TOWN OF MOUNT AIRY

MOUNT AIRY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

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ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Town Council
Town of Mount Airy
Mount Airy, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mount Airy, GA as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Mount Airy, GA'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, and each major fund of the Town of Mount Airy, GA, as of December 31, 2016, 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 required supplementary information on pages 29-33 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.

Management has chosen to omit 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 Town of Mount Airy, GA's basic financial statements. The schedule of expenditures of Special Purpose Local Option Sales Tax Proceeds (as required by the Official Code of Georgia Annotated 48-8-21) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of Special Purpose Local Option Sales Tax Proceeds is the responsibility of management and was 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 schedule of expenditures of Special Purpose Local Option Sales Tax Proceeds is 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, 2017, on our consideration of the Town of Mount Airy, GA'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 Town of Mount Airy, GA's internal control over financial reporting and compliance.

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 30, 2017

BASIC FINANCIAL STATEMENTS

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

EXHIBIT 1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash	$ 138,774	$ 47,807	$ 186,581
Restricted Cash	12,331	-	12,331
Restricted Investments	250,006	-	250,006
Receivable-Net			
Accounts	-	76,912	76,912
Taxes	6,496	-	6,496
Intergovernmental	58,030	-	58,030
Internal Balances	(2,150)	2,150	-
Total Current Assets	463,487	126,869	590,356
Non-current Assets			
Capital Assets			
Non-Depreciable	1,447	16,759	18,206
Depreciable Assets - Net	687,513	419,580	1,107,093
Total Non-current Assets	688,960	436,339	1,125,299
TOTAL ASSETS	1,152,447	563,208	1,715,655
Deferred Outflow of Resources	52,624	35,082	87,706
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 1,205,071	$ 598,290	$ 1,803,361
LIABILITIES			
Current Liabilities			
Accounts Payable	$ 45,160	$ 1,062	$ 46,222
Accrued Payroll	2,212	4,873	7,085
Current Portion of Long-Term Debt	-	26,891	26,891
Total Current Liabilities	47,372	32,826	80,198
Noncurrent Liabilities			
Water Deposits	-	30,202	30,202
Long-term Notes Payable	-	201,129	201,129
Net Pension Liability	133,445	88,964	222,409
Total Noncurrent Liabilites	133,445	320,295	453,740
TOTAL LIABILITIES	180,817	353,121	533,938
Deferred Inflow of Resources	18,442	12,294	30,736
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	199,259	365,415	564,674
NET POSITION			
Net Investment in Capital Assets	688,960	208,319	897,279
Amounts Restricted for:			
Capital Projects	12,331	-	12,331
Debt Service	250,006	-	250,006
Unrestricted	54,515	24,556	79,071
TOTAL NET POSITION	$ 1,005,812	$ 232,875	$ 1,238,687

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

EXHIBIT 2

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 Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary Government							
Governmental Activities							
General Government	$ 214,292	$ 42,789	$ -	$ 131,373	$ (40,130)	$ -	$ (40,130)
Police	58,309	5,572	-		(52,737)	-	(52,737)
Streets and Roads	82,355	-	-	43,939	(38,416)	-	(38,416)
Parks	1,459	-	-		(1,459)	-	(1,459)
Total Governmental Activities	356,415	48,361	-	175,312	(132,742)	-	(132,742)
Business-type Activities							
Water and Sewer	332,459	299,936	-	-	-	(32,523)	(32,523)
GCIC	310,824	375,178	-	-	-	64,354	64,354
Total Business-type Activities	643,283	675,114	-	-	-	31,831	31,831
Total Primary Government	$ 999,698	$ 723,475	$ -	$ 175,312	(132,742)	31,831	(100,911)
General Revenues:							
Taxes:							
Property					94,296	-	94,296
Franchise					22,520	-	22,520
Beer and Wine					14,785	-	14,785
Liquor Tax					16,767	-	16,767
Insurance Premium					86,050	-	86,050
Unrestricted Investment Earnings					3,169	15	3,184
Miscellaneous					3,911	3,648	7,559
Transfers					40,000	(40,000)	-
Total General Revenues and Transfers					281,498	(36,337)	245,161
Change in Net Position					148,756	(4,506)	144,250
Net Position - Beginning of Year					857,056	237,381	1,094,437
Net Position - End of Year					$ 1,005,812	$ 232,875	$ 1,238,687

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

EXHIBIT 3

	GENERAL FUND	SPLOST VI CAPITAL PROJECTS	GOVERNMENTAL FUNDS
ASSETS			
Cash	$ 138,774	$ -	$ 138,774
Restricted Cash	250,006	12,331	262,337
Receivable - Net			
Taxes	6,496	-	6,496
Intergovernmental	34,481	23,549	58,030
TOTAL ASSETS	$ 429,757	35,880	$ 465,637
LIABILITIES			
Accounts Payable	$ 10,678	$ 34,482	$ 45,160
Accrued Payroll	2,212	-	2,212
Due to Other Funds	2,150	-	2,150
TOTAL LIABILITIES	15,040	34,482	49,522
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Tax Revenue	3,005	-	3,005
FUND BALANCE			
Restricted:			
Capital Projects	-	1,398	1,398
Debt Service	250,006	-	250,006
Unassigned	161,706	-	161,706
TOTAL FUND BALANCE	411,712	1,398	413,110
TOTAL LIABILITIES AND FUND BALANCE	$ 429,757	$ 35,880	$ 465,637

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

EXHIBIT 4

Adjustments to the Statement of Net Assets

Fund Balance	$	413,110
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		688,960
Certain assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds		
Property Taxes		3,005
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund financial statements, but are reported in the government-wide Statement of Net Position		
Deferred Outflows - Pensions		52,624
Deferred Inflows - Pensions		(18,442)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds balance sheet but are reported in the government-wide Statement of Net Position		
Net Pension Liability		(133,445)
Net Position of Governmental Activities (Exhibit "1")	$	1,005,812

The accompanying notes are an integral part of this statement.

