CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2016

CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2016

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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, 2016, 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, 2016, 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 31 through 34 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 October 31, 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.

October 31, 2016

Financial Section

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET POSITION
APRIL 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 109,260	$ 149,710	$ 258,970
Restricted assets	-	167,832	167,832
Receivables, net of allowances for uncollectible:			
Taxes	257,635	-	257,635
Accounts	10,735	300,124	310,859
Intergovernmental	15,543	-	15,543
Other	-	-	-
Internal balances	(11,743)	11,743	-
Notes receivable	272,272	-	272,272
Prepaid expenses	4,656	9,308	13,964
Capital assets:			
Land and other non-depreciable assets	15,500	338,288	353,788
Other capital assets, net of depreciation	566,118	9,526,086	10,092,204
Total Assets	1,239,976	10,503,091	11,743,067
Liabilities			
Accounts payable	112,847	139,670	252,517
Accrued interest payable	-	15,019	15,019
Other current liabilities	18,346	24,753	43,099
Compensated absences payable - current	103,317	100,702	204,019
Short term notes payable	75,000	-	75,000
Customer deposits	-	102,934	102,934
Unearned revenues	-	-	-
Long-term obligations:			
Due within one year	22,483	298,719	321,202
Due in more than one year	62,027	6,752,201	6,814,228
Total Liabilities	394,020	7,433,998	7,828,018
Net Position			
Net investment in capital assets	497,108	2,813,454	3,310,562
Restricted for:			
Debt service	-	27,346	27,346
Capital outlay	-	-	-
Prepaid expenses	4,656	9,308	13,964
Grant agreement	332,613	-	332,613
Unrestricted	11,579	218,985	230,564
Total Net Position	$ 845,956	$ 3,069,093	$ 3,915,049

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, 2016

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	$ 279,360	$ 18,095	$ -	$ -	$ (261,265)	$ -	$ (261,265)
Administration	79,392	-	-	-	(79,392)	-	(79,392)
Public safety	493,514	15,881	-	-	(477,633)	-	(477,633)
Street maintenance	323,389	101,375	-	15,461	(206,553)	-	(206,553)
Culture and recreation	2,935	-	-	-	(2,935)	-	(2,935)
Interest on debt	5,468	-	-	-	(5,468)	-	(5,468)
Economic development	-	-	-	-	-	-	-
Total governmental activities	1,184,058	135,351	-	15,461	(1,033,246)	-	(1,033,246)
Business-type Activities:							
Water and sewer	2,276,060	1,953,109	-	-	-	(322,951)	(322,951)
Gas	586,081	528,176	-	-	-	(57,905)	(57,905)
Total business-type activities	2,862,141	2,481,285	-	-	-	(380,856)	(380,856)
Total primary government	$ 4,046,199	$ 2,616,636	$ -	$ 15,461	(1,033,246)	(380,856)	(1,414,102)
General revenues:							
Property taxes					269,669	-	269,669
Franchise fees					89,867	-	89,867
Local option sales tax					137,833	-	137,833
TSPLOST					35,827	-	35,827
Insurance premium tax					81,364	-	81,364
Motor vehicle/mobile home taxes					40,541	-	40,541
Beer/liquor/wine taxes					59,614	-	59,614
Occupation taxes					19,296	-	19,296
Unrestricted investment earnings					126	602	728
Grant income					-	192,135	192,135
Miscellaneous					19,671	-	19,671
Transfers					-	-	-
Total general revenues and transfers					753,808	192,737	946,545
Change in net position					(279,438)	(188,119)	(467,557)
Net position - beginning					1,125,394	3,257,212	4,382,606
Net position -ending					$ 845,956	$ 3,069,093	$ 3,915,049

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, 2016

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 52,197	$ 57,063	$ 109,260
Receivables, net of allowances for uncollectibles:			
Taxes	257,635	-	257,635
Accounts	10,735	-	10,735
Intergovernmental	12,265	3,278	15,543
Notes receivable	-	272,272	272,272
Due from other funds	128,871	-	128,871
Prepaid expenditures	4,656	-	4,656
Total Assets	$ 466,359	$ 332,613	$ 798,972
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	112,847	$ -	$ 112,847
Accrued expenses	18,346	-	18,346
Short-term notes payable	75,000	-	75,000
Due to other funds	140,614	-	140,614
Total Liabilities	346,807	-	346,807
Deferred Inflow of Resources -			
Unavailable revenues	275,398	-	275,398
Fund Balances:			
Restricted for:			
Special programs	-	332,613	332,613
Prepaid expenditures	4,656	-	4,656
Unassigned	(160,502)	-	(160,502)
Total Fund Balances	(155,846)	332,613	176,767
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 466,359	$ 332,613	$ 798,972

