CITY OF FRANKLIN SPRINGS, GEORGIA

Annual Financial Report

For the year ended December 31, 2017

This page intentionally left blank.

CITY OF FRANKLIN SPRINGS, GEORGIA
FINANCIAL REPORT
For the year ended December 31, 2017

TABLE OF CONTENTS

		Page(s)
INTRODUCTORY SECTION:		
	Table of Contents	i-iv
FINANCIAL SECTION:		
	Independent Auditor's Report	1-3
BASIC FINANCIAL STATEMENTS		
Exhibit		
	Government-wide Statements	
A-1	Statement of Net Position	4
A-2	Statement of Activities	5
	Fund Financial Statements	
A-3	Balance Sheet – Governmental Funds	6
A-4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
A-5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
A-6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
A-7	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) to Actual – General Fund	10
A-8	Statement of Net Position – Proprietary Funds	11
A-9	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	12
A-10	Statement of Cash Flows – Proprietary Funds	13
A-11	Statement of Fiduciary Assets and Liabilities	14

Table of Contents, continued

BASIC FINANCIAL STATEMENTS, continued

Exhibit		Page(s)
A-12	**Notes to the Financial Statements**	**15-38**

Item #		Page #
1.	Description of Government Unit	**15**
2.	Summary of Significant Accounting Policies	**15-27**
3.	Deposit and Investment Risk	**28**
4.	Accounts Receivable	**28**
5.	Intergovernmental Receivables	**29**
6.	Taxes Receivable	**29**
7.	Interfund Receivables, Payables, and Transfers	**30**
8.	Capital Assets	**31-32**
9.	Capital and Operating Lease Agreements	**32**
10.	Long-Term Debt	**32-35**
11.	Restricted, Committed, and Assigned Fund Balances	**36**
12.	Hotel/Motel Lodging Tax	**36**
13.	Joint Ventures	**37**
14.	Risk Management	**37-38**
15.	Contingencies	**38**

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

Exhibit		Page (s)
B-1	Comparative Balance Sheets – Nonmajor Governmental Funds	**39**
B-2	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	**40**
	GENERAL FUND	
C-1	Comparative Balance Sheets	**41**
C-2	Comparative Statements of Revenues, Expenditures and Changes in Fund Balances	**42**

Table of Contents, continued

SUPPLEMENTARY INFORMATION, continued

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES, continued

Exhibit		Page (s)
	GENERAL FUND	
C-3	Schedule of Revenues - Budget (GAAP Basis) and Actual	**43**
C-4	Schedule of Expenditures - Budget (GAAP Basis) and Actual	**44**
	SPECIAL REVENUE FUNDS	
D-1	Hotel/Motel Tax Special Revenue Fund Comparative Balance Sheets	**45**
D-2	Hotel/Motel Tax Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual	**46**
D-3	Technology Surcharge Special Revenue Comparative Fund Balance Sheets	**47**
D-4	Technology Surcharge Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual	**48**
	CAPITAL PROJECTS FUND	
E-1	Special Purpose Local Option Sales Tax Capital Projects Fund Comparative Balance Sheets	**49**
E-2	Special Purpose Local Option Sales Tax Capital Projects Fund Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances	**50**
	ENTERPRISE FUNDS	
F-1	Water and Sewer Enterprise Fund Comparative Statements of Net Position	**51**
F-2	Water and Sewer Enterprise Fund Comparative Statements of Revenues, Expenses and Changes in Net Position	**52**
F-3	Water and Sewer Enterprise Fund Comparative Statements of Cash Flows	**53**
	AGENCY FUND	
G-1	Municipal Court Agency Fund Comparative Statements of Assets and Liabilities	**54**
G-2	Municipal Court Agency Fund Statement of Changes in Assets and Liabilities	**55**

Table of Contents, continued

SUPPLEMENTARY INFORMATION, continued

OTHER REPORTING SECTION

Exhibit		Page (s)
	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*	**56-58**
H-1	Schedule of Projects Financed with Special Purpose Local Option Sales Tax	**59**

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Franklin Springs, Georgia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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

Other Matters

Required Supplementary Information

The City of Franklin Springs, Georgia has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin Springs, Georgia's basic financial statements as a whole. The individual fund financial statements and schedules, and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules and the schedule of projects financed with special purpose local option sales tax are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 individual fund financial statements and schedules and the special purpose local option sales tax report are fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Franklin Springs, Georgia's basic financial statements for the year ended December 31, 2016. In our report dated June 2, 2017, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin Springs, Georgia's basic financial statements as a whole. The individual fund financial statements and schedules related to the 2016 financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements.

The individual fund financial statements and schedules related to the 2016 financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2016 individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of the City of Franklin Springs, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin Springs, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 25, 2018

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 897,954	$ 61,525	$ 959,479
Restricted assets			
Certificates of deposit	0	14,850	14,850
Receivables (net)			
Accounts	5,506	26,303	31,809
Taxes	82,579	0	82,579
Intergovernmental	26,014	0	26,014
Total current assets	1,012,053	102,678	1,114,731
Noncurrent assets			
Capital assets			
Non-depreciable	17,500	33,153	50,653
Depreciable (net)	1,820,732	767,816	2,588,548
Total noncurrent assets	1,838,232	800,969	2,639,201
Total assets	2,850,285	903,647	3,753,932
LIABILITIES			
Current liabilities			
Accounts payable	12,673	2,219	14,892
Compensated absences	7,155	3,404	10,559
Unearned revenue	1,856	251	2,107
Customer deposits payable	0	18,717	18,717
Notes payable	10,143	7,325	17,468
Liabilities payable from restricted assets			
Revenue bonds payable	0	3,000	3,000
Total current liabilities	31,827	34,916	66,743
Noncurrent liabilities			
Notes payable	24,114	15,291	39,405
Revenue bonds payable	0	4,000	4,000
Total noncurrent liabilities	24,114	19,291	43,405
Total liabilities	55,941	54,207	110,148
NET POSITION			
Net investment in capital assets	1,803,975	771,353	2,575,328
Restricted for:			
Public Safety	8,172	0	8,172
Public Works	14,690	0	14,690
Capital outlay	192,933	0	192,933
Debt service	0	14,850	14,850
Unrestricted	774,574	63,237	837,811
Total net position	$ 2,794,344	$ 849,440	$ 3,643,784

