CITY OF BOWDON, GEORGIA



Annual Financial Report

For the Year Ended June 30, 2017

CITY OF BOWDON, GEORGIA
Financial Report
For the Year Ended June 30, 2017

Table of Contents

FINANCIAL SECTION

Independent Auditor's Report ..... 1 and 2

Management's Discussion and Analysis ..... 3 - 10

Basic Financial Statements:

Government-wide Financial Statements:
Statement of Activities 11
Statement of Activities 12

Fund Financial Statements:
Balance Sheet – Governmental Funds 13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities 14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities 16
Statement of Net Position – Proprietary Fund ..... 17 and 18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund 19
Statement of Cash Flows – Proprietary Fund ..... 20 and 21
Statement of Fiduciary Assets and Liabilities - Agency Fund 22

Notes to the Basic Financial Statements ..... 23 - 48

Required Supplementary Information:
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund ..... 49 and 50
Schedule of Changes in the City's Net Pension Liability and Related Ratios 51
Schedule of Contributions 52
Notes to Schedule of Contributions 53
Actuarial Valuation History for Notes to Schedules 54

Combining and Individual Fund Statements and Schedules:
Nonmajor Governmental Funds:
Combining Balance Sheet - Nonmajor Governmental Funds 55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 56
Nonmajor Special Revenue Funds:
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Park Fund 57

CITY OF BOWDON, GEORGIA
Financial Report
For the Year Ended June 30, 2017

Table of Contents

Combining and Individual Fund Statements and Schedules: (continued)

Fiduciary Fund:

Statement of Changes in Assets and Liabilities
Agency Fund 58

Project Cost Schedules:

Schedules of Projects Constructed with Special Purpose Local Option Sales
Tax Proceeds – 2008 Issue 59

Schedules of Projects Constructed with Special Purpose Local Option Sales
Tax Proceeds – 2013 Issue 60

Component Unit:

Combining Balance Sheet – Component Unit – Governmental Fund Types 61

Statement of Revenues, Expenditures, and Changes in
Fund Balances – Component Unit – Governmental Fund Types 62

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards* ..... 63 and 64

Schedule of Findings and Responses ..... 65 and 66

WILL M. ROBINSON, CPA, P.C.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Bowdon, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bowdon, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Bowdon, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bowdon, Georgia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof 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, budgetary comparison information, and schedule of changes in Net Pension Liability on pages 3–10, 49-50, and 51-54 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 Bowdon, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of special local option 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 nonmajor fund financial statements and the schedule of expenditures of special option sales tax proceeds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2018 on our consideration of the City of Bowdon, 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 the City of Bowdon, Georgia's internal control over financial reporting and compliance.

Carrollton, Georgia
June 30, 2018

CITY OF BOWDON, GEORGIA
Management's Discussion and Analysis
For the Year Ended June 30, 2017

As management of the City of Bowdon, Georgia ("City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $11,698,377 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $827,173, a decrease of $13,012 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $271,845.
- The City's long-term debt decreased by $464,376 during fiscal year 2017, primarily due to repayments.
- The City received a CDBG grant for sewer line rehabilitation of approximately $500,000. Construction began in fiscal year 2015 and was completed in 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated many changes you see in the City's financial reports as well as those of many other units of government. The City was required to implement these changes beginning in fiscal year ended June 30, 2004. The following is a summary of the reporting model:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and sanitation, mayor and council, Copeland Hall, library, and parks and recreation. The business-type activities of the City include a Water and Sewerage Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Bowdon Development Authority for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Water and Sewerage Fund functions, for all practical purposes, as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Special Purpose Local Option Sales Tax Fund (SPLOST), and the Special Purpose Local Option Sales Tax 2013 Fund (SPLOST 2013) which are major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds. The City maintains one type of proprietary fund, the Water and Sewerage Fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewerage Fund, which is a major fund of the City.

The basic proprietary fund financial statements can be found on pages 17-21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23-48 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

The combining and individual fund statements and schedules can be found on pages 55-62 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $11,698,377 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (89 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining page intentionally left blank.

Summary of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$ 905,391	$ 915,957	$ 908,897	$ 842,761	$ 1,814,288	$ 1,758,718
Capital assets	2,933,527	3,007,210	9,642,084	9,852,056	12,575,611	12,859,266
Total assets	3,838,918	3,923,167	10,550,981	10,694,817	14,389,899	14,617,984
Deferred Outflows	26,913	53,240	29,353	62,216	56,266	115,456
Liabilities:						
Current liabilities	90,217	78,041	425,309	435,067	515,526	513,108
Long-term liabilities	131,430	230,892	1,967,175	2,350,996	2,098,605	2,581,888
Total liabilities	221,647	308,933	2,392,484	2,786,063	2,614,131	3,094,996
Deferred Inflows	61,890	863	71,767	903	133,657	1,766
Net position:						
Net investment in capital assets	2,908,102	3,007,210	7,546,377	7,523,551	10,454,479	10,530,761
Restricted	528,595	593,556	247,982	243,401	776,577	836,957
Unrestricted	145,597	65,845	321,724	203,115	467,321	268,960
Total net position	$ 3,582,294	$ 3,666,611	$ 8,116,083	$ 7,970,067	$ 11,698,377	$ 11,636,678

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program:						
Charges for services	$ 580,104	$ 556,578	$ 1,604,525	$ 1,593,226	$ 2,184,629	$ 2,149,804
Operating grants	111,800	127,023	-	-	111,800	127,023
Capital grants	297,003	322	265,224	168,774	562,227	169,096
General:						
Property taxes	412,289	391,763	-	-	412,289	391,763
Alcoholic beverage taxes	39,980	47,205	-	-	39,980	47,205
Sales taxes	401,101	692,695	-	-	401,101	692,695
Franchise taxes	172,264	172,843	-	-	172,264	172,843
Insurance premium taxes	127,725	117,546	-	-	127,725	117,546
Other taxes	62,128	61,720	-	-	62,128	61,720
Unrestricted investment earnings	240	20	-	20	240	40
Miscellaneous revenue	27,304	20,811	-	-	27,304	20,811
Total revenues	2,231,938	2,188,526	1,869,749	1,762,020	4,101,687	3,950,546
Program expenses:						
General government	156,571	153,003	-	-	156,571	153,003
Judicial	24,150	12,721	-	-	24,150	12,721
Public safety	739,206	737,583	-	-	739,206	737,583
Public works	609,484	572,460	-	-	609,484	572,460
Health and welfare	30,846	29,712	-	-	30,846	29,712
Culture and recreation	744,807	669,105	-	-	744,807	669,105
Housing and development	64,687	29,833	-	-	64,687	29,833
Interest on long-term debt	2,004	-	-	-	2,004	-
Water and sewerage	-	-	1,668,233	1,744,703	1,668,233	1,744,703
Total expenses	2,371,755	2,204,417	1,668,233	1,744,703	4,039,988	3,949,120
Excess (deficiency) before transfers	(139,817)	(15,891)	201,516	17,317	61,699	1,426
Transfers	55,500	46,128	(55,500)	(46,128)	-	-
Changes in net position	(84,317)	30,237	146,016	(28,811)	61,699	1,426
Beginning net position,	3,666,611	3,636,374	7,970,067	7,998,878	11,636,678	11,635,252
Ending net position	$ 3,582,294	$ 3,666,611	$ 8,116,083	$ 7,970,067	$ 11,698,377	$ 11,636,678

Governmental activities. Governmental activities for fiscal year 2017 decreased the City's net position by $84,317.

Business-type activities. Business-type activities increased the City's net position by $146,016. This increase was due to the CDBG grant monies received by the City during the current year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $827,173, a decrease of $13,012 in comparison with the prior year. Of this amount $271,845 is available for spending at the government's discretion (unassigned fund balance) the remainder is restricted for use for capital projects or various revenue funds.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the Water and Sewerage Fund at the end of the year was $8,116,083. The increase in net position of the Water and Sewerage Fund was $146,016. This increase was due to the CDBG grant monies received by the City during the current year. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the City did not significantly revise the budget from original appropriations.