EXHIBIT 5

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	GENERAL FUND	SPLOST V CAPITAL PROJECTS	SPLOST VI CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
Taxes				
Property	$ 100,304	$ -	$ -	$ 100,304
Franchise	22,520	-	-	22,520
Beer and Wine Tax	14,785	-	-	14,785
Liquor Tax	16,767	-	-	16,767
Insurance Premium	86,050	-	-	86,050
License and Permits	21,814	-	-	21,814
Charges for Services	20,975	-	-	20,975
Fines and Forfeitures	5,572	-	-	5,572
Intergovernmental	43,939	-	131,373	175,312
Interest Income	3,169	-	-	3,169
Other	3,911	-	-	3,911
TOTAL REVENUE	339,806	-	131,373	471,179
EXPENDITURES				
Current:				
General Government	204,551	60,461	178,950	443,962
Police Department	54,478	-	-	54,478
Streets and Sanitation	71,405	4,054	-	75,459
Parks	1,459	-	-	1,459
TOTAL EXPENDITURES	331,893	64,515	178,950	575,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,913	(64,515)	(47,577)	(104,179)
OTHER FINANCING SOURCES (USES)				
Transfers In	40,000	-	-	40,000
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,000			40,000
Net Change in Fund Balances	47,913	(64,515)	(47,577)	(64,179)
FUND BALANCE - BEGINNING OF YEAR	363,799	64,515	48,975	477,289
FUND BALANCE - END OF YEAR	$ 411,712	$ -	$ 1,398	$ 413,110

The accompanying notes are an integral part of this statement.

TOWN OF MOUNT AIRY, GEORGIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Adjustments to the Statement of Activities			
Net Change in Fund Balance		$	(64,179)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount of capital outlay and depreciation for the year were:			
Capital Expenditures	266,552		
Depreciation Expense	(56,257)		210,295
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(6,008)
Some expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:			
Pension Expense			8,648
Total change in net position of governmental activities (Exhibit "2")		$	148,756

The accompanying notes are an integral part of this statement.

EXHIBIT 7

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	WATER ENTERPRISE FUND	GCIC	TOTAL
ASSETS			
Current Assets:			
Cash	$ 27,835	$ 19,972	$ 47,807
Accounts Receivable	21,164	55,748	76,912
Due From Other Funds	-	3,667	3,667
Total Current Assets	48,999	79,387	128,386
Non-current Assets:			
Capital Assets			
Nondepreciable Assets	16,759	-	16,759
Depreciable Assets -net	419,580	-	419,580
Total Non-current Assets	436,339		436,339
TOTAL ASSETS	485,338	79,387	564,725
Deferred Outflow of Resources	11,694	23,388	35,082
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	497,032	102,775	599,807
LIABILITIES			
Current Liabilities			
Accounts Payable	1,062	-	1,062
Accrued Payroll	1,247	3,626	4,873
Current Portion of Long-Term Debt	26,891	-	26,891
Due to General Fund	1,517	-	1,517
Total Current Liabilities	30,717	3,626	34,343
Noncurrent Liabilities			
Water Deposits	30,202	-	30,202
Long-Term Notes Payable	201,129	-	201,129
Net Pension Liability	29,655	59,309	88,964
Total Noncurrent Liabilities	260,986	59,309	320,295
TOTAL LIABILITIES	291,703	62,935	354,638
Deferred Inflow of Resources	4,098	8,196	12,294
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	295,801	71,131	366,932
NET POSITION			
Net investment in capital assets	208,319	-	208,319
Unrestricted	(7,088)	31,644	24,556
TOTAL NET POSITION	$ 201,231	$ 31,644	$ 232,875

The accompanying notes are an integral part of this statement.

EXHIBIT 8

TOWN OF MOUNT AIRY GEORGIA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	WATER ENTERPRISE FUND	GCIC	TOTAL
OPERATING REVENUES			
Water Sales	$ 189,778	$ -	$ 189,778
Garbage	71,207	-	71,207
Fire Protection	38,951	-	38,951
GCIC Fees	-	375,178	375,178
Misc Income	3,648	-	3,648
TOTAL OPERATING REVENUES	303,584	375,178	678,762
OPERATING EXPENSES - By Department			
Water	194,287	-	194,287
Garbage Collection	67,099	-	67,099
Fire Protection	38,379	-	38,379
GCIC	-	310,824	310,824
Depreciation	27,512	-	27,512
TOTAL OPERATING EXPENSES	327,277	310,824	638,101
OPERATING INCOME	(23,693)	64,354	40,661
NON-OPERATING REVENUES (EXPENSE)			
Interest Income	15	-	15
Interest Expense	(5,182)	-	(5,182)
TOTAL NON-OPERATING INCOME (EXPENSE)	(5,167)		(5,167)
INCOME (LOSS) BEFORE TRANSFERS	(28,860)	64,354	35,494
Transfers in (out)			
Transfers in	11,117	-	11,117
Transfers out	-	(51,117)	(51,117)
	11,117	(51,117)	(40,000)
CHANGE IN NET POSITION	(17,743)	13,237	(4,506)
NET POSITION - BEGINNING OF YEAR	218,974	18,407	237,381
NET POSITION - END OF YEAR	$ 201,231	$ 31,644	$ 232,875

The accompanying notes are an integral part of this statement.

