CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
City of Sparta, 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 Sparta, Georgia, as of and for the year ended April 30, 2015, 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 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, based on our audit, 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 Sparta, Georgia, as of April 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 budgetary comparison information on pages 30 through 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.

The City of Sparta, Georgia has not presented management's discussion and analysis that governmental 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 financials 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 Sparta, Georgia's basic financial statements. The schedules included in other supplementary information as described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules included in other supplementary information as described in the accompanying table of contents are the responsibility of management and were derived from and relate 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 schedules included in other supplementary information as described in the accompanying table of contents is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 28, 2016 on our consideration of the City of Sparta, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Sparta, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

June 28, 2016

Financial Section

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET POSITION
APRIL 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 329,935	$ 405,143	$ 735,078
Restricted assets	-	145,477	145,477
Receivables, net of allowances for uncollectible:			
Taxes	267,563	-	267,563
Accounts	13,124	237,800	250,924
Intergovernmental	13,316	-	13,316
Other	-	32,216	32,216
Internal balances	58,779	(58,779)	-
Notes receivable	278,645	-	278,645
Prepaid expenses	5,621	11,242	16,863
Capital assets:			
Land and other non-depreciable assets	15,500	338,288	353,788
Other capital assets, net of depreciation	547,373	9,936,761	10,484,134
Total Assets	1,529,856	11,048,148	12,578,004
Liabilities			
Bank overdraft	-	-	-
Accounts payable	131,338	328,167	459,505
Accrued interest payable	-	15,657	15,657
Other current liabilities	14,584	27,155	41,739
Compensated absences payable - current	113,259	77,230	190,489
Short term notes payable	100,500	-	100,500
Customer deposits	-	101,157	101,157
Unearned revenues	-	-	-
Long-term obligations:			
Due within one year	13,669	279,914	293,583
Due in more than one year	31,112	6,961,656	6,992,768
Total Liabilities	404,462	7,790,936	8,195,398
Net Position			
Net investment in capital assets	518,092	3,067,741	3,585,833
Restricted for:			
Debt service	-	13,313	13,313
Capital outlay	88,752	-	88,752
Grant agreement	286,453	-	286,453
Unrestricted	232,097	176,158	408,255
Total Net Position	$ 1,125,394	$ 3,257,212	$ 4,382,606

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2015

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	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government							
Governmental Activities:							
General government	$ 161,498	$ 19,751	$ -	$ -	$ (141,747)	$ -	$ (141,747)
Administration	74,798	-	-	-	(74,798)	-	(74,798)
Public safety	464,223	24,934	-	-	(439,289)	-	(439,289)
Street maintenance	271,948	91,478	-	200,278	19,808	-	19,808
Culture and recreation	233	-	-	-	(233)	-	(233)
Interest on debt	5,143	-	-	-	(5,143)	-	(5,143)
Economic development	18,278	-	-	-	(18,278)	-	(18,278)
Total governmental activities	996,121	136,163	-	200,278	(659,680)	-	(659,680)
Business-type Activities:							
Water and sewer	1,983,148	1,973,467	-	-	-	(9,681)	(9,681)
Gas	776,653	645,508	-	-	-	(131,145)	(131,145)
Total business-type activities	2,759,801	2,618,975	-	-	-	(140,826)	(140,826)
Total primary government	$ 3,755,922	$ 2,755,138	$ -	$ 200,278	(659,680)	(140,826)	(800,506)
General revenues:							
Property taxes					258,500	-	258,500
Franchise fees					85,491	-	85,491
Local option sales tax					137,955	-	137,955
TSPLOST					35,281	-	35,281
Insurance premium tax					75,563	-	75,563
Motor vehicle/mobile home taxes					39,559	-	39,559
Beer/liquor/wine taxes					57,529	-	57,529
Occupation taxes					19,985	-	19,985
Unrestricted investment earnings					79	272	351
USDA Grant income					-	564,143	564,143
Miscellaneous					40,571	-	40,571
Transfers					50,000	(50,000)	-
Total general revenues and transfers					800,513	514,415	1,314,928
Change in net position					140,833	373,589	514,422
Net position - beginning					984,561	2,883,623	3,868,184
Net position -ending					$ 1,125,394	$ 3,257,212	$ 4,382,606

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2015

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 236,909	$ 93,026	$ 329,935
Receivables, net of allowances for uncollectibles:			
Taxes	267,563	-	267,563
Accounts	13,124	-	13,124
Intergovernmental	9,782	3,534	13,316
Notes receivable	-	278,645	278,645
Due from other funds	69,156	-	69,156
Prepaid expenditures	5,621	-	5,621
Total Assets	$ 602,155	$ 375,205	$ 977,360
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	131,338	$ -	$ 131,338
Accrued expenses	14,584	-	14,584
Short-term notes payable	100,500	-	100,500
Due to other funds	10,377	-	10,377
Total Liabilities	256,799	-	256,799
Deferred Inflow of Resources -			
Unavailable revenues	296,053	-	296,053
Fund Balances:			
Restricted for:			
Other purposes	-	286,453	286,453
Capital projects	-	88,752	88,752
Unassigned	49,303	-	49,303
Total Fund Balances	49,303	375,205	424,508
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 602,155	$ 375,205	$ 977,360

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 4

RECONCILIATION OF NET ASSETS –GOVERNMENTAL FUNDS IN THE STATEMENT OF NET POSITION
TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE SHEET
FOR THE YEAR ENDED APRIL 30, 2015

Fund balance - total governmental funds	$	424,508
Amounts reported for governmental activities in the statement of net assets are different because:		
Some liabilities are not due and payable in the current period and therefore are not reported in the funds -		
Compensated absences		(113,259)
Notes Payable		(44,781)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		296,053
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		562,873
Net position of governmental activities	$	1,125,394