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, 2016

Fund balance - total governmental funds	$	176,767
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		(103,317)
Notes Payable		(31,032)
Capital Lease		(53,478)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		275,398
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		581,618
Net position of governmental activities	$	845,956

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, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 713,375	$ 35,827	$ 749,202
Licenses and permits	18,095	-	18,095
Fines and forfeitures	15,881	-	15,881
Charges for services	106,839	-	106,839
Grant revenues	-	15,461	15,461
Other revenues	17,016	2,781	19,797
Total revenues	871,206	54,069	925,275
Expenditures:			
Current:			
General government	262,725	2,726	265,451
Administration	79,392	-	79,392
Public safety	483,085	-	483,085
Street maintenance	376,414	-	376,414
Intergovernmental payments to other governments or agencies	2,935	-	2,935
Debt service	31,348	-	31,348
Total expenditures	1,235,899	2,726	1,238,625
Deficiency of Revenues Under Expenditures	(364,693)	51,343	(313,350)
Other Financing Source -			
Capital lease proceeds	65,609	-	65,609
Transfers in	93,935	-	93,935
Tranfers out	-	(93,935)	(93,935)
Total other financing source (use)	159,544	(93,935)	65,609
Net Change in Fund Balance	(205,149)	(42,592)	(247,741)
Fund Balance, Beginning	49,303	375,205	424,508
Fund Balance, Ending	$ (155,846)	$ 332,613	$ 176,767

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, 2016

Net change in fund balances - total governmental funds	$ (247,741)
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	74,894
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	(56,149)
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(65,609)
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	(15,191)
Charges for service	(5,464)
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	9,942
Notes payable	13,749
Capital leases	12,131
Change in net position of governmental activities	$ (279,438)

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 782,562	$ 782,562	$ 713,375	$ (69,187)
Licenses and permits	20,500	20,500	18,095	(2,405)
Fines and forfeitures	30,000	30,000	15,881	(14,119)
Charges for services	123,000	123,000	106,839	(16,161)
Grant revenues	215,000	215,000	-	(215,000)
Other revenues	6,872	(6,128)	17,016	23,144
Total revenues	1,177,934	1,164,934	871,206	(293,728)
Expenditures:				
General government	385,700	385,700	262,725	122,975
Administration	87,959	87,959	79,392	8,567
Public safety	487,375	487,375	483,085	4,290
Street maintenance	383,000	383,000	376,414	6,586
Payments to other governmental agencies	32,800	32,800	2,935	29,865
Debt service	31,100	31,100	31,348	(248)
Total expenditures	1,407,934	1,407,934	1,235,899	172,035
Deficiency of Revenues Under Expenditures	(230,000)	(243,000)	(364,693)	(121,693)
Other Financing Source -				
Proceeds from long term debt	100,000	100,000	-	(100,000)
Capital lease proceeds	-	-	65,609	65,609
Transfers in	85,000	85,000	93,935	8,935
Total other financing sources	185,000	185,000	159,544	(25,456)
Deficiency of Revenues and Other Financing Source Under Expenditures	(45,000)	(58,000)	(205,149)	(147,149)
Fund Balance, Beginning	49,303	49,303	49,303	-
Fund Balance, Ending	$ 4,303	$ (8,697)	$ (155,846)	$ (147,149)