EXHIBIT 9

TOWN OF MOUNT AIRY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

	WATER ENTERPRISE FUND	GCIC	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 296,725	$ 363,833	$ 660,558
Payments to Suppliers	(212,838)	(104,043)	(316,881)
Payments to Employees	(91,366)	(198,881)	(290,247)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(7,479)	60,909	53,430
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer(To) From other funds	11,117	(51,117)	(40,000)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	11,117	(51,117)	(40,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Notes	13,883	-	13,883
Principal Paid on Notes	(22,806)	(17,723)	(40,529)
Interest Paid	(5,182)	-	(5,182)
	(14,105)	(17,723)	(31,828)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned	15	-	15
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	15	-	15
NET INCREASE IN CASH AND CASH EQUIVALENTS	(10,452)	(7,931)	(18,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	38,287	27,903	66,190
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 27,835	$ 19,972	$ 47,807
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ (23,693)	$ 64,354	$ 40,661
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	27,512	-	27,512
(Increase) Decrease in Accounts Receivable	(7,713)	(11,650)	(19,363)
(Increase) Decrease in Due from Other Funds	-	305	305
(Increase) Decrease in Deferred Outflows	(1,730)	(8,443)	(10,173)
Increase (Decrease) in Due To Other Funds	9	-	9
Increase (Decrease) in Accounts Payable	(2,874)	(1,768)	(4,642)
Increase (Decrease) in Accrued Payroll	347	1,522	1,869
Increase (Decrease) in Net Pension Liability	(1,137)	13,121	11,984
Increase (Decrease) in Deferred Inflows	946	3,468	4,414
Increase (Decrease) in Service Deposits	854	-	854
TOTAL ADJUSTMENTS	16,214	(3,445)	12,769
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (7,479)	$ 60,909	$ 53,430

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government Unit

The Town of Mount Airy (the "Town") was incorporated under the laws of the State of Georgia in 1874 and operates under an elected mayor-commission for of Government. The Town's combined financial statements include the accounts of all the Town's operations.

The financial statements of the Town of Mount Airy have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for the Town's accounting and financial reporting policies. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board and (1) the Town is able to significantly influence the programs or services performed or provided by the organization; or (2) the Town is legally entitled to or can otherwise access the organization's resources; the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Town is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the Town in that the Town approves the budget, levies taxes or issues their debt.

Based on the aforementioned criteria, the Town has no component units.

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

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 non-fiduciary activities of the primary 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 Town. Individual funds are not displayed. The statements distinguish between governmental activities, generally supported by taxes, intergovernmental revenues, and other non-exchange transactions and business-type activities, which are generally financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial position of the governmental and business type activities of the Town at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities, for identifiable activity of the business-type activities of the Town. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional

NOTE 1 – (Continued)

activity. 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. These revenues are subject to externally imposed restrictions to these program uses.

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

Taxes and other revenue sources not properly included with the program revenues are reported as general revenues of the Town. The comparison between direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting – The Town uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Town uses two categories of funds: governmental and proprietary.

Governmental Funds: - Governmental Funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between governmental fund assets and liabilities as fund balance. The following are the Town's major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *SPLOST V Capital Projects Fund* accounts for the funds from the Town's share of the Habersham County Special Purpose Local Option Sales Tax.

The *SPLOST VI Capital Projects Fund* accounts for the funds from the Town's share of the Habersham County Special Purpose Local Option Sales Tax.

Proprietary Funds*:* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The Town has two major proprietary funds:

The *Water Fund* accounts for the operation of the water system including all revenues from sources applicable to the system's operations and all expenses of its operations.

The *GCIC Fund* accounts for the operations of the criminal background checks performed by the Town through the Georgia Crime Information Center.

NOTE 1 – (Continued)

C. – Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Town are included in the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary funds types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual method and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues- Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the calendar year which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current calendar year. For the Town, the phrase "available for exchange transactions" means expected to be received within 60 days of year end.

Revenues – Non-exchange Transactions – Non-exchange transactions, in which the Town receives value without directly giving equal value in return, includes sales tax, property taxes, grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied. Revenue from grants and donations is recognized in the calendar year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specific the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days for property taxes and other non-exchange transactions) before it can be recognized.

NOTE 1 – (Continued)

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales tax, special assessments and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D Assets, Liabilities and Equity

1. ***Cash and Investments*** - Cash and cash equivalents include amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. Cash and cash equivalents are reported on the balance sheets, statements of net position and in cash flow statements.