Revenues were less than the amounts anticipated by $3,902, primarily because of a decrease in property taxes, franchise taxes, sales taxes, and charges for services. Total actual expenditures were under budget $44,454. Actual revenues and other financing sources exceeded expenditures and other financing uses by $57,949.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to $12,575,611 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Capital Assets
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	$ 472,496	$ 447,818	$ 1,883,963	$ 1,883,963	$ 2,356,459	$ 2,331,781
Construction in progress	74,177	71,411	-	388,199	74,177	459,610
Buildings and improvements	1,818,624	1,857,518	-	-	1,818,624	1,857,518
Water & sewer system	-	-	7,670,967	7,463,077	7,670,967	7,463,077
Furniture and equipment	153,369	199,836	-	-	153,369	199,836
Vehicles	414,861	430,627	87,154	116,817	502,015	547,444
Total	$ 2,933,527	$ 3,007,210	$ 9,642,084	$ 9,852,056	$ 12,575,611	$ 12,859,266

Additional information on the City's capital assets can be found in note 6 on pages 36-38 of this report.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Compensated absences	$ 17,938	$ 17,915	$ 11,254	$ 9,892	$ 29,192	$ 27,807
Capital leases payable	25,425	-	9,863	16,157	35,288	16,157
Bonds payable	-	-	2,085,844	2,312,348	2,085,844	2,312,348
Net pension liability	110,977	229,101	114,035	254,299	225,012	483,400
Total	$ 154,340	$ 247,016	$ 2,220,996	$ 2,592,696	$ 2,375,336	$ 2,839,712

Long-term debt. At the end of the fiscal year, the City had total bonded debt outstanding of $2,085,844. This amount is not comprised of debt backed by the full faith and credit of the government. The City's debt is comprised primarily of bonds secured solely by specified revenue sources (i.e., revenue bonds). Three capital leases represent $35,288 of the long term debt.

The City's total debt decreased by $464,376 or 16.35% during current fiscal year 2017.

Additional information on the City's long-term debt can be found in Note 7 on pages 38-41 of this report.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the City.

- Opening of new businesses proceeds at a positive rate, which creates new service area jobs.
- Inflationary trends in the region compare favorably to national and state indices.

These factors were considered in preparing the City's budget for the 2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City Manager, City of Bowdon, 136 City Hall Avenue, Bowdon, Georgia, 30108.

CITY OF BOWDON, GEORGIA

Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bowdon Development Authority
ASSETS				
Cash	$ 682,337	$ 275,281	$ 957,618	$ 14,873
Taxes receivable, net of allowance	31,466	-	31,466	-
Accounts receivable, net of allowance	41,375	234,617	275,992	-
Prepaid items	26,733	9,393	36,126	-
Inventories	-	62,051	62,051	-
Internal balances	55,289	(55,289)	-	-
Due from other governments	68,191	-	68,191	-
Restricted assets:				
Cash	-	382,844	382,844	-
Capital assets:				
Nondepreciable capital assets	546,673	1,883,963	2,430,636	79,766
Depreciable capital assets, net	2,386,854	7,758,121	10,144,975	-
Total assets	3,838,918	10,550,981	14,389,899	94,639
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	26,913	29,353	56,266	-
Total deferred inflows of resources	26,913	29,353	56,266	-
LIABILITIES				
Accounts payable	34,515	12,842	47,357	-
Accrued liabilities	27,229	20,384	47,613	-
Accrued interest	641	16,566	17,207	-
Due to other governments	-	3,400	3,400	-
Unearned revenue	4,922	-	4,922	-
Customer deposits	-	118,296	118,296	-
Capital leases due within one year	6,766	6,518	13,284	-
Capital leases due in more than one year	18,659	3,345	22,004	-
Net pension liability	110,977	114,035	225,012	-
Compensated absences due within one year	16,144	10,129	26,273	-
Compensated absences due in more than one year	1,794	1,125	2,919	-
Bonds payable due within one year	-	237,174	237,174	-
Bonds payable due in more than one year	-	1,848,670	1,848,670	-
Total liabilities	221,647	2,392,484	2,614,131	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	61,890	71,767	133,657	-
Total deferred inflows of resources	61,890	71,767	133,657	-
NET POSITION				
Net investment in capital assets	2,908,102	7,546,377	10,454,479	79,766
Restricted for:				
Capital projects	504,482	-	504,482	-
Culture and recreation	24,113	-	24,113	-
Debt service	-	247,982	247,982	-
Unrestricted	145,597	321,724	467,321	14,873
Total net position	$ 3,582,294	$ 8,116,083	$ 11,698,377	$ 94,639

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

CITY OF BOWDON, GEORGIA

Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit: Bowdon Development Authority
Primary government:								
Governmental activities:								
General government	$ 156,571	$ 26,559	$ 15,616	$ 16,916	$ (97,480)	$ -	$ (97,480)	$ -
Judicial	24,150	-	-	-	(24,150)	-	(24,150)	-
Public safety	739,206	102,793	14,450	-	(621,963)	-	(621,963)	-
Public works	609,484	310,062	-	264,527	(34,895)	-	(34,895)	-
Health and welfare	30,846	6,977	-	-	(23,869)	-	(23,869)	-
Culture and recreation	744,807	129,382	81,734	15,560	(518,131)	-	(518,131)	-
Housing and development	64,687	4,331	-	-	(60,356)	-	(60,356)	-
Total governmental activities	2,371,755	580,104	111,800	297,003	(1,382,848)	-	(1,382,848)	-
Business-type activities:								
Water and sewerage	1,668,233	1,604,525	-	265,224	-	201,516	201,516	-
Total business-type activities	1,668,233	1,604,525	-	265,224	-	201,516	201,516	-
Total primary government	$ 4,039,988	$ 2,184,629	$ 111,800	$ 562,227	(1,382,848)	201,516	(1,181,332)	-
Component Unit:								
Bowdon Development Authority	$ 9	$ -	$ -	$ -	-	-	-	(9)
Total component unit	$ 9	$ -	$ -	$ -	-	-	-	(9)
General revenues:								
Property taxes					412,289	-	412,289	-
Alcoholic beverage taxes					39,980	-	39,980	-
Sales taxes					401,101	-	401,101	-
Franchise taxes					172,264	-	172,264	-
Insurance premium taxes					127,725	-	127,725	-
Other taxes					62,128	-	62,128	-
Unrestricted investment earnings					240	-	240	7
Miscellaneous revenue					27,304	-	27,304	-
Transfers					55,500	(55,500)	-	-
Total general revenues and transfers					1,298,531	(55,500)	1,243,031	7
Change in net position					(84,317)	146,016	61,699	(2)
Net position, beginning of year					3,666,611	7,970,067	11,636,678	94,641
Net position, end of year					$ 3,582,294	$ 8,116,083	$ 11,698,377	$ 94,639