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 639,280	$ 35,281	$ 674,561
Licenses and permits	19,751	-	19,751
Fines and forfeitures	24,934	-	24,934
Charges for services	94,420	-	94,420
Grant revenues	154,401	45,877	200,278
Other revenues	37,798	2,852	40,650
Total revenues	970,584	84,010	1,054,594
Expenditures:			
Current:			
General government	160,729	4,263	164,992
Administration	74,798	-	74,798
Public safety	448,235	-	448,235
Street maintenance	267,803	-	267,803
Intergovernmental payments to other governments or agencies	18,511	-	18,511
Debt service	9,949	-	9,949
Capital outlay	82,963	-	82,963
Total expenditures	1,062,988	4,263	1,067,251
Deficiency of Revenues Under Expenditures	(92,404)	79,747	(12,657)
Other Financing Source -			
Proceeds from long term debt	49,587	-	49,587
Transfers in	80,514	-	80,514
Tranfers out	-	(30,514)	(30,514)
Total other financing source (use)	130,101	(30,514)	99,587
Net Change in Fund Balance	37,697	49,233	86,930
Fund Balance, Beginning	11,606	325,972	337,578
Fund Balance, Ending	$ 49,303	$ 375,205	$ 424,508

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED APRIL 30, 2015

Net change in fund balances - total governmental funds	$ 86,930
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Assets as follows -	
Total capital outlay reported as expenditures	82,963
Depreciation expenses on governmental capital assets are included in the governmental activities column in the Statement of Net Assets but are not shown in the governmental funds	(38,397)
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(49,587)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but as a reduction of long-term liabilities in the Statement of Net Assets.	4,806
Revenues in the statement of activities that do not provide financial resources are not reported as revenues in the funds. The amount of unavailable revenues recognized as revenue in the statement of activities is as follows:	
Property taxes	35,302
Charges for service	(2,942)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	21,758
Change in net position of governmental activities	$ 140,833

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 7

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 866,300	$ 866,300	$ 639,280	$ (227,020)
Licenses and permits	18,500	18,500	19,751	1,251
Fines and forfeitures	40,000	40,000	24,934	(15,066)
Charges for services	123,000	123,000	94,420	(28,580)
Grant revenues	295,000	295,000	154,401	(140,599)
Other revenues	8,643	8,643	37,798	29,155
Total revenues	1,351,443	1,351,443	970,584	(380,859)
Expenditures:				
General government	351,856	351,856	160,729	191,127
Administration	85,197	85,197	74,798	10,399
Public safety	464,328	464,328	448,235	16,093
Street maintenance	348,062	348,062	267,803	80,259
Payments to other governmental agencies	178,500	178,500	18,511	159,989
Debt service	5,000	5,000	9,949	(4,949)
Capital outlay	68,500	68,500	82,963	(14,463)
Total expenditures	1,501,443	1,501,443	1,062,988	438,455
Deficiency of Revenues Under Expenditures	(150,000)	(150,000)	(92,404)	57,596
Other Financing Source -				
Proceeds from long term debt	100,000	100,000	49,587	(50,413)
Transfers in	50,000	50,000	80,514	30,514
Total other financing sources	150,000	150,000	130,101	(19,899)
Deficiency of Revenues and Other Financing Source Under Expenditures	-	-	37,697	37,697
Fund Balance, Beginning	11,606	11,606	11,606	-
Fund Balance, Ending	$ 11,606	$ 11,606	$ 49,303	$ 37,697

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 8

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2015

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	402,764	2,379	$ 405,143
Receivables, net	170,186	67,614	237,800
Other receivables	-	32,216	32,216
Due from other funds	-	82,372	82,372
Prepaid expenses	5,621	5,621	11,242
Total current assets	578,571	190,202	768,773
Noncurrent assets:			
Restricted assets - cash	145,477	-	145,477
Capital assets:			
Land and other non-depreciable assets	335,341	2,947	338,288
Other capital assets, net of depreciation	9,884,934	51,827	9,936,761
Total noncurrent assets	10,365,752	54,774	10,420,526
Total Assets	10,944,323	244,976	11,189,299
LIABILITIES:			
Current Liabilities:			
Bonds and notes payable, current portion	273,699	6,215	279,914
Accounts payable	37,360	290,807	328,167
Accrued interest payable	15,657	-	15,657
Accrued expenses	14,832	12,323	27,155
Due to other funds	141,151	-	141,151
Compensated absences payable - current	53,406	23,824	77,230
Customer deposits	101,157	-	101,157
Total current liabilities	637,262	333,169	970,431
Noncurrent liabilities-			
Bonds and notes payables, less current portion	6,933,609	28,047	6,961,656
Total Liabilities	7,570,871	361,216	7,932,087
NET POSITION:			
Net investment in capital assets	3,012,967	54,774	3,067,741
Unrestricted	347,172	(171,014)	176,158
Restricted for debt service	13,313	-	13,313
Total Net Position	$ 3,373,452	$ (116,240)	$ 3,257,212

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 9

STATEMENT OF CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2015

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Water revenues	$ 959,410	$ -	$ 959,410
Sewer revenues	987,103	-	987,103
Gas revenues	-	630,679	630,679
Penalties	26,954	14,829	41,783
Total operating revenues	1,973,467	645,508	2,618,975
Operating Expenses:			
Salaries	430,000	152,989	582,989
Payroll taxes	33,660	11,868	45,528
Retirement expense	13,500	11,400	24,900
Group insurance	20,841	35,735	56,576
Workers compensation insurance	7,425	27,613	35,038
Natural gas purchases	-	420,837	420,837
Travel expenses	11,547	11,016	22,563
Office expenses	4,612	6,430	11,042
Insurance	13,970	13,970	27,940
Repairs and maintenance	94,997	50,787	145,784
Professional and technical services	30,393	9,018	39,411
Testing and monitoring	8,957	-	8,957
Depreciation	678,277	6,049	684,326
Pumping expense	90,338	-	90,338
Advertising	25	-	25
Supplies	22,210	503	22,713
Chemicals	52,880	-	52,880
Telephone	6,451	6,101	12,552
Utilities	106,451	4,291	110,742
Uniforms	-	4,701	4,701
Miscellaneous	30,324	2,945	33,269
Total operating expenses	1,656,858	776,253	2,433,111
Operating income (loss)	316,609	(130,745)	185,864
Non-operating Revenue (Expense):			
Interest income	217	55	272
USDA Grant Income	564,143	-	564,143
Interest expense	(326,290)	(400)	(326,690)
Total non-operating revenue (expense)	238,070	(345)	237,725
Net income (loss) before transfer	554,679	(131,090)	423,589
Transfer to other funds	-	(50,000)	(50,000)
Change in net position	554,679	(181,090)	373,589
Total net position, beginning	2,818,773	64,850	2,883,623
Total net position, ending	$ 3,373,452	$ (116,240)	$ 3,257,212