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General Government	$ 228,680	$ 2,918	$ 0	$ 14,690	$ (211,072)
Public Safety	408,852	34,627	13,034	180,193	(180,998)
Public Works	203,548	47,233	0	64,797	(91,518)
Housing and Development	600	0	0	0	(600)
Interest on long-term debt	1,343	0	0	0	(1,343)
Total governmental activities	843,023	84,778	13,034	259,680	(485,531)
Business-type activities					
Water and Sewer	327,525	292,526	0	0	(34,999)
Total primary government	1,170,548	377,304	13,034	259,680	(520,530)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total
Change in net position			
Net (expense) revenue	$ (485,531)	$ (34,999)	$ (520,530)
General revenues			
Taxes			
Property	133,579	0	133,579
Sales	171,674	0	171,674
Franchise	99,366	0	99,366
Insurance premium	63,271	0	63,271
Intangibles	4,151	0	4,151
Alcoholic beverage	10,273	0	10,273
Hotel/Motel	2,001	0	2,001
Occupational	9,045	0	9,045
Interest and investment earnings	169	25	194
Other	208,245	9,168	217,413
Total general revenues	701,774	9,193	710,967
Change in net position	216,243	(25,806)	190,437
Net position - beginning	2,578,101	875,246	3,453,347
Net position - ending	$ 2,794,344	$ 849,440	$ 3,643,784

See accompanying notes to the financial statements.

Exhibit A-2

CITY OF FRANKLIN SPRINGS, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General	SPLOST	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	$ 714,018	$ 171,453	$ 12,483	$ 897,954
Receivables (net)				
Accounts	5,506	0	0	5,506
Taxes	82,429	0	150	82,579
Intergovernmental	4,534	21,480	0	26,014
Due from other funds	203	0	0	203
Total assets	$ 806,690	$ 192,933	$ 12,633	$ 1,012,256
Liabilities				
Accounts payable	$ 12,673	$ 0	$ 0	$ 12,673
Unearned revenue	1,856	0	0	1,856
Due to other funds	0	0	203	203
Total liabilities	14,529	0	203	14,732
Deferred inflows of resources				
Unavailable revenue-property taxes	536	0	0	536
Fund balances				
Restricted for:				
Public Safety	0	0	8,172	8,172
Public Works	14,690	0	0	14,690
Capital outlay	0	192,933	0	192,933
Assigned for:				
Public Works	1,249	0	0	1,249
Housing and Development	0	0	4,258	4,258
Unassigned	775,686	0	0	775,686
Total fund balances	791,625	192,933	12,430	996,988
Total liabilities, deferred inflows of resources, and fund balances	$ 806,690	$ 192,933	$ 12,633	$ 1,012,256

CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2017

Total fund balance - total governmental funds	$	996,988
Amounts reported for governmental activities in the statement of net position are different because:		
Some assets are not financial resources and, therefore, are not reported in the funds.		
These are:		
Capital assets, net of accumulated depreciation		1,838,232
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the funds.		
These are:		
Property taxes		536
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
These are:		
Notes payable		(34,257)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
These are:		
Compensated absences		(7,155)
Net position of governmental activities	$	2,794,344

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	General	SPLOST	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	$ 493,108	$ 0	$ 2,001	$ 495,109
Licenses and permits	2,912	0	0	2,912
Fines, fees and forfeitures	32,145	0	2,410	34,555
Charges for services	47,311	0	0	47,311
Intergovernmental	27,674	109,123	0	136,797
Interest	169	126	0	295
Contributions	50	0	0	50
Other	208,245	0	0	208,245
Total revenues	811,614	109,249	4,411	925,274
EXPENDITURES				
Current				
General Government	225,753	0	0	225,753
Public Safety	231,826	0	1,708	233,534
Public Works	106,400	105,438	0	211,838
Housing and Development	0	0	600	600
Debt service	11,149	0	0	11,149
Total expenditures	575,128	105,438	2,308	682,874
Excess (deficiency) of revenues over (under) expenditures	236,486	3,811	2,103	242,400
Fund balances, January 1	555,139	189,122	10,327	754,588
Fund balances, December 31	$ 791,625	$ 192,933	$ 12,430	$ 996,988

CITY OF FRANKLIN SPRINGS, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Net change in fund balances - total governmental funds		$ 242,400
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Capital outlay	$ 54,273	
Depreciation	(221,331)	(167,058)
Contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		
Other governments		135,742
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue.		(1,748)
The proceeds of debt issuance, net of premiums, discounts and issuance costs provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Debt principal payments		9,806
Expenses reported in the statement of activities that do not require the use of current financial resources and are not reported as expenditures in the governmental funds.		
Compensated absences		(2,899)
Change in net position of governmental activities		$ 216,243

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2017

	Budget			Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 439,451	$ 457,696	$ 493,108	$ 35,412
Licenses and permits	3,400	3,400	2,912	(488)
Fines, fees and forfeitures	42,500	42,500	32,145	(10,355)
Charges for services	41,735	41,735	47,311	5,576
Intergovernmental	27,674	27,674	27,674	0
Interest	0	0	169	169
Contributions	50	50	50	0
Other	8,200	215,115	208,245	(6,870)
Total revenues	563,010	788,170	811,614	23,444
EXPENDITURES				
Current				
General Government				
Governing Body	20,720	20,720	20,402	318
Administration	193,000	409,915	205,351	204,564
Public Safety				
Police Department	222,303	211,153	192,310	18,843
Fire Department	34,000	39,245	39,516	(271)
Public Works				
Highways and Streets	86,987	89,987	69,808	20,179
Sanitation	36,000	36,000	36,592	(592)
Debt service	0	11,150	11,149	1
Total expenditures	593,010	818,170	575,128	243,042
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(30,000)	236,486	266,486
Other financing sources (uses)				
Transfer In	30,000	30,000	0	(30,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	236,486	236,486
Fund balances, January 1	0	0	555,139	555,139
Fund balances, December 31	$ 0	$ 0	$ 791,625	$ 791,625