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

CITY OF BOWDON, GEORGIA

Balance Sheet
Governmental Funds
June 30, 2017

ASSETS	General	SPLOST 2008	SPLOST 2013	Nonmajor Governmental Funds	Total Governmental Funds
Cash	$ 178,196	$ 10,103	$ 462,101	$ 31,937	$ 682,337
Receivables:					
Taxes	31,466	-	-	-	31,466
Accounts	41,375	-	-	-	41,375
Due from other funds	55,289	-	-	-	55,289
Due from other governments	43,737	-	24,454	-	68,191
Prepaid items	26,733	-	-	-	26,733
Total assets	$ 376,796	$ 10,103	$ 486,555	$ 31,937	$ 905,391
LIABILITIES					
Accounts payable	$ 34,515	$ -	$ -	$ -	$ 34,515
Accrued liabilities	27,229	-	-	-	27,229
Unearned revenues	4,922	-	-	-	4,922
Total liabilities	66,666	-	-	-	66,666
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes & fines	11,552	-	-	-	11,552
Total deferred inflows of resources	11,552	-	-	-	11,552
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepaid items	26,733	-	-	-	26,733
Restricted:					
Capital projects	-	10,103	486,555	7,824	504,482
Culture and recreation	-	-	-	24,113	24,113
Unassigned	271,845	-	-	-	271,845
Total fund balances	298,578	10,103	486,555	31,937	827,173
Total liabilities, deferred inflows of resources and fund balances	$ 376,796	$ 10,103	$ 486,555	$ 31,937	$ 905,391

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

CITY OF BOWDON, GEORGIA

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances			$ 827,173
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
	Cost	$ 5,778,972	
	Less accumulated depreciation	(2,845,445)	2,933,527
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Property taxes and police fines		11,552
The deferred outflows are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.			
	Deferred outflows related to pension	26,913	
	Deferred inflows related to pension	(61,890)	(34,977)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Compensated absences	$ (17,938)	
	Net pension liability	(110,977)	(154,981)
Net position of governmental activities			$ 3,582,294

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

CITY OF BOWDON, GEORGIA

Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	SPLOST 2008	SPLOST 2013	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 1,217,790	$ -	$ -	$ -	$ 1,217,790
Licenses and permits	25,755	-	-	-	25,755
Intergovernmental	108,675	-	297,003	-	405,678
Charges for services	452,725	-	-	-	452,725
Fines and forfeitures	101,624	-	-	-	101,624
Investment income	40	-	-	200	240
Contributions and donations	3,125	-	-	-	3,125
Miscellaneous revenue	27,304	-	-	-	27,304
Total revenues	1,937,038	-	297,003	200	2,234,241
EXPENDITURES					
Current:					
General government	137,008	-	-	-	137,008
Judicial	24,150	-	-	-	24,150
Public safety	728,751	-	-	-	728,751
Public works	395,585	-	-	-	395,585
Health and welfare	30,846	-	-	-	30,846
Culture and recreation	583,624	-	-	549	584,173
Housing and development	64,687	-	-	-	64,687
Capital outlay	-	250,859	83,437	27,319	361,615
Debt service:					
Principal	5,286	-	-	-	5,286
Interest	1,363	-	-	-	1,363
Total expenditures	1,971,300	250,859	83,437	27,868	2,333,464
Excess (deficiency) of revenues over (under) expenditures	(34,262)	(250,859)	213,566	(27,668)	(99,223)
OTHER FINANCING SOURCES (USES)					
Proceeds from the issuance of debt	30,711	-	-	-	30,711
Transfers in	55,500	-	-	-	55,500
Total other financing sources (uses)	86,211	-	-	-	86,211
Net change in fund balances	51,949	(250,859)	213,566	(27,668)	(13,012)
FUND BALANCE, beginning of year	246,629	260,962	272,989	59,605	840,185
FUND BALANCE, end of year	$ 298,578	$ 10,103	$ 486,555	$ 31,937	$ 827,173

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

CITY OF BOWDON, GEORGIA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (13,012)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlay	$ 46,727	
Depreciation expense	(120,410)	(73,683)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes and police fines		(2,303)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from the issuance of capital leases	(30,711)	
Principal repayments:		
Capital leases	5,286	(25,425)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(23)	
Accrued interest	(641)	
Pension expense	30,770	30,106
Change in net position of governmental activities		$ (84,317)

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

CITY OF BOWDON, GEORGIA

Statement of Net Position
Proprietary Fund
June 30, 2017

	Enterprise Fund Water and Sewerage Fund
ASSETS	
CURRENT ASSETS	
Cash	$ 275,281
Accounts receivable, net of allowances	234,617
Prepaid items	9,393
Inventories	62,051
Total current assets	581,342
NON CURRENT ASSETS	
Restricted assets, cash	
Customer deposits	118,296
Debt service accounts	264,548
Total restricted assets	382,844
Capital assets:	
Non depreciable	1,883,963
Depreciable, net of accumulated depreciation	7,758,121
Total capital assets (net of accumulated depreciation)	9,642,084
Total non current assets	10,024,928
Total assets	10,606,270
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	29,353
Total assets and deferred outflows of resources	$ 10,635,623

(continued)

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

CITY OF BOWDON, GEORGIA

Statement of Net Position
Proprietary Fund
June 30, 2017

	Enterprise Fund Water and Sewerage Fund
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 12,842
Accrued salaries and payroll taxes	20,384
Due to other funds	55,289
Due to other governments	3,400
Compensated absences	10,129
Capital lease payable, current portion	6,518
Bonds payable, current portion	237,174
Total current liabilities	345,736
NON CURRENT LIABILITIES	
Payable from restricted assets:	
Accrued interest payable	16,566
Customer deposits, payable with restricted assets	118,296
Total payable from restricted assets	134,862
Compensated absences	1,125
Capital lease payable	3,345
Bonds payable	1,848,670
Net pension liability	114,035
Total noncurrent liabilities	1,967,175
Total liabilities	2,447,773
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	71,767
NET POSITION	
Net investment in capital assets	7,546,377
Restricted for debt service	247,982
Unrestricted	321,724
Total net position	8,116,083
Total liabilities, deferred outflows of resources, and net position	$ 10,635,623

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

CITY OF BOWDON, GEORGIA

Statement of Revenues, Expense, and Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Enterprise Fund Water and Sewerage Fund
OPERATING REVENUES	
Charges for services:	
Water sales	$ 850,095
Sewer sales	571,458
Other charges	182,972
Total operating revenues	1,604,525
OPERATING EXPENSES	
Personnel costs	793,051
Contracted services	155,880
Supplies	194,167
Depreciation	450,687
Total operating expenses	1,593,785
Operating income	10,740
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	159,524
Interest expense	(74,448)
Total nonoperating revenues (expenses)	85,076
Income (loss) before capital contributions and transfers	95,816
Capital contributions	105,700
Transfers out	(55,500)
Change in net position	146,016
NET POSITION, beginning of year	7,970,067
NET POSITION, end of year	$ 8,116,083

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

CITY OF BOWDON, GEORGIA

Statementof Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Enterprise Fund Water and Sewerage Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 1,610,028
Payments to employees	(828,009)
Payments to suppliers for goods and services provided	(301,697)
Net cash provided by operating activities	480,322
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund payments	(55,500)
Net cash provided by non-capital financing activities	(55,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on capital debt	(79,497)
Purchase of property and equipment	(135,015)
Intergovernmental	160,124
Principal payments on long-term borrowings	(232,798)
Net cash used in capital and related financing activities	(287,186)
Net increase in cash and cash equivalents	137,636
Cash and cash equivalents, beginning of year (including restricted cash of $319,359)	520,489
Cash and cash equivalents, end of year (including restricted cash of $382,844)	$ 658,125

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

CITY OF BOWDON, GEORGIA

Statementof Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Enterprise Fund Water and Sewerage Fund
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	$ 10,740
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	450,687
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Decrease in accounts receivable	416
Decrease in deferred outflows	32,863
Decrease in due from other funds	16,226
Increase in inventory	(1,006)
Increase in prepaid items	(25)
Increase in accounts payable	2,374
Decrease in retainage payable	(24,508)
Increase in due to other funds	55,289
Increase in accrued liabilities	217
Decrease in net pension liability	(140,264)
Increase in customer deposits	5,087
Increase in compensated absences	1,362
Increase in deferred inflows	70,864
Net cash provided by operating activities	$ 480,322
Noncash Transactions:	
SPLOST VI Fund purchased capital assets on behalf of the Water and Sewerage Fund	$ 105,700

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

CITY OF BOWDON, GEORGIA

Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2017

	Agency Fund
ASSETS	
Cash	$ 18,839
Accounts receivable	72,705
Total assets	$ 91,544
LIABILITIES	
Due to other governments	$ 91,544
Total liabilities	$ 91,544

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

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Bowdon, Georgia ("City"), relating to the funds and account groups included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Government Units and by the Financial Accounting Standards Board (when applicable). As allowed in section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its business-type activities and to enterprise funds of the primary government Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. Reporting Entity

The City of Bowdon, Georgia, was incorporated in August, 1853. The City operates under an elected Mayor – City Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, water and sewer, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Bowdon, Georgia (the "primary government") and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. In conformity with accounting principles generally accepted in the United States of America, as set forth in GASB Statement No. 14, the financial statements of the component units are discretely presented in the government-wide financial statements.