The accompanying Notes to the Financial Statements are an integral part of this statement

CITY OF SPARTA, GEORGIA

EXHIBIT 10

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2015

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 2,279,602	$ 741,270	$ 3,020,872
Payments to suppliers	(643,196)	(382,926)	(1,026,122)
Payments to employees	(509,894)	(257,917)	(767,811)
Payments to others	(54,658)	(20,886)	(75,544)
Payments from (to) other funds	(205,003)	(35,949)	(240,952)
Net cash provided by (used in) operating activities	866,851	43,592	910,443
Cash Flows from Noncapital Financing Activities -			
Transfer from (to) other funds	-	(50,000)	(50,000)
Net cash provided by (used in) by noncapital financing activities	-	(50,000)	(50,000)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from USDA Grant	564,143	-	564,143
Acquisition of capital assets	(392,496)	(35,246)	(427,742)
Borrowings of capital debt	59,350	35,246	94,596
Principal payments on capital debt	(251,516)	(984)	(252,500)
Interest payments on capital debt	(328,510)	(400)	(328,910)
Net cash used in capital and related financing activities	(349,029)	(1,384)	(350,413)
Cash Flows from Investing Activities -			
Interest income	217	55	272
Net increase (decrease) in cash and cash equivalents	518,039	(7,737)	510,302
Balances - beginning of year	30,202	10,116	40,318
Balances - end of year	$ 548,241	$ 2,379	$ 550,620
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 316,609	$ (130,745)	$ 185,864
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	678,277	6,049	684,326
Net change in assets and liabilities attributable to operations:			
Accounts receivable	306,135	126,835	432,970
Other receivables	-	(32,216)	(32,216)
Customers deposits	7,283	-	7,283
Accounts payable	(227,093)	114,650	(112,443)
Accrued expenses payable	2,112	(980)	1,132
Due from other funds	-	(35,949)	(35,949)
Prepaid expenses	1,142	1,142	2,284
Compensated absences payable	(12,611)	(5,194)	(17,805)
Due to other funds	(205,003)	-	(205,003)
	$ 866,851	$ 43,592	$ 910,443
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ 402,764	$ 2,379	$ 405,143
Restricted cash and cash equivalents	145,477	-	145,477
Total cash and cash equivalents	$ 548,241	$ 2,379	$ 550,620

The accompanying Notes to the Financial Statements are an integral part of this statement

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sparta, Georgia have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the City are described below.

The reporting entity is comprised of the primary government and any component units or other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. As of April 30, 2015, City of Sparta, Georgia had no component units.

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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. 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 will be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City of Sparta, Georgia. It is used to account for all financial resources of the general Government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the provision of water/sewer services to the residents of the City. The *Natural Gas Fund* accounts for the provision of natural gas services to the residents of the City.

Additionally, the City reports the following fund type -

The *Special Revenue Funds* accounts for revenue sources that are legally restricted to expenditure for specific purposes. The City currently utilizes the Redevelopment Fund as a Special Revenue Fund.

The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The City currently utilizes the TSPLOST Fund and the LMIG Fund as Capital Projects Funds.

GASB 34 eliminates the presentation of *Account Groups*, but provides for these records to be maintained and used to account for fixed assets and long-term liabilities that are not reflected on the balance sheet of Governmental type funds due to the current financial resources measurement focus that they use.

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

Governmental activities have been consolidated in the government-wide financial statements. Total governmental funds have been combined with general fixed assets and long term liabilities. The effect of interfund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as operating transfers between funds. The net operating loss from internal service funds has been charged to the functional expense categories based on employee insurance claims submitted by department. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, including operating grants, investment earnings and interest expense.

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

C. Assets, Liabilities and Net Assets or Equity

1. ***Deposits and Investments*** - Cash includes amounts in both interest-bearing and non-interest-bearing demand deposits. State statutes authorize the Government to invest in obligations of the U.S. Treasury, obligations of the State of Georgia or any other states, obligations fully insured or guaranteed by the United States government or governmental agency, Local Government Investment Pool, commercial paper, corporate bonds, obligation of other political subdivisions of the State of Georgia and repurchase agreements. Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

   For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

2. ***Receivables and Payables*** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The current portion of these interfund receivables and payables are classified as "due from other funds" or "due to other funds" in the governmental funds.

   Non-current portions of long-term interfund loans receivable/payable are reported as "advances to other funds" or "advances from other funds". Advances receivable in the Governmental funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation and are not expendable available financial resources.

3. ***Prepaid Items*** - For prepaid expenditures in the government-wide and fund financial statements, the City reports the expenditures during the benefiting period.

4. ***Restricted Assets*** – Certain assets, cash, of the Water and Sewer Fund are classified as restricted assets because their use is completely restricted to the payment of the revenue and bonds payable.

5. ***Capital Assets*** – Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General infrastructure assets acquired prior to May 1, 2004 are not reported in the basic financial statements.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

   Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB statement 37 prohibits the capitalization of interest on assets constructed for use in governmental activities. However, interest from debt not considered to be general long-term debt may be included as part of the cost of assets constructed for business-type activities. The total interest expense incurred by the City during the current fiscal year was $331,054. Of this amount, $-0- was included as part of the cost of capital assets under construction in connection with public building construction projects.

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

Assets	Years
Buildings	15-35
Infrastructure	20
Furniture and fixtures	7-10
Machinery and equipment	5-15
Vehicles	3-10

6. ***Compensated Absences*** - It is the Government's policy to permit employees to accumulate earned but unused paid leave benefits. All paid leave benefits are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

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

8. ***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 until then. The County has no items that fell under this financial statement element.