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents	$ 61,525
Accounts receivable (net)	26,303
Restricted assets	
Certificates of deposit	14,850
Total current assets	102,678
Noncurrent assets	
Capital assets	
Non-depreciable	33,153
Depreciable (net)	767,816
Total noncurrent assets	800,969
Total assets	903,647
LIABILITIES	
Current liabilities	
Accounts payable	2,219
Compensated absences	3,404
Unearned revenue	251
Customer deposits payable	18,717
Notes payable	7,325
Liabilities payable from restricted assets:	
Revenue bonds payable	3,000
Total current liabilities	34,916
Noncurrent liabilities	
Notes payable	15,291
Revenue bonds payable	4,000
Total noncurrent liabilities	19,291
Total liabilities	54,207
NET POSITION	
Net investment in capital assets	771,353
Restricted for debt service	14,850
Unrestricted	63,237
Total net position	$ 849,440

See accompanying notes to the financial statements.

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended December 31, 2017

	Water and Sewer
OPERATING REVENUES	
Charges for sales and services	$ 292,526
Other	9,168
Total operating revenues	301,694
OPERATING EXPENSES	
Costs of sales and services	194,659
Personal services	77,352
Depreciation	53,997
Total operating expenses	326,008
Operating income (loss)	(24,314)
Non-operating revenues (expenses)	
Interest revenue	25
Interest expense	(1,517)
Total non-operating revenues (expenses)	(1,492)
Change in net position	(25,806)
Net position, January 1	875,246
Net position, December 31	$ 849,440

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended December 31, 2017

	Water and Sewer
Cash flows from operating activities:	
Receipts from customers	$ 294,990
Payments to suppliers	(202,464)
Payments to employees	(77,356)
Other receipts	9,168
Net cash provided (used) by operating activities	24,338
Cash flows from capital and related financing activities:	
Principal payments - promissory notes	(7,051)
Principal payments - revenue bonds	(3,000)
Interest paid	(1,517)
Net cash provided (used) by capital and related financing activities	(11,568)
Net increase (decrease) in cash and cash equivalents	12,770
Cash and cash equivalents, January 1	48,755
Cash and cash equivalents, December 31	$ 61,525
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:	
Operating income (loss)	$ (24,314)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	53,997
(Increase) decrease in accounts receivable	2,324
Increase (decrease) in accounts payable	(7,805)
Increase (decrease) in deposits payable	140
Increase (decrease) in compensated absences	(4)
Total adjustments	48,652
Net cash provided (used) by operating activities	$ 24,338

CITY OF FRANKLIN SPRINGS, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2017

	Municipal Court Agency Fund
ASSETS	
Cash and cash equivalents	$ 12,202
LIABILITIES	
Due to other agencies	$ 12,202

1. Description of Government Unit

The City of Franklin Springs incorporated under the laws of the State of Georgia in 1924. The City operates under a council/mayor form of government and provides the following services: public safety, street and sanitation, public improvements and general and administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated and immediate surrounding areas.

The City is governed by an elected five-member council.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business- type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

Standards published by the Governmental Accounting Standards Board (GASB) define the financial reporting entity as (a) the primary government, (b) organizations for which the primary government is financially responsible, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

City of Franklin Springs Downtown Development Authority

The City of Franklin Springs Downtown Development Authority was established as a legally separate entity, which operates pursuant to the Official Code of Georgia Annotated. The City Council appoints the members of the Authority's Board of Directors. The Downtown Development Authority provides for the vitalization of the downtown area of the City of Franklin Springs. The Downtown Development Authority has a December 31 year-end. During 2017, there was no activity for the Authority.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While the Downtown Development Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—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 nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

SPLOST Capital Projects Fund – This fund is used to account for long-term capital projects financed by the passage of the special purpose local option sale tax.

The City reports the following major proprietary fund:

Water and Sewer Fund - This fund is used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

Additionally, the City reports the following fund types:

Governmental Fund Types

Special Revenue Funds – This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements, continued

Fiduciary Fund Types

Agency Funds – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the City or for others. The City has an agency fund to account for the activity of the Municipal Court.

Component Unit

The City of Franklin Springs Downtown Development Authority is accounted for using a current financial resources measurement focus and uses the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e. when they both become measurable and available).

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days subsequent to year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting, continued

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. Summary of Significant Accounting Policies (continued)

G. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the General Fund, Special Revenue Funds, and Enterprise Funds. The Capital Projects Fund is budgeted by the City Council when capital projects are approved. Annual operating budgets are adopted each fiscal year through approval by the Council. Each year about the middle of November, the City Clerk submits a proposed budget to the City Council for their review. Prior to adoption, a public hearing is held to receive comment from the citizenry on the proposed budget. This hearing is publicized in the local newspaper one week before the hearing, and the budget document is made available for public inspection during this week. After the public hearing, the budget is then revised by the City Council and the first reading of the proposed budget is made. At the next City Council meeting, the second reading of the proposed budget is made and the City Council votes to adopt the proposed budget. The annual operating budget is adopted no later than December 31 for the following year.

The annual budgets for the General Fund and Special Revenue Funds are prepared in accordance with the basis of accounting utilized by that fund. The budgets for the Enterprise Funds are adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, non-operating income and expense items are not considered. All unencumbered budget appropriations, except project budgets, lapse at the end of each year.