The Bowdon Development Authority was created as a separate legal entity by an act of the State Legislature and "activated" by action of the City Council to promote and expand industry, welfare, and trade for the public good and welfare of the City of Bowdon, Georgia, and make long-range plans for such development and expansion. The governing board of the Authority is appointed by the City Council for fixed terms. There is no significant continuing relationship between the City and the Authority for carrying out day to day functions.

Note 1 – Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Neither fiduciary nor component units that are fiduciary in nature are included.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

<u>The City reports the following major governmental funds:</u>

General Fund – The General Fund is the general operating fund of the City. This fund is used to account for all financial resources of the City which are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Special Purpose Local Option Sales Tax Fund – The SPLOST fund is a type of Capital Projects Fund that accounts for special capital projects financed from 2008 SPLOST funds received as part of intergovernmental agreements.

Special Purpose Local Option Sales Tax 2013 Fund – The SPLOST fund is a type of Capital Projects Fund that accounts for special capital projects financed from 2013 SPLOST funds received as part of intergovernmental agreements.

The City reports the following non-major governmental funds:

Special Revenue Funds – Special Revenue Funds are generally used to account for certain specific revenue sources, including special services, grants, and similar funds that are legally restricted to expenditures for specified purposes. The City has the following special revenue fund: Park Fund.

Capital Project Funds – Capital Project Funds are generally used to account for special capital projects financed from grants, and contributions. The City has the following capital project fund: General Projects Fund.

The City reports the following major enterprise fund:

Water and Sewerage Fund – This fund is used to account for the City's water and sewer operations.

The City also reports the following fund type:

Fiduciary Fund – This fund accounts for assets held by the city for police fines collected as an agent for individuals, private organizations, other governments, and other city departments.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are for the proprietary fund and the fiduciary funds. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current *fiscal period.* Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term debt, compensated absences and claims and judgments, are recorded only when payment is due.

Note 1 – Summary of Significant Accounting Policies (continued)

Property taxes, sales taxes, intergovernmental grants, and investment income 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 City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Bowdon Development Authority uses the current financial resources measurement focus and modified accrual accounting.

Note 1 – Summary of Significant Accounting Policies (continued)

D. Budgets

The City Charter establishes the fiscal year as the twelve-month period beginning July 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Manager and the City Clerk subsequently submit a budget of estimated expenditures and revenues to the City Council for the City's operating funds. These include General, Administrative, Police and Fire, Streets, Library and Recreation, Senior Citizens, and Water and Sewer.

Upon receipt of the budget estimates, the Council holds a first meeting on the Budget Ordinance. Information about the Budget Ordinances is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance until ten days have passed after the Ordinance publication.

Prior to July 1, the budget is legally enacted through passage of an ordinance. Budgeted amounts are as originally adopted or as amended by the City Council.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets.

The following procedures are used by the City in establishing the budgetary data reflected in the basic financial statements.

1) The City Manager and City Clerk submits to the Mayor and Council, at regular and/or called meetings, proposed operating budgets for the Governmental Funds mentioned in the previous paragraph and the Water and Sewer Fund which include proposed expenditures and the means of financing them.
2) Public hearings are held to obtain taxpayer comments.
3) The council arrives at a budget it approves and is adopted at a called council meeting. The budget is legally enacted through passage of an ordinance.
4) Budget amounts shown in these financial statements, in addition to the amounts originally adopted by the city council, include additional approved appropriations for the fiscal year ended June 30, 2017. The legal level of control (the level at which the city council must approve expenditures in excess of appropriations) for each legally adopted annual operating budget is at the department level. The city manager can transfer budgeted amounts between departments without prior approval of the city council. Department heads can transfer budgeted amounts within a department without the approval of the city council.

Note 1 – Summary of Significant Accounting Policies (continued)

The following General Fund functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2017.

General Fund:	
General government	
General administration	$ 5,539
Judicial	
Municipal court	1,650
Public safety	
Police	489
Jail operations	7,355
Health and welfare	
Senior citizens center	996
Culture and recreation	
Recreation department	5,689
Debt service	
Principal	5,286
Interest	1,363
Other Financing Uses	
Park Fund:	
Culture and recreation	549

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent year.

F. Cash and Cash Equivalents

For purposes of the statement of cash flow, cash includes all highly liquid investments with a maturity of three months or less. Cash deposits are reported at carrying amount which reasonably approximates fair value.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items.

H. Inventories

Inventories consist of pipe, supplies, and other materials used in water and sewer system operations and maintenance and are stated at cost, which approximates market, on a first-in, first-out basis.

Note 1 – Summary of Significant Accounting Policies (continued)

I. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in fund financial statements and internal balances in the government-wide financial statements. Interfund receivables and payables are recorded by all funds affected in the period in which transactions are executed.

J. Fund Changes and Transactions between Funds

Legally authorized transfers are treated as transfers and are included in the results of both Governmental and Proprietary Funds.

K. Restricted Assets

Certain resources set aside for the repayment of the City's enterprise fund revenue bonds 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. The "Water Reserve" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments.

The City collects deposits from new customers for their water and sewer services. The deposits are placed in a restricted bank account until the City discontinues services to the customer. The City does not have discretional use of the funds.

L. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is $5,000. General infrastructure assets obtained before July 1, 2003 have not been recorded for governmental funds. All infrastructure assets will be recorded proactively. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years Life
Infrastructure	30
Buildings	50
Improvements	20
Heavy equipment	15
Equipment	5
Vehicles	5
Furniture and office equipment	5
Computer equipment	5

M. Compensated Absences

It is the City's policy to allow employees to accumulate unused sick time from year to year. Earned vacation time is vested and is paid even if an employee terminates his employment with the City. Sick pay is payable only upon illness while in the employment of the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1 – Summary of Significant Accounting Policies (continued)

O. Fund Equity

The City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances. Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:
Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager to assign fund balances.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Amounts shown as net investment in capital assets are made up of capital asset costs, net of accumulated depreciation and outstanding debt used to acquire, construct or improve the associated assets. Net position is reported as restricted when there are legal limitations or external restrictions imposed upon their use. All other net position are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Note 1 – Summary of Significant Accounting Policies (continued)

P. Deferred outflows/inflows of resources

The City implemented GASB Statements No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. This item arises only under a modified accrual basis of accounting and, accordingly, the item, unavailable revenue from property taxes and police fines, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Bowdon Retirement Plan (the “Plan”), and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 – Deposits and Investments

The City's investment practices are governed by Code Section 36-83-4. The City is allowed to invest in obligations of this state or other states, obligations issued by the United States government, obligations fully insured or guaranteed by the United States Government or by a governmental agency of the United States, obligations 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 this state. For fiscal year 2017, the City invested only in demand deposits, certificates of deposit, and passbook savings.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, all of the deposits of the City and the component unit were properly insured and collateralized as required by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements.

At June 30, 2017, the City held $23,985 in CD investments which was included in the total amount of cash and cash equivalents.