   State statutes authorize the Town to invest in the following types of obligations:
   - Obligations of the State of Georgia or of any other states
   - Obligations of the United States Government
   - Obligations fully insured or guaranteed by the United States Government or Government Agency
   - Obligations of any corporation of the United States Government
   - Prime Bankers acceptances
   - The State of Georgia local government investment pool (i.e., Georgia Fund 1)
   - Obligations of the other political subdivisions of the State of Georgia

2. ***Receivables*** – Levied property taxes are recorded as receivables and recognized as revenue in the year they become due. The levy is made on assessed valuations as of January 1, and the taxes are due on December 20 of each year.

   The tax bills are mailed at least 60 days prior to the due date. The billings are considered past due 60 days after the tax billings date or December 20, whichever is later, at which time the applicable property is subject to lien, and penalties are assessed.

   All trade and property tax receivables are shown net of an allowance for uncollectibles, where applicable.

3. ***Interfund Balances***

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

3. ***Inventories***

The cost of supplies is recorded as expenditure at the time the individual items are purchased. The amount of inventory on hand is insignificant and therefore not recorded.

NOTE 1 – (Continued)

5. *Capital Assets*

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent that the Town's capitalization threshold is met. The Town capitalizes asset purchases valued at $5,000 or more. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during the year.

Infrastructure (roads, bridges and traffic lights) acquired prior to January 1, 2000 have not been reported.

6. *Compensated Absences*

The Town's policy does not allow the accumulation of vacation pay beyond a six-month period subsequent to year-end. Vacation taken subsequent to year-end requires approval of the department head and the Mayor and is lost if not taken by the end of the six-month period. The amount of 2015 vacation time taken in 2016 could not be reasonably estimated but it deemed to be immaterial. Sick pay benefits are nonvesting accumulating rights and are not accrued as allowed by FASB-43 (Accounting for Compensated Absences).

7. *Accrued Liabilities and Long-term Obligations*

The Town reports long-term debt of governmental activities at face value in the Government-wide Statement of Net Assets. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in both the Government-wide and fund financial statements.

8. *Fund Equity*

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 current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

NOTE 1 – (Continued)

- *Nonspendable* – Fund balances are reported as nonspendable when the 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 like inventories and prepaid items) 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 Town 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 Town Council through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Town Council must adopt another resolution.
- *Assigned*- Fund balances are reported as assigned when the amounts are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Town Council has authorized the Town's finance director 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 Town reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net Position – The net position represents the difference between assets and liabilities. The net position component "invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net assets are reported as restricted as described in the fund balance section above. All other assets are reported as unrestricted.

Fund Balance Flow Assumptions – 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 last.

Net Position Flow Assumptions – 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.

9. *Operating Revenue and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and development. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

10. *Interfund Activity*

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/ expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related

NOTE 1 – (Continued)

cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

11. ***Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

12. ***Deferred Outflows/Inflows of Resources***

The Town implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. This implementation resulted primarily in changes to terminology and the elimination of reporting unamortized debt issuance costs (i.e., unamortized loan origination fees) as a deferred charge.

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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The Town has no items that qualify for reporting in this category.

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 the acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The 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 and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town finance director prepares a draft of the annual budget from which the Commissioners prepare a proposed budget. The Town then advertises in a local newspaper giving notice regarding a public hearing in which local citizens may give their input regarding the proposed budget. The Town also places a copy of the proposed budget on file for public inspection prior to actual approval. Once all of the steps have been taken, the Commissioners then formally adopt the annual, balanced budget. The legal level of control of the budget is at the department level. All appropriations lapse at year end. During the current fiscal year, there were no amendments made to the original budget.

The Council annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. The budgets are integrated into the accounting system, and the budgetary, as presented in financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion of the applicable appropriation - is not utilized by the Town of Mount Airy.

NOTE 2 – (Continued)

During the fiscal year ended December 31, 2016, the Town incurred expenditures in the following General Fund departments that were materially in excess of the amounts appropriated.

Department	Budget	Actual	Variance
General Government	167,050	204,551	(37,501)
Streets	63,050	71,405	(8,355)

NOTE 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 Town's deposits may not be returned. The Town has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized. At December 31, 2016 the Town had no uninsured, uncollateralized deposits.

Interest Rate Risk

The Town 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 Town has no investment policy that would further limit the investment choices. Investments are to be reported at fair value.

Concentration of Credit Risk

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

Foreign Currency Risk

The Town has no investments denominated in a foreign currency.

NOTE 4 - RECEIVABLES

Receivables at December 31, 2016 consisted of the following:

	General Fund	Enterprise Fund	Splost	Total
Receivables:				
Taxes	$ 6,496	$ -	$ -	$ 6,496
Intergovernmental	34,481	-	23,549	58,030
Water and Sewer Receivables	-	21,164	-	21,164
GCIC	-	55,748	-	55,748
Total Receivables	$ 40,977	$ 76,912	$23,549	$ 141,438

NOTE 4 – (Continued)

The delinquent taxes receivable account represents uncollected tax levies. The Town maintains an allowance for doubtful accounts of $1,000.

Property taxes are assessed as of January 1, 2016 on property values. Taxes were levied on October 20, 2016 for the 2016 tax year, and were due on December 20, 2016. All unpaid taxes levied on October 20, 2016 become delinquent as of December 20, 2016. Interest and penalties accrue after December 20, 2016.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year end.