   In addition to liabilities, the statement of financial position reports 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 City reports one of these items, unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. ***Fund Equity*** - Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Contributed capital is recorded in the proprietary fund that has received contributions from the general fund. Prior contributed capital amounts have been restated as either net assets restricted, unrestricted or invested in capital assets, net of related debt.

   Fund Balance

   Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to

honor constraints on the specific purposes for which amounts in the those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

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

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

Assigned – Funds balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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

The City uses restricted amounts to be spent when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly, unassigned amounts from the unrestricted fund balances when expending funds.

Net Position

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction or improvement of the assets.

Restricted net position – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net position – This amount is all net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position."

10. ***Estimates*** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The annual budget is the financial plan for the operation of the City of Sparta, Georgia for the ensuing annual period. The budget process provides for a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the financial posture of the Government. The City of Sparta budgets are adopted on a basis generally consistent with GAAP inasmuch as encumbrances are not recorded. Annual appropriated budgets are adopted for the General Fund and the Redevelopment Fund. Prior to the fiscal year end, the Council prepares a proposed operating budget for the year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them. The City holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of the City of Sparta, Georgia. The budget is then revised and adopted or amended by the City shortly after the beginning of the year to which it applies. The budget so adopted may be revised during the year only by formal action of the City in a regular meeting and no increase shall be made therein without provision also being made for financing same. The City Clerk is delegated to transfer sums within departments. No increase in the departmental budgets for the City may be made without the approval of the City Council and amendments to the budget. The General Fund is subject to budgetary control on a department basis.

B. Excess of Expenditures over Appropriations in Individual Funds of the General Fund

The individual funds, which had expenditures in excess of appropriations, as well as the object level within each fund at which the excess was incurred, are as follows:

	Expenditures	Appropriations	Expenditures Over Appropriations
General Fund -			
Public Safety -			
Fire department salaries	20,710	15,000	5,710
Utilities	25,766	18,500	7,266
Street -			
Repairs and maintenance	10,292	9,000	1,292
Capital outlays	44,524	20,000	24,524
Debt Service -			
Principal	4,806	-	4,806
Interest	5,143	5,000	143

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2015.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of April 30, 2015, $0 of the government's bank balance was exposed to custodial credit risk.

As of April 30, 2015, the City did not have a formal investment policy. Additional disclosures with regards to deposits and investments can be located in the *Summary of Significant Accounting Policies* under the *Assets, Liabilities and Equity* section.

B. Property Taxes

State law requires that property taxes be based on assessed value that is 40% of fair market value. All real and personal property are valued as of January 1 of each year and must be declared and reported on a return for tax purposes by May 1. Upon completion of all assessments and tax returns, the information is turned over to the Hancock County Tax Appraiser, for compilation of the tax digest. The completed tax digest must be submitted to the State Revenue Commissioner for approval. The State Revenue Commissioner must ascertain that real property on the tax digest has been assessed at the state mandated forty percent (40%) of fair market value. If not, the commissioner may require an across the board percentage adjustment to all real property. The City distributes tax notices and collects tax payments. Property taxes are usually levied on assessed valuation on August 20 and are due by November 20 and considered delinquent by November 21. Property taxes are attached as an enforceable lien on the day the taxes become delinquent. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected within 60 days of year-end).

The City levied a tax of 14.145 mills on the tax value of all taxable property in the City for calendar year 2014. The net digest for 2014 on property in the City was $19,781,972 and the tax levied amounted to $279,816. The total real and personal property tax levy is recorded as revenue in the fiscal year in which such amounts will be available (collected as of year-end) as net current assets. In the accompanying financial statements, the portion of the property tax levy for the tax year 2014 collected during the current year, and within 60 days of year-end, has been recognized as revenue.

Property taxes receivable, shown net of allowance for uncollectibles, at April 30, 2015, is composed of the following:

Year of Levy:		
2014	$	99,197
2013		70,323
2012		64,115
2011		53,533
2010		46,896
2009		25,181
2008		22,646
Prior to 2008		38,698
Total taxes receivable		420,589
Less - allowance for uncollectibles		(153,026)
Net receivable	$	267,563

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2014	10%	$ 99,197	$ 9,922
2013	20%	70,323	14,065
2012	30%	64,115	19,235
2011	40%	53,533	21,413
2010	50%	46,896	23,448
2009	60%	25,181	15,109
2008	70%	22,646	15,852
2007	80%	17,750	14,200
2006	90%	11,629	10,465
2005	100%	9,319	9,319
Total		$ 420,589	$ 153,026

C. Accounts Receivable

Primary Government

Receivables at April 30, 2015 for the City's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Natural Gas Fund	Non-major Funds
Receivables:				
Taxes	$ 420,589	$ -	$ -	$ -
Notes	-	-	-	278,645
Intergovernmental	9,782	-	-	3,534
Accounts	49,715	170,186	256,130	-
Other	-	-	32,216	-
Gross receivables	480,086	170,186	288,346	282,179
Less: allowance for Uncollectibles	(189,617)	-	(188,516)	-
Net total receivables	$ 290,469	$ 170,186	$ 99,830	$ 282,179

D. Capital Assets

Primary Government

Capital asset activity for the year ended April 30, 2015 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 15,500	$ -	$ -	$ 15,500
Other capital assets:				
Buildings and improvements	319,529	-	-	319,529
Infrastructure	406,119	-	-	406,119
Furniture and fixtures	2,223	-	-	2,223
Machinery and equipment	95,089	-	-	95,089
Autos and trucks	640,140	82,963	-	723,103
Total other capital assets at historical cost	1,463,100	82,963	-	1,546,063
Less accumulated depreciation:				
Buildings and improvements	269,554	7,056	-	276,610
Infrastructure	12,083	10,642	-	22,725
Furniture and fixtures	2,222	-	-	2,222
Machinery and equipment	81,952	4,586	-	86,538
Autos and trucks	594,482	16,113	-	610,595
Total accumulated depreciation	960,293	38,397	-	998,690
Other capital assets, net	502,807	44,566	-	547,373
Governmental activities capital assets, net	$ 518,307	$ 44,566	$ -	$ 562,873