Note 3 – Receivables

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

	General	Water and Sewerage	Total
Receivables:			
Taxes	$ 31,466	$ -	$ 31,466
Accounts	50,992	465,681	516,673
Gross receivables	82,458	465,681	548,139
Less allowance for uncollectibles	(9,617)	(231,064)	(240,681)
Net total receivables	$ 72,841	$ 234,617	$ 307,458

Note 3 – Receivables (continued)

Amounts due from other governments at June 30, 2017, are broken down as follows:

General Fund:		
State of Georgia Department of Revenue		
Sales tax collections	$	33,575
Carroll County Tax Commissioner's Office		
Property tax collections		6,119
West Metro Regional Drug Enforcement Office		
Grant reimbursement for operating expenditures		4,043
	$	43,737
SPLOST 2013 Fund:		
Carroll County Board of Commissioners		
Sales tax collections	$	24,454

Note 4 – Property Tax

The City is responsible for assessing, collecting, and distributing property taxes in accordance with state legislation. Property tax is levied and mailed on September 9 of each year and payment is due by December 17. Property tax is levied on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Carroll County Appraisal Board at 100% for estimated fair market value. Taxes are levied based on property values established by Carroll County, Georgia and approved annually by the State of Georgia as part of the Carroll County tax digest. The county digest must be approved by the state each year before tax notices may be mailed.

Taxes are due immediately following the levy date and are delinquent after December 17. Taxes not paid by February or March of the following year may be placed in FIFA. Interest and collection costs are added once the receivable is placed in FIFA.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Because of this measurement focus, amounts levied this year for previous year's taxes as well as the current year levy were recognized as current year revenue. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with generally accepted accounting principles, have been recognized as revenue.

Most property owners choose to pay property taxes in a single payment on or before December 17 to avoid interest and/or FIFA charges.

Note 5 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017 is as follows:

Due To	Water and Sewerage Fund	Totals
General Fund	$ 55,289	$ 55,289
Total	$ 55,289	$ 55,289

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding or other miscellaneous receivables and payables between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The composition of interfund transfers for the fiscal year ended June 30, 2017, is as follows:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewerage Fund	$ 55,500

The transfer to the General Fund from the Water and Sewerage Fund was to reimburse the General fund for operational costs paid on behalf of the Water and Sewerage Fund.

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 447,818	$ 24,678	$ -	$ -	$ 472,496
Construction in progress	71,411	2,766	-	-	74,177
Total	519,229	27,444	-	-	546,673
Capital assets, being depreciated:					
Buildings and improvements	3,042,729	19,283	-	-	3,062,012
Furniture and equipment	1,619,911	-	-	-	1,619,911
Infrastructure	550,376	-	-	-	550,376
Total	5,213,016	19,283	-	-	5,232,299
Less accumulated depreciation for:					
Buildings and improvements	(1,185,211)	(58,177)	-	-	(1,243,388)
Furniture and equipment	(1,420,075)	(46,467)	-	-	(1,466,542)
Infrastructure	(119,749)	(15,766)	-	-	(135,515)
Total	(2,725,035)	(120,410)	-	-	(2,845,445)
Total capital assets, being depreciated, net	2,487,981	(101,127)	-	-	2,386,854
Governmental activities capital assets, net	$ 3,007,210	$ (73,683)	$ -	$ -	$ 2,933,527

Note 6 – Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business Type activities:					
Capital assets, not being depreciated:					
Land	$ 1,883,963	$ -	$ -	$ -	$ 1,883,963
Construction in progress	388,199	137,257	-	(525,456)	-
Total	2,272,162	137,257	-	(525,456)	1,883,963
Capital assets, being depreciated:					
Buildings and system	14,785,521	103,458	-	525,456	15,414,435
Machinery and equipment	740,135	-	-	-	740,135
Total	15,525,656	103,458	-	525,456	16,154,570
Less accumulated depreciation for:					
Buildings and system	(7,322,444)	(421,024)	-	-	(7,743,468)
Machinery and equipment	(623,318)	(29,663)	-	-	(652,981)
Total	(7,945,762)	(450,687)	-	-	(8,396,449)
Total capital assets, being depreciated, net	7,579,894	(347,229)	-	525,456	7,758,121
Business type activities capital assets, net	$ 9,852,056	$ (209,972)	$ -	$ -	$ 9,642,084

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

Governmental activities:	
General government	$ 9,482
Public safety	31,582
Public works	6,577
Culture and recreation	72,769
Total depreciation expense - governmental activities	$ 120,410
Business-type activities:	
Water and sewerage	$ 450,687
Total depreciation expense - business-type activities	$ 450,687

Note 6 – Capital Assets (continued)

Discretely Presented Component Units

Activity for the Bowdon Development Authority for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	$ 79,766	$ -	$ -	$ -	$ 79,766
Total	79,766	-	-	-	79,766
Governmental activities capital assets, net	$ 79,766	$ -	$ -	$ -	$ 79,766

Note 7 – Long-term Debt

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in liabilities reported in the general long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due In More Than One Year
Governmental activities:						
Compensated absences	$ 17,915	$ 26,373	$ 26,350	$ 17,938	$ 16,144	$ 1,794
Capital lease payable	-	30,711	5,286	25,425	6,766	18,659
Net pension liability	229,101	87,781	205,905	110,977	-	110,977
Governmental activities long-term liabilities	$ 247,016	$ 144,865	$ 237,541	$ 154,340	$ 22,910	$ 131,430
Business-type activities:						
Compensated absences	$ 9,892	$ 20,426	$ 19,064	$ 11,254	$ 10,129	$ 1,125
Capital leases payable	16,157	-	6,294	9,863	6,518	3,345
Revenue bonds	2,312,348	-	226,504	2,085,844	237,174	1,848,670
Net pension liability	254,299	107,864	248,128	114,035	-	114,035
Business-type activities long-term liabilities	$ 2,592,696	$ 128,290	$ 499,990	$ 2,220,996	$ 253,821	$ 1,967,175

The General Fund will be used to liquidate compensated absences and the net pension liability. The Water and Sewerage Fund will be used to liquidate compensated absences and the net pension liability.

Note 7 – Long-term Debt (continued)

Capital Leases

During the 2014 fiscal year, the City purchased a new phone system through a capital lease agreement for $30,958. The lease bears an interest rate of 3.51% payable in monthly installments of $563 through December 2018.

During the current fiscal year, the City purchased a Mobile License Plate Reader (LPR) through a capital lease agreement for $18,149. The lease bears an interest rate of 6.28% payable in annual installments of $5,272 through October 2019.

During the current fiscal year, the City purchased a John Deere Field Rake through a capital lease agreement for $12,563. The lease bears an interest rate of 3.66% payable in monthly installments of $229 through December 2021.

The following is an analysis of leased assets under capital leases as of June 30, 2017, and the amortization of these assets is included in the depreciation expense recorded in the depreciation expense recorded in the governmental activities and business-type activities.

	Governmental Activities			Business-type Activities
	Mobile LPR	John Deere Field Rake	Total	Phone System
Historical cost	$ 18,149	$ 12,563	$ 30,712	$ 33,973
Less: Accumulated Depreciation	(3,630)	(1,361)	(4,991)	(17,836)
Net book value	$ 14,519	$ 11,202	$ 25,721	$ 16,137

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Fiscal year ending June 30,		
2018	$ 8,026	$ 6,760
2019	8,027	3,380
2020	8,024	-
2021	2,754	-
2022	1,376	-
Total minimum lease payments	28,207	10,140
Less amount representing interest	2,782	277
Present value of minimum lease payments	$ 25,425	$ 9,863

Note 7 – Long-term Debt (continued)

Revenue Bonds Payable

The City has three issues of Water and Sewerage Revenue Bonds outstanding at June 30, 2017. They are described as follows:

Series 1980-A Bonds

In order to further improve and extend its water and sewerage system, the City, in August, 1979, authorized the issuance of $3,545,000 of City of Bowdon Water and Sewerage Revenue Bonds. These bonds are not a debt or pledge of the faith and credit of the City, nor shall the City be subject to any pecuniary liability thereon. The water and sewer revenues are pledged for payments under this ordinance, and these revenue bonds are reported in the water and sewer fund.