NOTE 5 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Major Funds		
Due To	**Due From**	**Amount**
General	Water	$ 1,517
GCIC	General	3,667
Total		$ 5,184

INTERFUND TRANSFERS

	General	Water	GCIC	Total
Transfer Out To :				
Major Funds				
General Fund	$ -	$ -	$ (40,000)	$ (40,000)
Water Fund	-	-	(11,117)	(11,117)
GCIC	-	-	-	-
Transfer In From :				
Major Funds				
General Fund	-	-	-	-
Water Fund	-	-	-	-
GCIC	40,000	11,117	-	51,117
	$ 40,000	$ 11,117	$ (51,117)	$ -

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type group.

NOTE 6 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental-Type Activities:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital Assets not being Depreciated				
Land	$ 1,447	$ -	$ -	$ 1,447
Depreciable Assets				
Buildings	569,115	266,552	-	835,667
Machinery & Equipment	279,646	-	-	279,646
Total Depreciable Assets	848,761	266,552	-	1,115,313
Less: Accumulated Depreciation				
Buildings	(215,468)	(19,922)	-	(235,390)
Machinery & Equipment	(156,075)	(36,335)	-	(192,410)
Total Accumulated Depreciation	(371,543)	(56,257)	-	(427,800)
Net Depreciable Assets	477,218	210,295	-	687,513
Governmental activities assets, net	$ 478,665	$ 210,295	$ -	$ 688,960

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 40,594
Police	4,792
Streets and Sanitation	10,871
Total	$ 56,257

NOTE 6 – (Continued)

Business-Type Activities:

	Balance 12/31/2015	Additions	Deletions	Balance 12/31/2016
Capital Assets not being Depreciated				
Land	$ 16,759	$ -	$ -	$ 16,759
Depreciable Assets				
Well Housing	18,852	-	-	18,852
Water System	865,853	-	-	865,853
Water Tanks	185,317	-	-	185,317
Total Depreciable Assets	1,070,022	-	-	1,070,022
Less: Accumulated Depreciation				
Well Housing	(17,778)	(4,481)	-	(22,259)
Water System	(412,161)	(23,031)	-	(435,192)
Water Tanks	(192,991)	-		(192,991)
Total Accumulated Depreciation	(622,930)	(27,512)	-	(650,442)
Net Depreciable Assets	447,092	(27,512)	-	419,580
Business-Type activities assets, net	$ 463,851	$ (27,512)	$ -	$ 436,339

In the governmental and business-type activities, the following estimated useful lives are used to compute depreciation using the straight-line method:

General Government Buildings	40 Years
Streets	5-20 Years
Water System	50 Years
Machinery and Equipment	5-20 Years

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in long-term debt of the Town for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Payments/ Retirements	Balance 12/31/2016	Due Within One Year
Governmental Activities					
Net Pension Liability	$ 138,563	$ -	$ 5,118	$ 133,445	$ -
Total governmental activities	138,563	-	5,118	133,445	-
Business-Type Activities					
Notes Payable - Water	236,943	13,833	22,806	227,970	23,346
Notes Payable - GCIC	17,723	-	17,723	-	
Net Pension Liability	76,980	11,984	-	88,964	-
Total business-type activities	331,646	25,817	40,529	316,934	23,346
Total long-term liabilities	$ 470,209	$ 25,817	$ 45,647	$ 450,379	$ 23,346

NOTE 7 – (Continued)

Primary Government

The amount of interest expense for the year in the Business-Type activities was $ 5,182. The General Fund does not carry any debt.

The proprietary fund has incurred debt for the construction and improvement of water facilities. This debt is reported in the Proprietary Fund since it is expected to be repaid from Proprietary Fund Revenues.

This debt is however backed by the full faith and credit of the government and is considered general obligation debt.

Enterprise Activities

Notes Payable – Community and Southern Bank On May 15, 2014, the Town of Mount Airy entered into a loan with Community and Southern Bank to finance the expansion of water lines. The loan went into permanent financing on May 1, 2015. The original amount of this loan was $250,000. Principal and interest shall be due and payable in forty seven monthly payments of $2,332.31 and one balloon payment of $159,115.15. The payments commenced on June 15, 2015 and the balloon payment is due on May 15, 2019. The note bears an interest rate of 2.250%.

Amortization of this loan is as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2017	$ 23,346	$ 4,642	$ 27,988
2018	23,884	4,103	27,987
2019	166,907	1,537	168,444
Totals	$ 214,137	$ 10,282	$ 224,419

Notes Payable – Habersham Electric Membership Corporation The Water Fund borrowed from Habersham Electric Membership Corporation for the construction of a fiber optic line to Town Hall. The loan balance as of December 31, 2016 was $13,883.

Fiscal Year Ending December 31,	Principal	Interest	Total
2017	$ 3,545	$ -	$ 3,545
2018	3,545	-	3,545
2019	3,545	-	3,545
2020	3,248	-	3,248
Totals	$ 13,883	$ -	$ 13,883

NOTE 8 - EMPLOYEE RETIREMENT PLAN

Plan Description

The Town contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for cities and municipalities in Georgia. Authority to establish and amend benefit provisions is held by the Town Council of the Town of Mounty Airy. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Section 47-20-10 of the Georgia Code sets forth the funding standards for state and local government pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Town of Mount Airy retirement plan. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Vested employees who have reached the age of 65 and have completed five years of credited service are eligible to receive a monthly benefit, payable for life. The benefit is equal to 1.0% of the employees' average salary up to a floating break point and 1.75% of the employee's average salary above the floating break point for the five highest years of employment multiplied by the years of credited service. The floating break point is based upon average Social Security earnings determined by the employee's year of employment termination. The plan also provides benefits in the event of death or disability. These benefits provisions were established by an adoption agreement executed by the Town Council.