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 338,288	$ -	$ -	338,288
Total capital assets not being depreciated	338,288	-	-	338,288
Other capital assets:				
Buildings and improvements	20,357	-	-	20,358
Utility systems	21,655,422	376,921	-	22,032,343
Machinery and equipment	341,502	50,821	-	392,323
Furniture and fixtures	20,707	-	-	20,707
Total other capital assets at historical cost	22,037,988	427,742	-	22,465,731
Less accumulated depreciation:				
Buildings and improvements	25,170	721	-	25,891
Utility systems	11,518,311	660,839	-	12,179,150
Machinery and equipment	284,375	21,419	-	305,794
Furniture and fixtures	16,788	1,347	-	18,135
Total accumulated depreciation	11,844,644	684,326	-	12,528,970
Other capital assets, net	10,193,344	(256,584)	-	9,936,761
Business-type activities capital assets, net	$ 10,531,632	$ (256,584)	$ -	$ 10,275,049

Governmental activities depreciation expense:	
General Government	$ 18,264
Public Safety	15,988
Street Maintenance	4,145
Total governmental activities depreciation expense:	$ 38,397
Business-type activities:	
Water	678,277
Natural Gas	6,049
Total business-type activities depreciation expense	$ 684,326

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of April 30, 2015 is as follows:

Receivable Fund	Payable Fund	
General Fund	Water and Sewer Fund	$ 69,156
Gas Fund	Water and Sewer Fund	71,995
Gas Fund	General Fund	10,377
		$ 151,528

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. Transfers within the Primary Government were as follows:

Transfers:	Transfers Out	Transfers In
General Fund	$ -	$ 80,514
Redevelopment Fund	1,145	-
LMIG	977	-
TSPLOST Fund	28,392	-
Gas Fund	50,000	-
Total transfers	$ 80,514	$ 80,514

F. Landfill Post-Closure Care

The City's landfill was closed on April 1, 1994 under Georgia Environmental Protection Division (EPD) guidelines. Since that time, 9 ground water monitoring wells, 2 surface water locators and 9 methane monitoring locations have been installed under EPD Solid Waste Guidelines. Since closure, the City has monitored the site and will continue such monitoring, as prescribed by the EPD guidelines. During the fiscal year ended April 30, 2015, the City had $7,105 in post-closure expenditures. Future annual costs associated with these requirements are estimated at $11,885 per year for the remaining period of required monitoring. This annual estimate is based on costs experienced during the initial years of required monitoring. Due to the immateriality of the estimated post-closure costs, no liability has been established for the post-closure costs. In the future, significant economic inflation or deflation, technology or applicable laws or regulations may change future estimates of the annual costs. As of April 30, 2015, financial assurance requirements are no longer required by the City in relation to the landfill.

G. Long-Term Debt

Primary Government Notes Payable

The 1990 Series Water and Sewer Revenue Bonds held by the U. S. Farmers Home Administration require, in the bond resolution approved pursuant to the issuance of the bonds, that revenues be used to pay for certain specific designated expenditures. The 1990 Series Bond Ordinance sets forth the use of revenues of the water and sewer system. Article V states that revenues are to be deposited to the revenue fund account, from which are paid operation and maintenance costs, the sinking fund requirements for the 1993 bonds, the sinking fund requirements for the 1980 and 1981 bonds, and junior and subordinate bonds. After paying these obligations, the remaining moneys are to be paid into renewal and extension fund account. After the required payments are made into the sinking fund and renewal and extension fund accounts, any remaining moneys may be used as the City may so determine.

The sinking fund account requires funding of the monthly interest and principle payments. Additionally, funding in the amount of $1,900 per month is required until a reserve of $209,000 is attained for the 1990 bonds, plus a reserve of $81,800 for the 1981 bonds, for a total of $290,800. The funding reserve account did not meet the bonding requirements as established by the bond covenants. The balance of the sinking fund account as of April 30, 2015 was $11,011.

The renewal and extension fund account is to be funded with excess revenues until a $50,000 balance is attained. Moneys in this account may be used to correct any deficiency in the sinking fund, or to make required payments of principle and interest. The balance of the renewal and extension account as of April 30, 2015 was $2,302.

During the year ended April 30, 2015, the City financed the purchase of three vehicles with Five Star Dodge, Inc. These notes bear interest rates ranging from 5.29% to 6.64%. The repayment periods on these notes range from sixty to seventy-five months.

Additionally, during the year ended April 30, 2015, the City financed the purchase of a vehicle with the Bank of Hancock County. This note bears an interest rate of 6% and will be repaid over a period of twenty-four months.

The following is a summary of long-term debt at April 30, 2015:

Water and Sewer Fund:	Total	Current	Long-term
Revenue bonds held by the U.S. Farmers Home Administration:			
Water and sewer bonds, 1980-A Series, issued in the amount of $1,250,000 for water and sewer improvements. 5% interest rate with principal due in annual installments to December 1, 2019, interest payable semi-annually. Annual payments are approximately $75,000. The bonds are redeemable at par.	$ 239,988	$ 64,746	$ 175,242
Water and sewer bonds, 1981 Series, issued in the amount of $120,000 for water and sewer improvements. 5% interest rate with payments of approximately $7,500 due in annual installments to December 1, 2020. The bonds are redeemable at par.	24,698	6,194	18,504
Water and sewer bonds, 1990-A Series, issued in the amount of $1,855,000 for water and sewer improvements. 5% interest rate with payments of approximately $111,000 due in annual installments to December 1, 2029. The bonds are redeemable at par.	1,112,312	56,017	1,056,295
Water and sewer bonds, 1990-B Series, issued in the amount of $1,106,000 for water and sewer improvements. 5% interest rate with payments of approximately $66,000 due in annual installments to December 1, 2029. The bonds are redeemable at par.	666,059	36,146	629,913
Water and sewer bonds, 2000-A Series, issued in the amount of $2,551,000 for water and sewer improvements. 4.5% interest rate with payments of approximately $137,760 due in annual installments to June 1, 2041. The bonds are redeemable at par.	2,115,235	50,533	2,064,702
Water and sewer bonds, 2000-B Series, issued in the amount of $2,875,412 for water and sewer improvements. 4.5% interest rate with payments of approximately $155,280 due in annual installments to June 1, 2041. The bonds are redeemable at par.	2,384,211	42,995	2,341,216
Water and sewer bonds, 2014-A Series, issued in the amount of $336,000 for water and sewer improvements. 2.5% interest rate with payments of approximately $13,300 due in annual installments to February 6, 2044. The bonds are redeemable at par.	330,153	7,843	322,310
Water and sewer bonds, 2014-B Series, issued in the amount of $281,000 for water and sewer improvements. 2.125% interest rate with payments of approximately $10,000 due in annual installments to February 6, 2044. The bonds are redeemable at par.	275,667	6,940	268,727
Note payable - Georgia Environmental Finance Authority, $175,000 (multiple advance), 2.4% interest rate, matures April 7, 2034, 239 monthly payments, beginning at the amortization commencement date. Funds used for water system improvements.	43,775	-	43,775
Total Revenue bonds held by the U.S. Farmers Home Administration	$ 7,192,098	$ 271,414	$ 6,920,684