Series 1980-B Bonds

In order to finance the cost of a certain watershed project relating to the water and sewerage system, the City, in August 1979, authorized the issuance of $185,000 of City of Bowdon Water and Sewerage Revenue Bonds. These bonds are not a debt or a pledge of the faith and credit of the City. The water and sewer revenues are pledged for payments under this ordinance, and these revenue bonds are reported in the water and sewer fund.

On the Series 1980-A and 1980-B bonds, there are requirements to pay certain amounts into reserve accounts.

Series 2011 Bonds

In order to further improve and extend its water and sewerage system, the City, in June 30, 2012, authorized the issuance of $1,538,000 of City of Bowdon Water and Sewerage Revenue Bonds. These bonds are not considered a general obligation or a pledge of the faith and credit of the City. The water and sewer revenues are pledged for payments under this bond ordinance, and these revenue bonds are reported in the water and sewer fund.

The City of Bowdon Water and Sewerage Revenue Bonds, Series 2011, are interest only for the first two years, due June 28, 2012 and June 28, 2014, with monthly interest payments of $5,230 beginning July 28, 2014 continuing for 38 years, bearing a fixed interest rate of 2.50 percent per annum.

The Series 2011 bonds carry requirements to revise the rates charged for services sufficient to fund the payments required by the above bonds and to pay certain amounts into a debt service reserve and to fund a reserve for short live assets.

Note 7 – Long-term Debt (continued)

The following is a summary of the bonds issued under the preceding ordinances:

Series	Interest Rate	Issue Date	Maturity Date	Monthly Payment	Original Balance	Balance
1980-A	5.000%	August 1979	January 1, 2020	$ 20,867	$ 3,545,000	$ 620,000
1980-B	5.683%	August 1979	January 1, 2020	34,831	185,000	30,000
2011	2.500%	June 2013	June 28, 2051	5,476	1,538,000	1,435,844
						2,085,844
				Current maturities		(237,174)
				Long-term maturities		1,848,670

Annual bond maturities for the next five fiscal years and in total are as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 237,174	$ 68,292	$ 305,466
2019	248,861	57,037	305,898
2020	247,566	45,206	292,772
2021	29,288	33,472	62,760
2022	30,029	32,731	62,760
2022-2026	161,925	151,875	313,800
2027-2031	183,462	130,338	313,800
2032-2036	207,862	105,938	313,800
2037-2041	235,508	78,292	313,800
2042-2046	266,831	46,969	313,800
2047-2051	237,338	12,242	249,580
	$ 2,085,844	$ 762,392	$ 2,848,236

At June 30, 2017, the City had no other bonds authorized and unissued or defeased bonds outstanding.

Note 8 – Pension Plan

A. Plan Description

The City's contributes to the City of Bowdon Retirement Plan (the "Plan"), which is a participating member in the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan defined benefit pension plan. O.C.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 Bowdon Retirement Plan, that authority rests with the City of Bowdon, Georgia. The benefit provisions and all other requirements are established and maybe amended by City ordinance. It is the responsibility of the GMEBS to function as the investment and administrative agent for the City of Bowdon, Georgia with respect to the pension plan. The City of Bowdon Retirement Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information to the Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303-3606.

B. Benefits Provided

The City of Bowdon Retirement Plan provides retirement, disability, and death benefits. Retirement benefits are determined as 1.25 percent of the employee's final 3-year average compensation times the employee's years of service. Effective January 1, 2017, the Plan was amended to provide for immediate participation for employees. The change has no impact on service credited under the Plan and no impact on benefits. As a result of this change, all employees are now include in the valuation. This change has minimal impact on the Plan's liability. Elected officials are not covered. The employees are vested after five years. The normal retirement age is sixty five plus five years with the early retirement age being fifty five plus ten years. As of January 1, 2017, the date of the most recent actuarial valuation, the plan membership included the following categories of participants.

Benefits for retired particpants and beneficiaries	22
Terminated vested participants	30
Active vested participants	23
Total present value of vested benefits	75
Nonvested benefits	14
Total present value of accrued plan benefits	89

Note 8 – Pension Plan

C. Contributions

Recommended Contribution: The GMEBS Board of Trustees has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

State Funding Standards: The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these standards is $120,960. The minimum contribution has been determined as the sum of 1) the normal cost (including administrative expenses), 2) the 30-year level percentage of payroll amortization of the unfunded actuarial liability of the 10-year level percentage of payroll amortization of the surplus, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the Plan. If the City contributes the recommended contribution developed under the actuarial funding policy each ear, the Plan will meet the applicable state funding standards.
The City makes 100% of the contributions to the Plan. The contractually required contributions, which are actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at an actuarially determined rate; the current rate is 7.44% of annual covered payroll.

D. Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% to 8.00%, include an inflation assumption of 3.25%
Investment rate of return	7.75%, based on long-term expected rate of return on pension plan investments

Note 8. Pension Plan

D. Net Pension Liability (Continued):

Mortality Rates:

Healthy: RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females

Disabled: RP-2000 Disabled Retiree Mortality Table with sex-distinct rates

Plan Determination Basis: 1994 Group Annuity Reserving Unisex Table

RP-2000 Mortality Tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2011 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.75%
International Equity	20%	7.45%
Real Estate	10%	4.55%
Global Fixed Income	5%	3.30%
Domestic Fixed Income	20%	1.75%
Cash	0%	
Total	100%	

Note 8. Pension Plan

D. Net Pension Liability (Continued):

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

Changes In Net Pension Liability

	Increase (Decrease)		
	Total Pension Liabilty (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at September 30, 2015	$ 2,063,935	$ 1,580,535	$ 483,400
Changes for the year:			
Service cost	32,817	-	32,817
Interest	156,729	-	156,729
Differences between expected and actual experience	(198,937)	-	(198,937)
Contributions—employer	-	79,069	(79,069)
Net investment income	-	176,027	(176,027)
Benefit payments, including refunds of employee contributions	(83,253)	(83,253)	-
Administrative expense	-	(6,099)	6,099
Other changes	-	-	-
Net changes	(92,644)	165,744	(258,388)
Balances at September 30, 2016	$ 1,971,291	$ 1,746,279	$ 225,012

Note 8. Pension Plan

D. Net Pension Liability (Continued):

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability	$ 470,536	$ 225,012	$ 18,636

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of $85,443. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 130,670
Changes of assumptions	-	883
Net difference between projected and actual earnings on pension plan investments	-	2,104
City contributions from October 1, 2016 thru June 30, 2017	56,266	-
	$ 56,266	$ 133,657

Note 8. Pension Plan

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows(Inflows) Recognized in Future Years

Year Ended June 30					
2018	2019	2020	2021	2022	Thereafter
$ (65,837)	$ (66,907)	$ 9,873	$ (10,786)	$ -	$ -

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2017.

Note 9 – Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in the five county West Georgia area, is a member of the Three Rivers Regional Commission and is required to be a part of this organization by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Regional Development Commission. The Three Rivers Regional Commission Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Development Commission. Separate financial statements may be obtained from:

Three Rivers Regional Commission
PO Box 1600
Franklin, Georgia 30217

Note 10 – Commitments, Contingencies and Litigation

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as a result of these audits is not believed to be material.

There are no legal matters that require disclosure in the financial statements.

