5,000,480 | 360,480 | 92.8% | 2,101,651 | 17.2% |
| 7/1/2014 | 4,433,470 | 4,792,220 | 358,750 | 92.5% | 2,098,355 | 17.1% |
| 7/1/2013 | 4,241,491 | 4,669,442 | 427,951 | 90.8% | 2,168,464 | 19.7% |
| 7/1/2012 | 4,061,407 | 4,412,506 | 351,099 | 92.0% | 2,221,250 | 15.8% |
| 7/1/2011 | 3,877,032 | 4,145,465 | 268,433 | 93.5% | 1,827,556 | 14.7% |
| 7/1/2010 | 3,738,615 | 4,059,845 | 321,230 | 92.1% | 1,963,398 | 16.4% |
| 10/1/2009 | 3,618,929 | 3,560,874 | (58,055) | 101.6% | 1,952,103 | -3.0% |
| 9/1/2008 | 3,451,837 | 3,335,946 | (115,891) | 103.5% | 1,815,861 | -6.4% |
| 12/31/2006 | 3,634,756 | 2,919,107 | (715,649) | 124.5% | 1,813,684 | -39.5% |

CITY OF FORSYTH, GEORGIA
 REQUIRED SUPPLEMENTAL INFORMATION
 DECEMBER 31, 2017

City of Forsyth Defined Benefit Plan Trust
 Change in the Net Pension Liability and Related Ratios

| Changes in Total Pension Liability | Year Ended March 31, 2017 |
|---|--------------------------------------|
| Total Pension Liability - beginning of year | \$ 5,827,194 |
| Changes for the year: | |
| Service cost | 95,516 |
| Interest | 438,598 |
| Differences between expected and actual experience | (20,384) |
| Contributions - employer | - |
| Contributions - employee | - |
| Net investment income | - |
| Benefit payments, including refunds of employee contributions | (335,735) |
| Administrative expense | - |
| Other | - |
| Net changes | <u>178,995</u> |
| Total Pension Liability - end of year | \$ 6,006,189 |
| Changes in Fiduciary Net Position | |
| Fiduciary Net Position - beginning of year | \$ 4,589,885 |
| Changes for the year: | |
| Contributions - employer | 211,981 |
| Net investment income | 570,789 |
| Benefit payments, including refunds of employee contributions | (335,735) |
| Administrative expense | (24,458) |
| Net changes | <u>422,577</u> |
| Fiduciary Net Position - end of year | \$ 5,012,462 |
| Net Pension Liability | \$ 993,727 |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 83.45% |
| Covered Payroll | \$ 1,961,386 |
| Net Pension Liability as % of Covered Payroll | 50.66% |

CITY OF FORSYTH, GEORGIA
 REQUIRED SUPPLEMENTAL INFORMATION
 DECEMBER 31, 2017

City of Forsyth Defined Benefit Plan Trust
 Schedule of Contributions

| Year Ending December 31 | Actuarially Determined Contribution | Contributions in Relation to Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered Employee Payroll | Contributions as Percentage of Covered Employee Payroll |
|----------------------------|---|---|--|--------------------------------|---|
| 2016 | \$ 210,591 | \$ 228,085 | \$ (17,494) | \$ 2,216,376 | 10.29% |
| 2015 | 197,022 | 180,604 | 16,419 | 2,101,651 | 8.59% |

Additional years will be presented as the information becomes available.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council
City of Forsyth, 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 Forsyth, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Forsyth, Georgia's basic financial statements and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Forsyth, Georgia's financial statements are free from 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 is 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.

Handwritten signature in cursive script that reads "Buckley & Hopkins, LLP".

Forsyth, Georgia
September 24, 2018

CITY OF FORSYTH, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

None