Long-term liability activity for the year ended April 30, 2015 was as follows:

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Governmental Activities						
Compensated absences payable	$ 135,017	$ -	$ 21,758	$ 113,259	$ 113,259	$ -
N/P - Dodge Ram - Five Star Dodge, Inc.	-	30,524	258	30,266	4,138	26,128
N/P - Bank of Hancock County	-	19,063	4,548	14,515	9,531	4,984
Total Governmental Activities	$ 135,017	$ 49,587	$ 26,564	$ 158,040	$ 126,928	$ 31,112

The compensated absences liability will be paid from the General Fund. Debt service requirements to maturity for long-term debt is as follows:

Year Ending April 30	Principal
2016	$ 13,669
2017	9,386
2018	4,700
2019	5,010
2020	5,339
2021 and therafter	6,677
	$ 44,781

Long-term liabilities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Within More Than One Year
Business-Type Activities						
Compensated absences payable	$ 95,035	$ -	$ 17,805	$ 77,230	$ 77,230	$ -
Notes payable - GEFA	-	43,775	-	43,775	-	43,775
N/P - F 250 - Five Star Dodge, Inc.	-	35,246	984	34,262	6,215	28,047
N/P - Ford Ranger - Five Star Dodge, Inc.	-	15,575	365	15,210	2,285	12,925
Water and sewer bonds - Series 1980-A	302,370	-	62,382	239,988	64,746	175,242
Water and sewer bonds - Series 1981	30,964	-	6,266	24,698	6,194	18,504
Water and sewer bonds - Series 1990-A	1,165,471	-	53,159	1,112,312	56,017	1,056,295
Water and sewer bonds - Series 1990-B	697,484	-	31,425	666,059	36,146	629,913
Water and sewer bonds - Series 2000-A	2,156,782	-	41,547	2,115,235	50,533	2,064,702
Water and sewer bonds - Series 2000-B	2,431,044	-	46,833	2,384,211	42,995	2,341,216
Water and sewer bonds - Series 2014-A	335,139	-	4,986	330,153	7,843	322,310
Water and sewer bonds - Series 2014-B	280,220	-	4,553	275,667	6,940	268,727
Total Business-Type Activities	$ 7,494,509	$ 94,596	$ 270,305	$ 7,318,800	$ 357,144	$ 6,961,656

Debt service requirements to maturity for business-type activities are as follows:

Year Ending April 30	Principal	Interest
2016	$ 279,914	$ 313,062
2017	293,767	299,510
2018	307,990	285,286
2019	268,094	276,972
2020	250,235	259,116
2021-2025	1,386,272	1,175,218
2026-2030	1,488,742	834,092
2031-2035	1,159,121	495,801
2036-2040	1,382,095	284,262
2041-2044	425,340	25,814
Total	$ 7,241,570	$ 4,249,133

H. Short - Term Debt

The City uses a line of credit to provide operating funds on a short – term basis throughout the year. Short-term liability activity for the primary government for the year ended April 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 100,500	$ 100,500	$ 100,500	$ 100,500

NOTE 4. OTHER INFORMATION

A. Risk Management

The City 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. Significant losses experienced by the City are covered by commercial insurance for all risks, except for workers compensation benefits. The City is self-insured in regards to workers compensation benefits. During the fiscal years ended April 30, 2015 and , the City paid employee workers compensation claims in the amount of approximately $20,188 and $32,799 , respectively. The Government estimates liabilities for workers compensation claims as the claims are incurred.

A table summarizing activity involving self-insured workers compensation benefits is as follows:

	2015	2014
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	20,188	32,799
Payment of claims	(20,188)	(32,799)
Other	-	-
Claims Liability, End	$ -	$ -

B. Post Employment Benefits

Voluntary payments to several retired employees are being paid at $300 per month to each retired employee as part of a defined contribution plan maintained and administered by the City. Payments are made at the discretion of City Council and can be discontinued at their discretion. Retirement expense for the year ended April 30, 2015 totaled approximately $40,000. Full-time employees, regardless of age, that meet the 20 year length of service requirement are eligible for the benefits. Benefits may be offered to an employee under extenuating circumstances with the approval of City Council.

C. Commitments and Contingencies

Reservations of fund balances of Governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve Under Grant Agreement

The reserve was created to represent those funds that are restricted for the specific use of the Redevelopment Fund.

Balance, May 1, 2014	$ 289,009
Net change	(2,556)
Balance April 30, 2015	$ 286,453

Asserted Claims

As of April 30, 2015, the City was the defendant in several lawsuits. The City's attorney assessed each of these lawsuits as having a low probability of a negative outcome against the City.