The legal level of budgetary control is the departmental level. Any increases in total appropriations of a department require approval and amendment of the budget by the City Council. Except as indicated on the major fund budgetary comparison statement, budget amounts included in this report are as amended as of December 31, 2017.

The City does not use the encumbrance system of accounting.

2. Summary of Significant Accounting Policies (continued)

H. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity at three months or less. Investments are reported at fair value with accrued interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital project investments is included in the investment accounts.

I. Intergovernmental Receivables

Receivables for state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective with the year ended December 31, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Prior to January 1, 2007, neither their historical costs nor related depreciation had historically been reported in the financial statements. For entities the size of the City of Franklin Springs, retroactive reporting of infrastructure assets was not required.

2. Summary of Significant Accounting Policies (continued)

K. Capital Assets, continued

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Buildings	40	$ 1,000
Distribution systems	40	$ 10,000
Roads – per lane mile	40	$ 50,000
Bridges and culverts	40	$ 20,000
Machinery and equipment	10	$ 1,000
Vehicles	5	$ 1,000
Furniture and fixtures	5	$ 1,000
Land improvements	15	$ 1,000
Intangibles	5	$ 1,000

All land will be valued and capitalized. The costs of normal maintenance and repairs that do not add value or materially extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

2. Summary of Significant Accounting Policies (continued)

L. Deferred Outflows/Inflows of Resources, continued

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

M. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

N. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied.

2. Summary of Significant Accounting Policies (continued)

O. Restricted Assets and Restricted Net Position

Restricted assets of the Enterprise Funds represent certain resources set aside for the repayment of revenue bonds because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of reserve.

P. Fund Balances – Governmental Funds

The City of Franklin Springs implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2017, by the City are nonspendable in form. The City has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City of Franklin Springs's highest level of decision making authority, which include the language "committed for the purpose of". Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number. A resolution committing amounts must be adopted prior to the end of the fiscal year; however, the amount to be committed may be determined within 60 days of fiscal year-end.

2. Summary of Significant Accounting Policies (continued)

P. Fund Balances – Governmental Funds, continued

Assigned – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the City's adopted policy, amounts may be assigned by the Mayor, under the authorization of the City Council, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the City considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

Q. Compensation for Future Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits which will be paid to the employees upon separation from City service. Accumulated unpaid vacation pay amounts are accrued when incurred by the City in the government-wide and proprietary fund financial statements. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

2. Summary of Significant Accounting Policies (continued)

R. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

S. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as non-operating revenue.

T. Comparative Data and Reclassifications

Comparative total data of the prior period has been presented in the accompanying individual fund financial statements in order to provide an understanding of changes in the City's financial position and operations. Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned. The City has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2017, the City had no uninsured, uncollateralized deposits.

Interest Rate Risk

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

Credit Risk

State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The City has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk

The City has no formal policy on the amount the City may invest in any one issuer.

Foreign currency risk

The City has no investments denominated in a foreign currency.

4. Accounts Receivable

Net accounts receivable at December 31, 2017 consist of the following:

Major Funds	
General Fund	$ 5,506
Water and Sewer Enterprise Fund	26,303
Total Primary Government	$ 31,809

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2017 consist of the following:

Major Funds		
General Fund		
Franklin County Board of Commissioners	$	1,082
Franklin County Tax Commissioner		3,452
SPLOST Capital Projects Fund		
Franklin County Board of Commissioners		21,480
Total Primary Government	$	26,014

6. Taxes Receivable

Property Taxes

Property taxes receivable as of December 31, 2017 consist of property taxes for seven years as follows:

Year of Levy	Amount	
2017	$	5,925
2016		0
2015		0
2014		0
2013		0
2012		0
2011		0
		5,925
Less allowance for uncollectible		(59)
Total	$	5,866

Property tax rates are set by the City Council each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for the year 2017, based upon the assessments of January 1, 2017, were billed on August 29, 2017, and due on November 15, 2017. Tax liens are issued 90 days after the due date. The tax rate of 7.0 mils for 2017 was levied on July 31, 2017.

Other Taxes

$61,627 of franchise taxes, $150 of hotel/motel taxes and $14,936 of sales taxes are also included in taxes receivable.

7. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2017 is as follows:

	Due from: Nonmajor Funds Hotel/Motel
Due to:	
Major Funds	
General	$ 203

The balance reported as Due to/Due from represent loans between the borrow fund and the lender fund. The balances result mainly from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between the funds are made.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

During 2017, there were no interfund transfers.

8. Capital Assets

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

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Governmental activities				
Non-depreciable assets				
Land	$ 17,500	$ 0	$ 0	$ 17,500
Depreciable assets				
Buildings	1,591,506	24,325	0	1,615,831
Infrastructure	95,807	0	0	95,807
Vehicles	921,430	79,500	0	1,000,930
Machinery and equipment	569,369	86,190	0	655,559
Furniture and fixtures	40,942	0	0	40,942
Total depreciable assets	3,219,054	190,015	0	3,409,069
Accumulated depreciation				
Buildings	(407,113)	(40,246)	0	(447,359)
Infrastructure	(66,849)	(6,400)	0	(73,249)
Vehicles	(576,269)	(94,176)	0	(670,445)
Machinery and equipment	(275,833)	(80,509)	0	(356,342)
Furniture and fixtures	(40,942)	0	0	(40,942)
Total accumulated depreciation	(1,367,006)	(221,331)	0	(1,588,337)
Total depreciable assets, net	1,852,048	(31,316)	0	1,820,732
Governmental activities capital assets, net	$ 1,869,548	$ (31,316)	$ 0	$ 1,838,232
Business-type activities				
Non-depreciable assets				
Land	$ 33,153	$ 0	$ 0	$ 33,153
Construction in progress	23,858	0	(23,858)	0
Total non-depreciable assets	57,011	0	(23,858)	33,153
Depreciable assets				
Distribution system	1,836,761	23,858	0	1,860,619
Intangibles	5,727	0	0	5,727
Vehicles	44,800	0	0	44,800
Machinery and equipment	110,331	0	0	110,331
Total depreciable assets	1,997,619	23,858	0	2,021,477
Accumulated depreciation				
Distribution system	(1,080,530)	(43,895)	0	(1,124,425)
Intangibles	(5,726)	0	0	(5,726)
Vehicles	(18,800)	(6,000)	0	(24,800)
Machinery and equipment	(94,608)	(4,102)	0	(98,710)
Total accumulated depreciation	(1,199,664)	(53,997)	0	(1,253,661)
Total depreciable assets, net	797,955	(30,139)	0	767,816
Business-type activities capital assets, net	$ 854,966	$ (30,139)	$ (23,858)	$ 800,969

8. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 22,450
Public Safety	177,368
Public Works	21,513
Total depreciation expense for governmental activities	$ 221,331
Business-type activities	
Water and Sewer	$ 53,997

9. Operating Lease Agreements

The City's lease agreements are relatively minor commitments (generally for office machines) and are in compliance with state law.

10. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities, while revenue bonds are issued for the construction and expansion of proprietary activities. General obligation bonds are direct obligations and pledge the full faith, credit and taxing powers of the City while revenue bonds pledge the revenues of the proprietary activity for repayment of the bond issues.

Notes Payable

Governmental Activities

The City has entered into a lending agreement with Ally Bank for the purchase of a vehicle in the Police Department, in the original amount of $51,136. At December 31, 2017, the balance of this note is $34,257. Principal and interest are due in monthly installments of $929 through March 21, 2021, with interest rate of 3.89%

10. Long-Term Debt (continued)

Notes Payable, continued

Governmental Activities (continued)

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

Year Ending December 31,	Principal	Interest	Total
2018	$ 10,143	$ 1,005	$ 11,148
2019	10,492	656	11,148
2020	10,853	294	11,147
2021	2,769	16	2,785
Totals	$ 34,257	$ 1,971	$ 36,228

Business-type Activities

The City has entered into a lending agreement with the Georgia Environmental Finance Authority for improvements to the City's water and sewer system, in the original amount of $67,004. At December 31, 2017, the balance of this note is $22,616. Principal and interest are due in monthly installments of $672 through December 1, 2020, with interest rate of 3.81%.

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

Year Ending December 31,	Principal	Interest	Total
2018	$ 7,325	$ 743	$ 8,068
2019	7,609	459	8,068
2020	7,682	164	7,846
Totals	$ 22,616	$ 1,366	$ 23,982

10. Long-Term Debt (continued)

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following individual issues at December 31, 2017:

$63,000 1979 Water and Sewerage Revenue Series Bonds due in annual installments of $3,000 to $4,000 through January 1, 2019; interest at 5.00% ($7,000 outstanding), for the expansion of the water and sewer system in the City of Franklin Springs.

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

Year Ending December 31,	Principal	Interest	Total
2018	$ 3,000	$ 350	$ 3,350
2019	4,000	200	4,200
Totals	$ 7,000	$ 550	$ 7,550

10. Long-Term Debt (continued)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2017:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017	Due Within One Year
Governmental activities					
Compensated absences	$ 4,256	$ 7,155	$ (4,256)	$ 7,155	$ 7,155
Notes payable	44,063	0	(9,806)	34,257	10,143
Total governmental activities	$ 48,319	$ 7,155	$ (14,062)	$ 41,412	$ 17,298
Business-type activities					
Revenue bonds	$ 10,000	$ 0	$ (3,000)	$ 7,000	$ 3,000
Compensated absences	3,408	3,404	(3,408)	3,404	3,404
Notes payable	29,667	0	(7,051)	22,616	7,325
Total business-type activities	$ 43,075	$ 3,404	$ (13,459)	$ 33,020	$ 13,729

Revenue bond discounts/premiums are amortized over the life of the related debt using the straight-line method. Compensated absences are liquidated by those funds that have salary and wage expenditures. In prior years, long-term liabilities, such as compensated absences, of the governmental activities were liquidated in the General Fund.

Interest incurred and charged to expense totaled $1,343 and $1,517 for the governmental activities and business-type activities, respectively.

11. Restricted, Committed, and Assigned Fund Balances

The following is a summary of restricted, committed, and assigned fund balances of the governmental funds for the fiscal year ended December 31, 2017:

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Total
Restricted for:				
Public Safety				
Police Department	$ 0	$ 0	$ 8,172	$ 8,172
Public Works				
LMIG projects	14,690	0	0	14,690
Capital projects	0	192,933	0	192,933
	$ 14,690	$ 192,933	$ 8,172	$ 215,795
Assigned to:				
Housing and Development				
Trade and tourism	$ 0	$ 0	$ 4,258	$ 4,258
Public Works				
Capital projects	1,249	0	0	1,249
	$ 1,249	$ 0	$ 4,258	$ 5,507

12. Hotel/Motel Lodging Tax

The City has levied a 3% lodging tax, in accordance with Official Code of Georgia Annotated (OCGA) Section 48-13-51. A summary of the transactions for the year ending December 31, 2017 follows:

Lodging tax receipts	$ 2,001	
Disbursements to promote tourism, conventions, and trade shows	$ 600	30% of tax receipts

13. Joint Ventures

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC 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 an RC. Separate financial statements may be obtained from Georgia Mountains Regional Commission, PO Box 1720, Gainesville, GA 30503.

14. Risk Management

Material estimates have been made by management about the life of depreciated capital assets. Management has used a conservative approach on these estimates.

The City is exposed to various risks of loss related to torts; injuries to employees; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also obligated to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

14. Risk Management *(continued)*

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating those losses. At December 31, 2017, the City has no losses that are probable or estimable and accordingly has not recognized any liability.

15. Contingencies

The City is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The City's legal counsel has stated that the outcome of this lawsuit is not presently determinable.