Vested employees who have reached age 55 with at least ten years of credited service are eligible to receive an early retirement benefit, payable monthly for life, reduced on an actuarial equivalent basis. Death benefits and optional forms of retirement income on an actuarial equivalent basis are also available.

Current Membership is as follows:

Retirees and beneficiaries currently receiving benefits	12
Terminated vested participants	4
Active employees participating in the plan	15
Total number of participants	31

Funding Policy

Town employees are not required to contribute to the Plan. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state requirements. The Town is required to contribute at an actuarially determined rate; the current rate is 20.41% of annual covered payroll. The prior year contribution rate was 24.81%. The new rate is a decrease of 4.4% of pay. The contribution requirements of plan members and the Town are established and may be amended by the Georgia Municipal Employee Benefit System Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
As of December 31, 2016, the Town reported a net pension liability of $222,409. The net pension liability was measured on March 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended December 31, 2016, the Town recognized a pension expense in the amount of $46,009.

NOTE 8 – (Continued)

At December 31, 2016, the Town reported deferred outflows and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,064	$ (23,268)
Changes in assumptions	-	(7,468)
Net difference between projected and actual earnings on pension plan investments	24,966	-
Town contributions subsequent to the measurement date	41,676	-
Total	$ 87,706	$ (30,736)

The $41,676 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction in net position liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2017	$ 11,636
2018	(1,960)
2019	(1,960)
2020	7,578
	$ 15,294

Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions as applied to all periods included in the measurement:

Inflation	3.25% per year
Cost of Living Adjustment	3.25% per year
Investment Return:	7.75% per year
Future Salary Increases:	3.25% per year with an age based scale as follows:

Years of Service	Annual Rate (%)
0-1	8.75
2	5.75
3	5.50
4	5.25
5	5.00
6	4.75
7	4.50
8	4.25
9	4.00
10 or more	3.75

NOTE 8 – (Continued)

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

The mortality assumptions used in the July 1, 2016 actuarial report were based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014.

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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Nominal 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%	

Changes in Net Pension Liability:

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (a)-(b)
Balances at March 31, 2015	$ 721,387	$ 505,844	$ 215,543
Changes for the year:			
Service Cost	24,348	-	24,348
Interest	54,591	-	54,591
Difference between actual and expected experience	(31,023)	-	(31,023)
Employer contributions	-	46,009	(46,009)
Employee contributions	-	-	-
Net investment income	-	1,530	(1,530)
Benefit payments	(33,983)	(33,983)	-
Administrative expense		(6,489)	6,489
Other	-	-	-
Net Changes	13,933	7,067	6,866
Balances at March 31, 2016	$ 735,320	$ 512,911	$ 222,409

NOTE 8 – (Continued)

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The discount rate used to measure the total net pension liability was 7.75%. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	6.75%	300,332
Current discount rate	7.75%	222,409
1% increase	8.75%	156,205

Plan Fiduciary Net Position:
Detailed information about the Plan's fiduciary net position is available in a separately issued Georgia Municipal Employee Benefit System financial report.

NOTE 9 – CONTINGENT LIABILITIES

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

The Town is not aware of any litigation or other contingent liabilities either in effect or pending against itself.

NOTE 10 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; Errors and omissions; injuries to employees; and natural disasters. The Town 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 Government is obligated to pay all contributions and assessments as prescribed in the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, 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 Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claim against the Government within the scope of loss protection furnished by the fund.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings, allegations or demands be wholly groundless, false or fraudulent. The fund is to pay all cost taxes against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiations or defense.

However, the enabling statute creating the Plans permits the funds to levy assessment upon its members to make up any deficiency the Plans may have in surplus or reserves. Since excess insurance is purchased by the Plans to

NOTE 10 – (Continued)

protect them for catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote. There have been no insurance settlements exceeding coverage within the past three years.

NOTE 11– GEORGIA MOUNTAIN REGIONAL COMMISSION

The Town of Mount Airy, in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Commission. Membership in a commission is automatic for each municipality and Town in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the commissions. Each Town and municipality in the state is required by law to pay minimum annual dues to the commission. The commission Board membership includes the chief elected official of each Town and the chief elected official of each municipality. The Town Board members and municipal Board members from the same Town elect one member of the Board who is a resident (but not an elected or appointed official or employee of the Town or municipality) to serve as the non-public Board member from a Town. Separate financial statements can be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, Georgia 30503

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of a commission beyond its resources. (O.C.G.A. 50-8-39.1)

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

In accordance with the Governmental Accounting Standards Board Statement No. 34,
The following information is a required part of the financial statements.