D. Joint Venture

Under Georgia law, the City, in conjunction with other cities and counties in their area, is a member of the Central Savannah River Area Regional Commission (CSRA RDC) and is required to pay annual dues thereto. During its year ended April 30, 2015, the City paid $1,400 in such dues. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
3023 Riverwatch Parkway, Suite A
Augusta, Georgia 30907

E. Redevelopment Fund Note Receivable

In 1990, the City obtained a Community Development Block Grant to use as loan funds as part of the rehabilitation of a historic downtown hotel. As the loan is repaid, a revolving loan fund will be established for similar needs. The loan, whose balance at April 30, 2015 was $273,988, is subordinated to a Farmers Home Administration first mortgage of $1,455,000. The loan carries interest of 1%. Annual payments of principle and interest are $7,500. In addition, taxes saved as a result of being in a special historic district up to $7,500 a year are to be paid as payment in lieu of taxes. Both payments annually provide for a 30-year amortization. Principle payments over the next five years average $11,400 annually.

F. Subsequent Events

The City performed an evaluation of subsequent events through June 28, 2016, the date upon which the City's financial statements were available for issue. The City has not evaluated subsequent events after this date. No subsequent events were identified that would have required a change to the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information Other Than Management's Discussion and Analysis

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 1 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes Revenues:				
General property taxes and public utilities	$ 407,300	$ 407,300	$ 223,198	$ (184,102)
Occupation taxes	38,000	38,000	19,985	(18,015)
Franchise fees	93,000	93,000	85,491	(7,509)
Vehicle taxes	20,000	20,000	37,923	17,923
Mobile home taxes	2,000	2,000	1,636	(364)
Beer, liquor, wine tax	62,000	62,000	57,529	(4,471)
TSPLOST	25,000	25,000	-	(25,000)
Local option sales tax	144,000	144,000	137,955	(6,045)
Insurance premium tax	75,000	75,000	75,563	563
Total taxes revenues	866,300	866,300	639,280	(227,020)
Fines and Forfeitures-				
Municipal Court fines and forfeitures	40,000	40,000	24,934	(15,066)
Licenses and Permits:				
Building permits	4,000	4,000	4,660	660
Parade permits	500	500	700	200
Beer and liquor licenses	13,000	13,000	13,609	609
Regulatory fees	-	-	782	782
Re-zoning application fees	1,000	1,000	-	(1,000)
Total licenses and permits	18,500	18,500	19,751	1,251
Charges for Services-				
Garbage fees	123,000	123,000	94,420	(28,580)
Grant Revenue -				
Georgia Department of Transportation grant	220,000	220,000	73,720	(146,280)
FEMA grant	75,000	75,000	80,681	5,681
Total grant revenues	295,000	295,000	154,401	(140,599)
Other Revenue -				
Miscellaneous revenues	8,643	8,643	37,798	29,155
Total Revenues	$ 1,351,443	$ 1,351,443	$ 970,584	$ (380,859)

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 2 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:				
General Government:				
Salaries	$ 45,260	$ 45,260	$ 39,242	$ 6,018
Payroll taxes	4,196	4,196	(485)	4,681
Workers compensation reserve fund	10,700	10,700	7,450	3,250
Service contracts	10,500	10,500	9,397	1,103
Utilities	7,000	7,000	5,569	1,431
Telephone	5,500	5,500	5,207	293
Supplies	6,000	6,000	4,935	1,065
Landfill expenditures	20,000	20,000	7,105	12,895
Dues and subscriptions	2,000	2,000	942	1,058
Professional services	33,000	33,000	21,595	11,405
Repairs and maintenance	8,800	8,800	2,695	6,105
Insurance - general	27,500	27,500	21,073	6,427
Election/Registration expenditures	2,000	2,000	-	2,000
Postage	4,000	4,000	2,239	1,761
Equipment rental	800	800	260	540
Travel and training	3,000	3,000	757	2,243
GSCCCA	7,000	7,000	3,138	3,862
Advertising	3,000	3,000	1,807	1,193
Miscellaneous expenditures	151,600	151,600	27,803	123,797
Total General Government	$ 351,856	$ 351,856	$ 160,729	$ 191,127
Administration:				
Salaries:				
Mayor	$ 14,700	$ 14,600	$ 13,520	$ 1,080
Council	16,000	16,000	14,520	1,480
City Clerk's office	17,600	17,600	15,750	1,850
Payroll taxes	3,797	3,797	3,341	456
Retirement expenditures	3,600	3,600	3,600	-
Telephone	500	500	360	140
Repairs and maintenance	2,700	2,800	2,400	400
Gas and oil	100	100	-	100
Travel and training	19,700	19,700	17,400	2,300
Recorders court	3,600	3,600	3,000	600
Dues and subscriptions	1,700	1,700	490	1,210
Miscellaneous expenditures	1,200	1,200	417	783
Total Administration	$ 85,197	$ 85,197	$ 74,798	$ 10,399

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 3 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public Safety:				
Salaries:				
Police department	$ 317,200	$ 317,200	$ 311,203	$ 5,997
Fire department	15,000	15,000	20,710	(5,710)
Payroll taxes	26,828	26,828	25,124	1,704
Retirement expenditures	4,500	4,500	4,500	-
Workers compensation insurance	800	800	-	800
Group insurance	7,200	7,200	4,242	2,958
Utilities	18,500	18,500	25,766	(7,266)
Clothing and uniforms	5,500	5,500	3,237	2,263
Supplies	3,300	3,300	1,748	1,552
Tools and hardware	200	200	-	200
Telephone	12,200	12,200	11,542	658
Repairs and maintenance	14,050	14,050	13,774	276
Gasoline and oil	12,600	12,600	11,181	1,419
Travel and training	5,500	5,500	2,379	3,121
Donations	600	600	600	-
Miscellaneous	20,350	20,350	12,229	8,121
Total Public Safety	$ 464,328	$ 464,328	$ 448,235	$ 16,093
Street Maintenance:				
Salaries	$ 44,250	$ 44,250	$ 40,443	$ 3,807
Payroll taxes	3,412	3,412	2,956	456
Group insurance	7,200	7,200	6,387	813
Workers compensation insurance	1,200	1,200	-	1,200
Retirement expenditures	7,200	7,200	7,200	-
Utilities	3,300	3,300	1,916	1,384
Solid waste disposal	111,000	111,000	97,474	13,526
Street and traffic lights	60,000	60,000	45,293	14,707
Gasoline, oil and grease	9,000	9,000	7,947	1,053
Street and road improvements	27,300	27,300	22,940	4,360
Repairs and maintenance	9,000	9,000	10,292	(1,292)
Groundwater monitoring	30,000	30,000	18,965	11,035
Tools and hardware	500	500	80	420
Miscellaneous	34,700	34,700	5,910	28,790
Total Street Maintenance	$ 348,062	$ 348,062	$ 267,803	$ 80,259