COMBINING STATEMENTS

Nonmajor Governmental Funds

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
ASSETS			
Cash and cash equivalents	$ 4,311	$ 8,172	$ 12,483
Taxes receivable	150	0	150
Total assets	$ 4,461	$ 8,172	$ 12,633
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	$ 203	$ 0	$ 203
Fund balances			
Restricted for Public Safety	0	8,172	8,172
Assigned for Housing and Development	4,258	0	4,258
Total fund balances	4,258	8,172	12,430
Total liabilities and fund balances	$ 4,461	$ 8,172	$ 12,633

CITY OF FRANKLIN SPRINGS, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	Special Revenue		Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Technology Surcharge	
REVENUES			
Taxes	$ 2,001	$ 0	$ 2,001
Fees, fines, and forfeitures	0	2,410	2,410
Total revenues	2,001	2,410	4,411
EXPENDITURES			
Current			
Public Safety	0	1,708	1,708
Housing and Development	600	0	600
Total expenditures	600	1,708	2,308
Excess (deficiency) of revenues over (under) expenditures	1,401	702	2,103
Fund balances, January 1	2,857	7,470	10,327
Fund balances, December 31	$ 4,258	$ 8,172	$ 12,430

This page intentionally left blank.

GENERAL FUND

The general operating fund of the City is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

ASSETS	**2017**	**2016**
Cash and cash equivalents	$ 714,018	$ 465,638
Receivables (net)		
Accounts	5,506	6,087
Taxes	82,429	86,913
Intergovernmental	4,534	6,091
Due from other funds	203	203
Total assets	$ 806,690	$ 564,932
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	$ 12,673	$ 6,371
Unearned revenue	1,856	1,138
Total liabilities	14,529	7,509
Deferred inflows of resources		
Unavailable revenue-property taxes	536	2,284
Fund balances		
Restricted for Public Works	14,690	0
Assigned for Public Works	1,249	783
Unassigned	775,686	554,356
Total fund balances	791,625	555,139
Total liabilities, deferred inflows of resources, and fund balances	$ 806,690	$ 564,932

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2017 and 2016

	2017	2016
REVENUES		
Taxes	$ 493,108	$ 462,828
Licenses and permits	2,912	3,547
Fines, fees and forfeitures	32,145	39,063
Charges for services	47,311	43,437
Intergovernmental	27,674	23,162
Interest	169	127
Contributions	50	65
Other	208,245	8,120
Total revenues	811,614	580,349
EXPENDITURES		
Current		
General Government	225,753	199,631
Public Safety	231,826	222,649
Public Works	106,400	123,467
Debt service	11,149	8,361
Total expenditures	575,128	554,108
Excess (deficiency) of revenues over (under) expenditures	236,486	26,241
Other financing sources (uses)		
Proceeds from sale of assets	0	5,654
Proceeds from issuance of debt	0	51,136
Total other financing sources (uses)	0	56,790
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	236,486	83,031
Fund balances, January 1	555,139	472,108
Fund balances, December 31	$ 791,625	$ 555,139

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Taxes				
General property taxes				
Property tax	$ 92,000	$ 111,338	$ 19,338	$ 93,829
Motor vehicle tax	18,725	23,990	5,265	21,687
Total general property taxes	110,725	135,328	24,603	115,516
Local option sales tax	170,000	171,674	1,674	162,888
Intangible tax	600	4,151	3,551	2,194
Franchise tax	100,000	99,366	(634)	104,335
Insurance premium tax	61,871	63,271	1,400	59,418
Alcoholic beverage excise tax	7,000	10,273	3,273	9,466
Occupational tax	7,500	9,045	1,545	9,011
Total taxes	457,696	493,108	35,412	462,828
Licenses and Permits				
Alcohol licenses	2,400	2,400	0	2,400
Building permits	1,000	512	(488)	1,147
Total licenses and permits	3,400	2,912	(488)	3,547
Fines, fees and forfeitures	42,500	32,145	(10,355)	39,063
Charges for Services				
Sanitation	40,700	47,233	6,533	40,549
Cemetery	1,000	0	(1,000)	2,840
Other	35	78	43	48
Total charges for services	41,735	47,311	5,576	43,437
Intergovernmental	27,674	27,674	0	23,162
Interest	0	169	169	127
Contributions	50	50	0	65
Other	215,115	208,245	(6,870)	8,120
Total revenues	$ 788,170	$ 811,614	$ 23,444	$ 580,349

CITY OF FRANKLIN SPRINGS, GEORGIA
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
EXPENDITURES				
Current				
General Government				
Governing Body				
Personal services	$ 15,220	$ 15,308	$ (88)	$ 15,308
Supplies and materials	5,500	5,094	406	7,265
Total Governing Body	20,720	20,402	318	22,573
Administration				
Personal services	84,400	85,003	(603)	82,482
Contract services	294,915	92,014	202,901	93,297
Supplies and materials	600	4,009	(3,409)	1,279
Capital outlay	30,000	24,325	5,675	0
Total Administration	409,915	205,351	204,564	177,058
Total General Government	430,635	225,753	204,882	199,631
Public Safety				
Police Department				
Personal services	150,128	134,559	15,569	90,371
Contract services	36,525	32,745	3,780	34,791
Supplies and materials	24,500	25,006	(506)	16,798
Capital outlay	0	0	0	51,136
Total Police Department	211,153	192,310	18,843	193,096
Fire Department				
Contract services	21,050	23,329	(2,279)	18,454
Supplies and materials	5,950	5,942	8	2,642
Capital outlay	12,245	10,245	2,000	8,457
Total Fire Department	39,245	39,516	(271)	29,553
Total Public Safety	250,398	231,826	18,572	222,649
Public Works				
Highways and Streets				
Personal services	33,740	32,112	1,628	32,185
Contract services	45,747	30,542	15,205	50,814
Supplies and materials	10,500	7,154	3,346	10,028
Total Highways and Streets	89,987	69,808	20,179	93,027
Sanitation				
Contract services	36,000	36,592	(592)	30,440
Total Public Works	125,987	106,400	19,587	123,467
Total current expenditures	807,020	563,979	243,041	545,747
Debt service				
Public Safety				
Police Department	11,150	11,149	1	8,361
Total expenditures	$ 818,170	$ 575,128	$ 243,042	$ 554,108

This page intentionally left blank.