Note 11 – Risk Management Claims and Judgments

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover the risks of loss. Additionally, there have been no significant reductions of insurance coverage from coverage in the prior year and settled amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 12 – Related Organizations

The City is responsible for appointing various members of both the Housing Authority and the Hospital Authority's governing boards, but the City's accountability for each does not extend beyond making these appointments.

Note 13 – Subsequent Event

Subsequent events were evaluated through June 30, 2018, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOWDON, GEORGIA

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Real and Personal Property	$ 420,800	$ 420,800	$ 414,592	$ (6,208)
Franchise	181,000	181,000	172,264	(8,736)
Sales	400,000	400,000	401,101	1,101
Malt Beverage	49,000	49,000	39,980	(9,020)
Business and occupational	72,000	72,000	62,128	(9,872)
Insurance premium	115,000	115,000	127,725	12,725
Licenses and permits	21,400	21,400	25,755	4,355
Intergovernmental	86,000	86,000	108,675	22,675
Charges for services	502,320	502,320	452,725	(49,595)
Fines and forfeitures	73,200	73,200	101,624	28,424
Contributions and donations	5,000	5,000	3,125	(1,875)
Investment income	20	20	40	20
Miscellaneous	15,200	15,200	27,304	12,104
Total revenues	1,940,940	1,940,940	1,937,038	(3,902)
EXPENDITURES				
Current:				
General government				
Mayor and City Council	27,060	27,060	23,319	3,741
General administration	108,150	108,150	113,689	(5,539)
Total general government	135,210	135,210	137,008	(1,798)
Judicial				
Municipal court	22,500	22,500	24,150	(1,650)
Public safety				
Police	705,907	705,907	706,396	(489)
Jail operations	7,000	15,000	22,355	(7,355)
Total public safety	712,907	720,907	728,751	(7,844)
Public works				
Highways and streets	160,505	160,505	130,690	29,815
Sanitation	270,500	270,500	264,895	5,605
Total public safety	431,005	431,005	395,585	35,420
Health and welfare				
Senior citizens center	29,850	29,850	30,846	(996)

(Continued)

CITY OF BOWDON, GEORGIA

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
EXPENDITURES				
Current:				
Culture and recreation				
Recreation department	346,493	346,493	352,182	(5,689)
Gymnastics	18,300	18,300	4,448	13,852
Copeland Hall	105,200	105,200	93,708	11,492
Library	139,214	139,214	133,286	5,928
Total culture and recreation	609,207	609,207	583,624	25,583
Housing and development				
Code enforcement	23,125	23,125	22,862	263
Mainstreet	43,950	43,950	41,825	2,125
Total housing and development	67,075	67,075	64,687	2,388
Debt service:				
Principal	-	-	5,286	(5,286)
Interest	-	-	1,363	(1,363)
Total debt service	-	-	6,649	(6,649)
Total expenditures	2,007,754	2,015,754	1,971,300	44,454
Excess (deficiency) of revenues over (under) expenditures	(66,814)	(74,814)	(34,262)	40,552
OTHER FINANCING SOURCES (USES)				
Transfers in	54,814	54,814	55,500	686
Proceeds from capital leases	14,000	14,000	30,711	16,711
Total other financing sources	68,814	68,814	86,211	17,397
Net change in fund balances	2,000	(6,000)	51,949	57,949
FUND BALANCE				
Beginning of year	246,629	246,629	246,629	-
End of year	$ 248,629	$ 240,629	$ 298,578	$ 57,949

CITY OF BOWDON, GEORGIA

Required Supplementary Information
Defined Benefit Pension Plan

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$ 32,817	$ 40,425	$ 34,071							
Interest	156,729	148,812	141,704	(Historical Information prior to implementation of GASB 67/68 is not required)						
Differences between expected and actual experience	(198,937)	(953)	9,083							
Assumption Changes	-	-	(3,530)							
Benefit payments, including refunds of employee contributions	(83,253)	(89,007)	(90,215)							
Net change in total pension liability	(92,644)	99,277	91,113							
Total Pension Liability										
Beginning of Year	2,063,935	1,964,658	1,873,545							
End of Year(a)	$ 1,971,291	$ 2,063,935	$ 1,964,658							
Plan Fiduciary Net Position										
Contributions - employer	$ 79,069	$ 79,415	$ 76,880							
Net investments income	176,027	18,396	162,771	(Historical Information prior to implementation of GASB 67/68 is not required)						
Benefit payments, including refunds of employee contributions	(83,253)	(89,007)	(90,215)							
Administrative expense	(6,099)	(6,639)	(5,327)							
Net change in fiduciary net pension	165,744	2,165	144,109							
Plan Fiduciary Net Position										
Beginning of Year	1,580,535	1,578,370	1,434,261							
End of Year(b)	$ 1,746,279	$ 1,580,535	$ 1,578,370							
City's Net Pension Liability(a) - (b)	$ 225,012	$ 483,400	$ 386,288							
percentage of the total pension	88.59%	76.58%	80.34%							
				(Historical Information prior to implementation of GASB 67/68 is not required)						
Covered - employee payroll	$ 1,090,062	$ 926,709	$ 1,000,529							
City's net pension liability as a percentage of covered employee payroll	20.64%	52.16%	38.61%							

CITY OF BOWDON, GEORGIA

Required Supplementary Information
Defined Benefit Pension Plan

Schedule of Contributions

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	*	$ 80,418	$ 79,080							
Contributions in relation to the actuarially determined contribution	*	80,418 **	79,080	(Historical Information prior to implementation of GASB 67/68 is not required)						
Contribution deficiency (excess)	*	-	-							
Covered - employee payroll	*	$ 926,709 ***	$ 1,000,529							
Contributions as a percentage of covered employee payroll	*	8.68%	7.90%							

* 2017 information will be determined after fiscal year end and will be included in the 2018 valuation report.

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of non-compliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

*** 2016 covered payroll is based on data collected as of August 31, 2015 for the 2016 actuarial valuation.

Notes to Schedule of Contributions

Valuation Date	The actuarially determined contribution rate was determined as of January 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially contribution rate will be reported for the fiscal year ending June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Normal Retirement Age	65 + 5
Early Retirement	55 + 10
Mortality Rates:	
Healthy:	RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Disabled:	RP-2000 Disabled Retiree Mortality Table with sex-distinct rates
Plan Determination Basis:	1994 Group Annuity Reserving Unisex Table RP-2000 Mortality Tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.
Other information:	See the “Actuarial Valuation History for Notes to Schedules” on following page for the history of changes to plan provisions, if any.

Actuarial Valuation History for Notes to Schedules

Changes of Assumptions

- As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2017.
- As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.
- Amounts reported for the Fiscal Year ending in 2016 and later reflect the following assumption changes approved by the Board in December, 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:
  - The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
  - The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
  - The retirement rates where normal retirement is only available on or after 65 were changed from prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10%at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 63, 45% at age 65, and 100% at age 70.
  - The inflation assumption was decreased from 3.50% to 3.25%.
  - The salary increase assumption was changed from select period rates during the first five year of services, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflations assumption of 3.50%. Under the new assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

- Effective January 1, 2015, the Plan was amended to provide or immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF BOWDON, GEORGIA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

ASSETS	Special Revenue Fund Park	Capital Project Fund General Projects	Total
Cash	$ 24,113	$ 7,824	$ 31,937
Total assets	$ 24,113	$ 7,824	$ 31,937
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Total liabilities	$ -	$ -	$ -
FUND BALANCES			
Restricted for:			
Capital projects	-	7,824	7,824
Culture and recreation	24,113	-	24,113
Total fund balances	24,113	7,824	31,937
Total liabilities and fund balances	$ 24,113	$ 7,824	$ 31,937