TOWN OF MOUNT AIRY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

SCHEDULE 1

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
REVENUES				
Taxes				
Property	$ 90,223	$ 90,223	$ 100,304	$ 10,081
Franchise	21,000	21,000	22,520	1,520
Beer and Wine Tax	11,500	11,500	14,785	3,285
Liquor Tax	17,000	17,000	16,767	(233)
Insurance Premium	70,000	70,000	86,050	16,050
License and Permits	18,900	18,900	21,814	2,914
Charges for Services	19,350	19,350	20,975	1,625
Fines and Forfeitures	7,000	7,000	5,572	(1,428)
Intergovernmental	0	0	43,939	43,939
Interest Income	2,350	2,350	3,169	819
Misc Income	35,000	35,000	3,911	(31,089)
TOTAL REVENUES	292,323	292,323	339,806	47,483
EXPENDITURES				
Current:				
General Government	167,050	167,050	204,551	(37,501)
Police Department	60,023	60,023	54,478	5,545
Streets	63,050	63,050	71,405	(8,355)
Parks	2,200	2,200	1,459	741
TOTAL EXPENDITURES	292,323	292,323	331,893	(39,570)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	7,913	7,913
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	40,000	(40,000)
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	40,000	(40,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses			47,913	
FUND BALANCE - BEGINNING OF YEAR (ORIGINAL)			363,799	
FUND BALANCE - END OF YEAR			$ 411,712	

SCHEDULE 2

TOWN OF MOUNT AIRY
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
DECEMBER 31, 2016
(Unaudited)

	FISCAL YEAR END 2016	FISCAL YEAR END 2015
Service Cost	$ 24,348	$ 18,798
Interest on Total Pension Liability	54,591	43,683
Difference between expected and actual experience	(31,023)	63,192
Change of assumptions	-	(22,403)
Changes of benefit terms	-	68,739
Benefits Payments, including refunds of employee contributions	(33,983)	(28,553)
Net Change in total pension liability	13,933	143,456
Tot: Total Pension Liability as of March 31, 2015 (2)	721,387	577,931
Total Pension Liability as of March 31, 2016 (1)	$ 735,320	$ 721,387
Employer Contributions	46,009	39,817
Employee Contributions	-	-
Net Investment Income	1,530	44,461
Benefit Payments	(33,983)	(28,553)
Administrative Expense	(6,489)	(5,948)
Other	-	-
Net change in fiduciary net position	7,067	49,777
Fidı Fiduciary Net Position as of End of Year (4)	505,844	456,067
Fiduciary Net Position as of End of Year (2)	512,911	505,844
Net pension liability as of end of year (1)-(2)	$ 222,409	$ 215,543
Fiduciary Net Position as a % of Total Pension Liability (4)/(2)	69.75%	70.12%
Covered-employee payroll	262,584	220,415
Net pension liability as a % of covered-employee payroll	84.70%	97.79%

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

TOWN OF MOUNT AIRY
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
DECEMBER 31, 2016
(Unaudited)

	FISCAL YEAR END 2016	FISCAL YEAR END 2015
Actuarially determined contribution	-*	36,822
Contributions in relation to the actuarially determined contribution	-*	42,822
Contribution deficiency (excess)	-	(6,000)
Covered-employee payroll	-*	220,415
Contributions as a percentage of covered-employee payroll	-*	19.43%

** 2016 information will be determined after fiscal year end and will be included in the 2017 valuation report.*

TOWN OF MOUNT AIRY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED DECEMBER 31, 2016

BUDGETARY ACCOUNTING AND CONTROL

The Town is required by law to adopt a budget. The procedures in establishing the budget reflected in the financial statements are as follows:

1. Prior to January1, the Town Clerk submits to the Town Commission a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at Town Hall to obtain taxpayer comments.

3. Prior to January 1, the Commission approves the budget.

4. The Town Clerk is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any department must be approved by the Town Commission.

5. Formal budgetary integration is employed as a management control device during the year for all funds.

6. The budget is presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Funds presents actual expenditures in accordance with accounting principles generally accepted in the United States on a basis consistent with legally adopted budget.

7. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

8. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion of the applicable appropriation, is not utilized by the Town of Mount Airy.

PENSIONS

1. Valuation Date

The actuarially determined contribution rate was determined as of July 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2017.

2. 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 11 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 the 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.
- Net investment rate of return = 7.75%
- Projected salary increases = 3.25% plus service based merit increases
- Cost of living adjustments = 3.25%

Methods and Assumptions Used to Determine Contribution Rates (Continued)

- Retirement age for inactive vested participants = 65
- Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

3. Changes in Benefits

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

4. Changes of Assumptions

Amounts reported for the fiscal year ending in 2016 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period of 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 age 65 were changed from the 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 the 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 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation and cost-of-living adjustment assumptions were decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service- related rates. Under the prior assumption, the salary increases range from 4.00% to 11.00% and included an inflation 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%.

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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 Town Council
Town of Mount Airy
Mount Airy, 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, and each major fund of the Town of Mount Airy, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Mount Airy, Georgia's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. Comments 12-1 and 15-2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mount Airy, 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 comments 14-1 and 16-1 to 16-3.

Town of Mount Airy, Georgia's Response to Findings

Town of Mount Airy, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Mount Airy, 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.

Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia
June 30, 2017

Current Year Audit Findings

Comment 16-1:

Condition: The Town let out a public works project without following the proper bidding requirements.