SPECIAL REVENUE FUND

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

Hotel/Motel Tax Fund - This fund is used to collect Hotel/Motel taxes which are used to support trade and tourism in the City of Franklin Springs.

Technology Surcharges Fund - This fund is used to account for fines and fees received restricted for the purchase of computer hardware and software for the Police and Municipal Court Departments.

CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

ASSETS	**2017**	**2016**
Cash and cash equivalents	$ 4,311	$ 2,874
Taxes receivable	150	186
Total assets	$ 4,461	$ 3,060
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	$ 203	$ 203
Fund balances		
Assigned for Housing and Development	4,258	2,857
Total liabilities and fund balances	$ 4,461	$ 3,060

CITY OF FRANKLIN SPRINGS, GEORGIA
HOTEL/MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Hotel/Motel taxes	$ 1,400	$ 2,001	$ 601	$ 2,156
EXPENDITURES				
Current				
Housing and Development				
Contract services	1,400	600	800	500
Excess (deficiency) of revenues over (under) expenditures	0	1,401	1,401	1,656
Fund balances, January 1	0	2,857	2,857	1,201
Fund balances, December 31	$ 0	$ 4,258	$ 4,258	$ 2,857

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

ASSETS	**2017**	**2016**
Cash and cash equivalents	$ 8,172	$ 7,470
FUND BALANCES		
Restricted for Public Safety	$ 8,172	$ 7,470

CITY OF FRANKLIN SPRINGS, GEORGIA
TECHNOLOGY SURCHARGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017
(With comparative actual amounts for the year ended December 31, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
REVENUES				
Fees, fines, and forfeitures	$ 2,800	$ 2,410	$ (390)	$ 2,935
EXPENDITURES				
Current				
Public Safety				
Supplies and materials	2,800	1,708	1,092	2,148
Excess (deficiency) of revenues over (under) expenditures	0	702	702	787
Fund balances, January 1	0	7,470	7,470	6,683
Fund balances, December 31	$ 0	$ 8,172	$ 8,172	$ 7,470

This page intentionally left blank.

CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds.

Special Purpose Local Option Sales Tax Fund – This fund is used to account for long-term projects financed by the passage of the special purpose local option sales tax.

CITY OF FRANKLIN SPRINGS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
December 31, 2017 and 2016

ASSETS	**2017**	**2016**
Cash and cash equivalents	$ 171,453	$ 178,820
Intergovernmental receivables	21,480	10,302
Total assets	$ 192,933	$ 189,122
FUND BALANCES		
Restricted for capital outlay	$ 192,933	$ 189,122

CITY OF FRANKLIN SPRINGS, GEORGIA
SPECIAL PURPOSE LOCAL OPTION SALES TAX
CAPITAL PROJECTS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the years ended December 31, 2017 and 2016

	2017	2016
REVENUES		
Intergovernmental	$ 109,123	$ 126,560
Interest	126	126
Total revenues	109,249	126,686
EXPENDITURES		
Public Works		
Highways and streets	105,438	33,186
Excess (deficiency) of revenues over (under) expenditures	3,811	93,500
Other financing sources (uses)		
Transfers in (out)		
Water and Sewer Fund	0	(54,210)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,811	39,290
Fund balances, January 1	189,122	149,832
Fund balances, December 31	$ 192,933	$ 189,122

This page intentionally left blank.

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds are self-supporting in nature where the costs, including depreciation, of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

Water and Sewer Fund - Used to account for activities connected with the development, operation and maintenance of water and sewer services in the City of Franklin Springs.

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2017 and 2016

ASSETS	2017	2016
Current assets		
Cash and cash equivalents	$ 61,525	$ 48,755
Accounts receivable (net)	26,303	28,627
Total current assets	87,828	77,382
Restricted assets		
Bond Redemption		
Certificates of deposit	14,850	14,825
Capital assets		
Land	33,153	33,153
Vehicles	44,800	44,800
Distribution system	1,860,619	1,836,761
Machinery and equipment	110,331	110,331
Intangibles	5,727	5,727
Construction in progress	0	23,858
Accumulated depreciation	(1,253,661)	(1,199,664)
Total capital assets (net of accumulated depreciation)	800,969	854,966
Total assets	903,647	947,173
LIABILITIES		
Current liabilities		
Accounts payable	2,219	10,024
Compensated absences	3,404	3,408
Unearned revenue	251	251
Customer deposits payable	18,717	18,577
Notes payable	7,325	6,788
Total current liabilities	31,916	39,048
Current liabilities payable from restricted assets		
Revenue bonds payable	3,000	3,000
Long-term liabilities		
Notes payable	15,291	22,879
Revenue bonds payable	4,000	7,000
Total long-term liabilities	19,291	29,879
Total liabilities	54,207	71,927
NET POSITION		
Net investment in capital assets	771,353	815,299
Restricted for debt service	14,850	14,825
Unrestricted	63,237	45,122
Total net position	$ 849,440	$ 875,246

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended December 31, 2017 and 2016