CITY OF BOWDON, GEORGIA

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Special Revenue Fund	Capital Project Fund	
	Park	General Projects	Total
REVENUES			
Investment income	$ 200	$ -	$ 200
Total revenues	200	-	200
EXPENDITURES			
Current:			
Public works	-	27,319	27,319
Culture and recreation	549	-	549
Total expenditures	549	27,319	27,868
Net change in fund balances	(349)	(27,319)	(27,668)
FUND BALANCE, beginning of year	24,462	35,143	59,605
FUND BALANCE, end of year	$ 24,113	$ 7,824	$ 31,937

CITY OF BOWDON, GEORGIA

Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget (GAAP Basis) and Actual
Park Fund
For the Fiscal Year Ended June 30, 2017

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Investment income	$ -	$ -	$ 200	$ 200
Total revenues	-	-	200	200
EXPENDITURES				
Current:				
Culture and recreation	-	-	549	(549)
Total expenditures	-	-	549	(549)
Net change in fund balances	-	-	(349)	(349)
FUND BALANCE				
Beginning of year	24,462	24,462	24,462	-
End of year	$ 24,462	$ 24,462	$ 24,113	$ (349)

CITY OF BOWDON, GEORGIA

Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2017

Police	Beginning Balance	Additions	Deductions	Reclass Interfund Payable	Ending Balance
ASSETS					
Cash	$ 26,122	$ 67,751	$ 69,304	$ (5,730)	$ 18,839
Receivable (net of allowance for uncollectibles):	106,231	65,542	99,068	-	72,705
Total assets	$ 132,353	$ 133,293	$ 168,372	$ (5,730)	$ 91,544
LIABILITIES					
Due to other funds	-	98,524	92,794	(5,730)	-
Due to other governments/others	132,353	34,769	75,578	-	91,544
Total liabilities	$ 132,353	$ 133,293	$ 168,372	$ (5,730)	$ 91,544

CITY OF BOWDON, GEORGIA

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2008 Issue
For the Fiscal Year Ended June 30, 2017

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Water facilities and equipment	$ 900,000	$ 900,000	$ 357,508	$ 155,402	$ 512,910
Waste water facilities and equipment	800,000	800,000	904,398	4,488	908,886
Historic preservation	108,712	108,712	30,959	90,969	121,928
Recreation facilities and equipment	100,000	100,000	106,039	-	106,039
Public safety equipment (Police) **(A)**	-	158,878	156,515	-	156,515
	$ 1,908,712	$ 2,067,590	$ 1,555,419	$ 250,859	$ 1,806,278

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

SPLOST Fund	
Total Expenditures	$ 250,859

(A) During the year ended June 30, 2015, Carroll County, Georgia contributed SPLOST monies for the purchase of equipment for the City's Police Department.

CITY OF BOWDON, GEORGIA

Schedule of Expenditures of
Special Purpose Local Option Sales Tax Proceeds
2013 Issue
For the Fiscal Year Ended June 30, 2017

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Total Per Referendum **(A)**	$ 1,776,000	$ 1,776,000	$ -	$ -	$ -
Water facilities and equipment	-	-	-	19,208	19,208
Waste water facilities and equipment	-	-	-	3,200	3,200
Economic development	-	-	-	-	-
Public safety facilities and equipment	-	-	-	-	-
Recreation facilities and equipment	-	-	9,415	48,205	57,620
Administrative facilities and equipment	-	-	22,218	12,824	35,042
Roads, streets, and sidewalks	-	-	38,343 **(B)**	-	38,343
Debt service for capital improvements	-	-	-	-	-
Historic preservation facilities and equipment	-	-	-	-	-
	$ 1,776,000	$ 1,776,000	$ 69,976	$ 83,437	$ 153,413

Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	SPLOST 2013 Fund
Total Expenditures	$ 83,437

(A) Per referendum, no breakdown of projects above by cost. City will separate costs as monies are expended in the future.

(B) Prior year expenditures impropoerly recorded as "Waste water facilities and equipment", reclassed to "Roads, streets, and sidewalks" during current year.

CITY OF BOWDON, GEORGIA

Balance Sheet
Component Unit - Governmental Fund Type
June 30, 2017

	Bowdon Development Authority
Assets	
Cash and cash equivalents	$ 14,873
Total assets	$ 14,873
Liabilities and Fund Balance	
Liabilities	
Total liabilities	$ -
Fund Balance:	
Fund balance	14,873
Total fund balances	14,873
Total liabilities and fund balance	$ 14,873

CITY OF BOWDON, GEORGIA

Statement Of Revenues, Expenditures And Changes In Fund Balances
Component Unit - Governmental Fund Type
For the Fiscal Year Ended June 30, 2017

	Bowdon Development Authority
Revenues	
Investment revenue	$ 7
Total revenues	7
Expenditures:	
Current:	
Economic development	9
Total expenditures	9
Excess (deficiency) of revenues over expenditures	(2)
Net change in fund balances	(2)
FUND BALANCE, beginning of year	14,875
FUND BALANCE, end of year	$ 14,873

COMPLIANCE SECTION

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

To the Honorable Mayor and
Members of the City Council
City of Bowdon, 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, each major fund, and the aggregate remaining fund information of the City of Bowdon, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Bowdon, Georgia's basic financial statements and have issued our report thereon dated June 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Bowdon, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bowdon, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bowdon, 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 preceding paragraph 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 17-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bowdon, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as 17-2.

City of Bowdon, Georgia's Response to Findings

City of Bowdon, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Bowdon, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Carrollton, Georgia
June 30, 2018

CITY OF BOWDON, GEORGIA
Schedule of Findings and Responses
For the Year Ended June 30, 2017

A. SUMMARY OF AUDIT RESULTS

Financial Statement

The auditor's report expresses and unqualified opinion on the financial statements of City of Bowdon, Georgia.

There was one reportable condition deemed to be a significant deficiency and is included in the Schedule of Findings and Responses as item 17-1.

There was one reportable condition deemed to be an instance of noncompliance and is also included in the Schedule of Findings and Responses as item 17-2

There were no material weaknesses relating to the audit of the financial statements of the City of Bowdon, Georgia.

Federal Awards:

There was not an audit of major federal award programs as of June 30, 2017 due to the total amount of federal awards expended being less than $750,000.

B. SCHEDULE OF FINDINGS AND RESPONSES

17-1 Segregation of Duties

Condition: **This was reported as a prior year finding**. There is not an appropriate segregation of duties between the recording, distribution, and reconciliation of cash accounts and other operational functions within various City departments during times where staffing is shorthanded (vacation, sick days, lunch).

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business

Effect: Failure to periodically segregate duties between the recording, distribution, and reconciliation of cash accounts can lead to the misappropriation of funds without such actions being detected during the normal course of business.

Recommendation: The duties of recording, distribution, and reconciliation of cash accounts should be segregated between employees.

Auditee's Response: New procedures were put in place during the year and dual control has been implemented in opening and closing the vault, balancing of teller drawers and making deposits. Payroll and General Ledger has been outsourced and reconciliation of bank deposits is also being handled by an outside source. However, achieving adequate segregation of duties during times of sickness and vacation is difficult due to limited staff size and funding.

17-2 Noncompliance with Grant Provisions – LMIG Reporting & Matching

Condition: **This was reported as a prior year finding.** Sidewalk and street repair projects to be partially funded by the LMIG Program were yet to be completed by the end of fiscal year 2017. LMIG provisions require annual reporting and completion of projects within one year of receiving LMIG funds.

Criteria: Controls should be in place to identify and monitor ongoing compliance with grant provisions.

Effect: Failure to comply with grant provisions can result in the forfeiture of grant proceeds. 2017 LMIG program proceeds were not available as a result of the City's noncompliance.

Recommendation: The City should complete projects identified under LMIG programs and report the status of those projects to the local District Office.

Auditee's Response: The sidewalk and street repair projects identified under the LMIG programs were completed in January 2018. Upon completion of these projects the City submitted a Statement of Final Expenditures to the local District Office.