Criteria: OCGA Code Section 36-91-21 states it shall be unlawful to let out any public works construction contracts subject to the requirements of this chapter without complying with the competitive award requirements contained in this Code section. Any contractor who performs any work of the kind in any other manner and who knows that the public works construction contract was let out without complying with the notice and competitive award requirements of this chapter shall not be entitled to receive any payment for such work.

Effect: The Town may have not have received the lowest possible price in the construction of it public works project.

Recommendation: Town management should ensure the procurement process is followed in future public works projects.

Management Response: Management concurs with this finding. Management will ensure that the bidding requirements are followed for future public works projects.

Comment 16-2:

Condition: The Town is billing an amount for occupation tax that differs from what is stated in the town ordinance.

Criteria: The Town of Mount Airy ordinance establishes the rates at which occupation taxes are to be billed. The Town has been charging some customers rates that differ from those set forth in the ordinance.

Effect: Some customers are not being billed the proper rate for occupation tax.

Recommendation: Town management should ensure the rates charged for occupation tax are the same as those set forth in the ordinance.

Management Response: Management concurs with this finding. The Town Clerk will review all occupation tax bills and ensure that the rates being charged are in accordance with those set forth in the Town ordinance.

Comment 16-3:

Condition: Article 9, Section 5, Paragraph 1 of the Georgia Constitution states that debt incurred by any county, municipality, or other political subdivision of this state, including debt incurred on behalf of any special district, shall never exceed 10 percent of the assessed value of all taxable property within such county, municipality, or political subdivision; and no such county, municipality, or other political subdivision shall incur any new debt without the assent of a majority of the qualified voters of such county, municipality, or political subdivision voting in an election held for that purpose as provided by law.

Criteria: The Town is required to obtain the consent of the majority of qualified voters before acquiring new general obligation debt.

Current Year Audit Findings – (Continued)

Cause: The Town has incurred general obligation debt without the consent of the majority of qualified voters.

Effect: The Town is in violation of the laws of the Constitution of the State of Georgia with regards to the acquisition of debt.

Recommendation: The Town should either seek the consent of the majority of voters before incurring general obligation debt or it should seek to finance the purchase of assets through means that are in accordance with the Constitution of the State of Georgia.

Prior Year Audit Findings

Comment 12-1:

Condition: Town personnel may require additional training in the application of generally accepted principles and the preparation of financial statements. Currently, the Town relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common in governments of similar size and structure to the Town. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the Finance Director is not trained to perform the daily accounting functions, but that the Town has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on Internal Control and Compliance.

Criteria: Effective internal control requires that the Town accept responsibility and understanding of the audited financial report.

Effect: Failure to understand the financial statements may lead to material misstatements.

Recommendation: Town personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the Town's financial statements.

Management Response: Mount Airy, Georgia's Town Management concurs with this finding and understands the requirement of SAS 112 to issue this statement as a Significant Deficiency. All employees of the Board of Commissioners Finance Office will continue to seek training in the application of generally accepted accounting principles and in the preparation of the Town's financial statements. Until such time it is financially feasible for the Town finance staff to prepare the Town's financial statements, the Finance Office will continue to rely on an independent auditor to prepare them.

Prior Year Audit Findings – (Continued)

Comment 14-1:

Condition: The Town experienced an excess of expenditures over appropriations in the General Fund.

Criteria: OCGA Code Section 36-81-3 requires local governments to operate under an approved annual budget for the General Fund, special revenue funds, and debt service funds.

Effect: Failure to maintain expenditures within the balanced budget for the General Fund will place the Town in violation of state law.

Recommendation: Town management should ensure that annual operating budgets adhered to throughout the year. Budget to actual comparisons should be periodically reviewed by Town management and budgets amended as needed to ensure that the Town remains in compliance with the law.

Management Response: Management concurs with this finding. The Town Clerk will ensure that the annual budget is reviewed with budget to actual comparisons and recommend any necessary budget revisions to Town Council.

Comment 15-2

Condition: There is no documentation that invoices are being approved prior to payment.

Criteria: The Town's current process allows for checks to be prepared before invoices are approved. Internal controls should be in place to properly approve invoices prior to an independent of preparing the checks.

Cause: During our audit, we examined a sample of invoices that did not contain proper documentation of approval.

Effect: The current process increases the risk that errors on invoices are not detected before payment or that unapproved invoices could be paid.

Recommendation: We recommend that the Mayor or Council Member approve and document approval on invoices before checks are prepared.

Management Response: Management concurs with this finding.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF MOUNT AIRY, GEORGIA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

SPLOST V	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Recreation	$ 60,000	$ 39,126	$ -	$ 39,126	65.2%
Public Facilities	250,000	118,666	60,461	179,127	71.7%
Water Development	60,000	47,490	-	47,490	79.2%
Roads and Bridges	168,111	54,484	-	54,484	32.4%
Public Safety	40,000	9,007	4,054	13,061	32.7%
	$ 578,111	$ 268,773	$ 64,515	$ 333,288	

SPLOST VI	Original Estimated Costs	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Recreation	$ 30,000	$ -	$ -	$ -	0.0%
Public Facilities	200,000	-	178,950	178,950	89.5%
Water Development	80,000	-	-	-	0.0%
Roads and Bridges	420,000	49,000	-	49,000	11.7%
Public Safety	61,226	-	-	-	0.0%
Land Development	90,000	-	-	-	0.0%
	$ 881,226	$ 49,000	$ 178,950	$ 227,950	