OPERATING REVENUES	**2017**	**2016**
Charges for sales and services		
Water sales	$ 161,344	$ 196,193
Sewer charges	127,590	133,589
Tap fees	3,592	450
Other	9,168	12,898
Total operating revenues	301,694	343,130
OPERATING EXPENSES		
Cost of sales and services	194,659	205,793
Personal services	77,352	76,097
Depreciation	53,997	52,662
Total operating expenses	326,008	334,552
Operating income (loss)	(24,314)	8,578
Non-operating revenues (expenses)		
Interest revenue	25	75
Interest expense	(1,517)	(1,708)
Loss on sale of capital assets	0	(25,629)
Total non-operating revenues (expenses)	(1,492)	(27,262)
Net income (loss) before transfers	(25,806)	(18,684)
Transfers in (out)		
SPLOST Fund	0	54,210
Change in net position	(25,806)	35,526
Net position, January 1	875,246	839,720
Net position, December 31	$ 849,440	$ 875,246

CITY OF FRANKLIN SPRINGS, GEORGIA
WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
For the years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 294,990	$ 334,604
Payments to suppliers	(202,464)	(202,635)
Payments to employees	(77,356)	(77,106)
Other receipts	9,168	12,898
Net cash provided (used) by operating activities	24,338	67,761
Cash flows from capital and related financing activities:		
Receipts from other funds	0	54,210
Payments for acquisitions of capital assets	0	(52,036)
Principal payments - promissory notes	(7,051)	(7,011)
Principal payments - revenue bonds	(3,000)	(3,000)
Interest paid	(1,517)	(1,708)
Net cash provided (used) by capital and related financing activities	(11,568)	(9,545)
Net increase (decrease) in cash and cash equivalents	12,770	58,216
Cash and cash equivalents, January 1	48,755	(9,461)
Cash and cash equivalents, December 31	$ 61,525	$ 48,755
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (24,314)	$ 8,578
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	53,997	52,662
(Increase) decrease in accounts receivable	2,324	3,292
Increase (decrease) in accounts payable	(7,805)	3,158
Increase (decrease) in payroll liabilities	0	(1,409)
Increase (decrease) in deposits payable	140	1,080
Increase (decrease) in compensated absences	(4)	400
Total adjustments	48,652	59,183
Net cash provided (used) by operating activities	$ 24,338	$ 67,761

AGENCY FUND

Agency funds are used to account for assets held by the City as an agent to be expended in accordance with the conditions of its agency capacity.

Municipal Court Fund – This fund is used to account, on a temporary basis, for fines collected by the municipal court that ultimately are transmitted to the general fund or another agency.

CITY OF FRANKLIN SPRINGS, GEORGIA
MUNICIPAL COURT AGENCY FUND
COMPARATIVE STATEMENTS OF ASSETS AND LIABILITIES
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 12,202	$ 14,971
LIABILITIES		
Due to other agencies	$ 12,202	$ 14,971

CITY OF FRANKLIN SPRINGS, GEORGIA
MUNICIPAL COURT AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2017

	Balance January 1	Additions	Deletions	Balance December 31
ASSETS				
Cash and cash equivalents	$ 14,971	$ 47,002	$ (49,771)	$ 12,202
LIABILITIES				
Due to others agencies	$ 14,971	$ 47,002	$ (49,771)	$ 12,202

This page intentionally left blank.

OTHER REPORTING SECTION

This page intentionally left blank.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Honorable Mayor and Members
of the City Council
City of Franklin Springs, Georgia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin Springs, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Franklin Springs, 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control listed below that we consider to be material weaknesses.

Comment 2017-001

Condition: There is a lack of segregation of duties, as the City Clerk currently maintains the checkbook, prepares and makes deposits, prepares all bank reconciliations, posts all journal entries and make all utility account adjustments for the City.

Criteria: The duties of disbursements, receipts, preparing bank reconciliations, and journal entries should be separated and assigned to different personnel.

Effect: Failure to maintain adequate separation of duties subjects the City to greater risk of loss due to employee fraud.

Comment 2017-001, Continued

Recommendation: Because the City staff is too small to have an adequate separation of duties, the following mitigating procedures should be implemented. Currently two signatures are required on all checks. Also, the Mayor reviews and approves all bank statements. A formal journal entry approval process should be adopted and all journal entries made by the City Clerk should be reviewed and approved by the Mayor or other Council member before they are posted. The Mayor should review and make all deposits.

Management Response: Management concurs with this finding. The Mayor will review all journal entries posted by the City Clerk on a monthly basis.

Comment 2017-002

Condition: City personnel lack the necessary training and expertise in identification and application of generally accepted accounting policies and financial statement preparation. Currently, the City relies on the external auditors for technical assistance in these areas. This is common for governments of similar size and structure to the City of Franklin Springs. This does not indicate that the City Clerk is not trained to perform the daily accounting functions, but that the City has elected, as a cost benefit, to outsource this expertise to their auditors.

Criteria: Effective internal control requires that employees possess the necessary qualifications and training to fulfill their assigned duties.

Effect: Failure to ensure that employees possess the necessary qualifications to perform their assigned duties may lead to financial statements that are materially misstated.

Recommendation: City personnel should receive additional training in the identification and application of generally accepted accounting principles and the preparation of the City's financial statements. However, this may be cost prohibitive.

Management Response: Management concurs with this finding. The City has determined that the cost of training City personnel in identification and application of generally accepted accounting principles and financial statement preparation is prohibitive. The governing body and management have determined that personnel should receive training to the extent that is economically feasible and to continue to rely on the technical assistance of the external auditor or other qualified professional when necessary. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin Springs, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards:*

City of Franklin Springs, Georgia's Responses to Findings

The City of Franklin Springs, Georgia's responses to the findings identified in our audit are described previously. The City of Franklin Springs, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no such opinion on them.

The 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 City's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
May 25, 2018

This page intentionally left blank.

STATE REPORTING SECTION

CITY OF FRANKLIN SPRINGS, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2017

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2010 Referendum					
Fire; Roads, Streets, and Bridges; Water and Sewer	$ 778,570	$ 778,570			
Roads, Streets, and Bridges			$ 123,472	$ 105,438	$ 228,910
Fire			201,450	0	201,450
Water and Sewer			252,879	0	252,879
Total	$ 778,570	$ 778,570	$ 577,801	$ 105,438	$ 683,239