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 4 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Payments to Other Government Agencies:				
CSRA RDC	$ 1,500	$ 1,500	$ 1,400	$ 100
Historical Preservation	200	200	-	200
Better Hometown Project	1,000	1,000	-	1,000
Streetscape Project	175,000	175,000	16,878	158,122
Uncle Remus Library	800	800	233	567
Total Payments to Other Government Agencies	$ 178,500	$ 178,500	$ 18,511	$ 159,989
Debt Service -				
Principal	$ -	$ -	$ 4,806	$ (4,806)
Interest and other charges	5,000	5,000	5,143	(143)
Total Debt Service	$ 5,000	$ 5,000	$ 9,949	$ (4,949)
Capital Outlay:				
General Government	$ 1,000	$ 1,000	$ -	$ 1,000
Street Department	20,000	20,000	44,524	(24,524)
Police Department	47,500	47,500	38,439	9,061
Total Capital Outlay	$ 68,500	$ 68,500	$ 82,963	$ (14,463)
Total Expenditures	$ 1,501,443	$ 1,501,443	$ 1,062,988	$ 438,455

Other Supplementary Information

Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- ***Redevelopment Fund*** – To account for the CDBG redevelopment loan outstanding and the revolving loan fund created by the payments received there from.

Capital Projects Funds are used to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

- ***TSPLOST Fund*** – To account for the TSPLOST funds received that are legally restricted to expenditure for particular purposes.
- ***LMIG Fund*** – To account for the LMIG funds received that are legally restricted to expenditure for particular purposes.

CITY OF SPARTA, GEORGIA

EXHIBIT 12

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
APRIL 30, 2015

	Special Revenue	Capital Project		
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 7,808	$ 40,318	$ 44,900	$ 93,026
Intergovernmental receivable	-	3,534	-	3,534
Notes receivable, net of uncollectible	278,645	-	-	278,645
Total Assets	$ 286,453	$ 43,852	$ 44,900	$ 375,205
LIABILITIES AND FUND BALANCE				
Liability				
Deferred revenue	$ -	$ -	-	$ -
Fund Balance -				
Restricted for grant agreement	286,453	-	-	286,453
Restricted for capital outlay	-	43,852	44,900	88,752
Total fund balance	286,453	43,852	44,900	375,205
Total Liabilities and Fund Balance	$ 286,453	$ 43,852	$ 44,900	$ 375,205

CITY OF SPARTA, GEORGIA

EXHIBIT 13

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2015

	Special Revenue	Capital Project		
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
Revenues:				
TSPLOST Revenue	$ -	$ 35,281	$ -	$ 35,281
LMIG revenue	-	-	45,877	45,877
Interest Revenue	2,852	-	-	2,852
Total revenues	2,852	35,281	45,877	84,010
Expenditures:				
Other expenditures	4,263	-	-	4,263
Total expenditures	4,263	-	-	4,263
Excess of Revenues Over Expenditures	(1,411)	35,281	45,877	79,747
Other Financing Use -				
Transfer out	(1,145)	(28,392)	(977)	(30,514)
Net change in fund balance	(2,556)	6,889	44,900	49,233
Fund Balance, Beginning	289,009	36,963	-	325,972
Fund Balance, Ending	$ 286,453	$ 43,852	$ 44,900	$ 375,205

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
FOR THE YEAR ENDED APRIL 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
Interest income	$ 7,500	$ 2,852	$ (4,648)
Total revenues	7,500	2,852	(4,648)
Expenditures:			
Miscellaneous	7,500	4,263	3,237
Total expenditures	7,500	4,263	3,237
Excess of Revenues Over Expenditures	-	(1,411)	(1,411)
Other Financing Use -			
Transfer out	-	(1,145)	(1,145)
Total other financing use	-	(1,145)	(1,145)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,556)	(2,556)
Fund Balance, Beginning	289,009	289,009	-
Fund Balance, Ending	$ 289,009	$ 286,453	$ (2,556)

Compliance Section

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
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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*

To the Mayor and Council
City of Sparta, 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 Sparta, Georgia as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Sparta's basic financial statements and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sparta, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sparta, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sparta's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies noted as item 15-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sparta 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 questioned costs as item 15-2.

City of Sparta, Georgia's Response to Findings

City of Sparta, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Sparta, 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.

Wright & Wright, P.C.

June 28, 2016

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

15-1 Segregation of Duties

Condition

Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The City Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non recurring expenditures, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues.

COMPLIANCE AND OTHER MATTERS

15-2 Budgetary

Condition

In the City's General Fund, actual expenditures exceeded budget appropriations in three departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The City should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our City Council will analyze budgetary financial data periodically and amend the budget when appropriate.

CITY OF SPARTA
PO Box H, 12912 Broad Street
Sparta, Georgia 31087

Georgia Department of Audits & Accounts
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended April 30, 2015.

With respect to the findings in the "Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*," we submit the following comments:

We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

1. Due to the small size of the City's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions. The City requires dual signatures on checks and council approval for non-recurring expenditures, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues.

2. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended April 30, 2015:

Debt Service	$ 4,949
Public safety – fire department salaries	5,710
Public safety – Utilities	7,266
Street department repairs and maintenance	1,292
Street department – capital outlays	24,524

In the future, the Mayor and Council will more closely monitor expenditures to determine if a budget amendment needs to be made or whether expenses should be reduced.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

William Evans, Jr.
Mayor, City of Sparta