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, 2016

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 136,528	$ 13,182	$ 149,710
Receivables, net	253,364	46,760	300,124
Due from other funds	147,615	-	147,615
Prepaid expenses	4,654	4,654	9,308
Total current assets	542,161	64,596	606,757
Noncurrent assets:			
Restricted assets - cash	167,832	-	167,832
Capital assets:			
Land and other non-depreciable assets	335,341	2,947	338,288
Other capital assets, net of depreciation	9,420,429	105,657	9,526,086
Total noncurrent assets	9,923,602	108,604	10,032,206
Total Assets	10,465,763	173,200	10,638,963
LIABILITIES:			
Current Liabilities:			
Bonds and notes payable, current portion	292,074	6,645	298,719
Accounts payable	66,483	73,187	139,670
Accrued interest payable	15,019	-	15,019
Accrued expenses	14,098	10,655	24,753
Due to other funds	-	135,872	135,872
Compensated absences payable - current	63,271	37,431	100,702
Customer deposits	102,934	-	102,934
Total current liabilities	553,879	263,790	817,669
Noncurrent liabilities-			
Bonds and notes payables, less current portion	6,730,816	21,385	6,752,201
Total Liabilities	7,284,695	285,175	7,569,870
NET POSITION:			
Net investment in capital assets	2,732,880	80,574	2,813,454
Unrestricted	416,188	(197,203)	218,985
Restricted for prepaid expenses	4,654	4,654	9,308
Restricted for debt service	27,346	-	27,346
Total Net Position	$ 3,181,068	$ (111,975)	$ 3,069,093

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, 2016

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Water revenues	$ 976,963	$ -	$ 976,963
Sewer revenues	948,812	-	948,812
Gas revenues	-	521,380	521,380
Penalties	27,334	6,796	34,130
Total operating revenues	1,953,109	528,176	2,481,285
Operating Expenses:			
Salaries	499,672	164,642	664,314
Payroll taxes	37,450	12,399	49,849
Retirement expense	10,800	10,800	21,600
Group insurance	27,684	36,086	63,770
Workers compensation insurance	7,120	26,310	33,430
Natural gas purchases	-	251,990	251,990
Travel expenses	4,062	8,000	12,062
Office expenses	16,769	1,105	17,874
Insurance	16,727	16,671	33,398
Repairs and maintenance	137,621	9,772	147,393
Professional and technical services	65,793	12,241	78,034
Testing and monitoring	31,520	-	31,520
Depreciation	685,952	12,029	697,981
Pumping expense	85,275	-	85,275
Advertising	144	-	144
Supplies	28,404	3,426	31,830
Chemicals	83,539	-	83,539
Telephone	7,490	7,197	14,687
Utilities	118,931	5,039	123,970
Uniforms	-	4,676	4,676
Miscellaneous	95,781	1,627	97,408
Total operating expenses	1,960,734	584,010	2,544,744
Operating income (loss)	(7,625)	(55,834)	(63,459)
Non-operating Revenue (Expense):			
Interest income	546	56	602
USDA Grant Income	130,021	-	130,021
Grant revenues	-	62,114	62,114
Interest expense	(315,326)	(2,071)	(317,397)
Total non-operating revenue (expense)	(184,759)	60,099	(124,660)
Net income (loss) before transfer	(192,384)	4,265	(188,119)
Transfer to other funds	-	-	-
Change in net position	(192,384)	4,265	(188,119)
Total net position, beginning	3,373,452	(116,240)	3,257,212
Total net position, ending	$ 3,181,068	$ (111,975)	$ 3,069,093

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, 2016

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 1,871,708	$ 582,213	$ 2,453,921
Payments to suppliers	(575,384)	(504,120)	(1,079,504)
Payments to employees	(556,200)	(248,902)	(805,102)
Payments to others	(103,977)	(24,640)	(128,617)
Payments from (to) other funds	(288,766)	218,244	(70,522)
Net cash provided by (used in) operating activities	347,381	22,795	370,176
Cash Flows from Noncapital Financing Activities -			
Transfer from (to) other funds	-	-	-
Net cash provided by (used in) by noncapital financing activities	-	-	-
Cash Flows from Capital and Related Financing Activities:			
Proceeds from USDA Grant	130,021	-	130,021
Proceeds from DOT Grant	-	62,114	62,114
Acquisition of capital assets	(221,447)	(65,859)	(287,306)
Borrowings of capital debt	81,410	-	81,410
Principal payments on capital debt	(265,828)	(6,232)	(272,060)
Interest payments on capital debt	(315,964)	(2,071)	(318,035)
Net cash used in capital and related financing activities	(591,808)	(12,048)	(603,856)
Cash Flows from Investing Activities -			
Interest income	546	56	602
Net increase (decrease) in cash and cash equivalents	(243,881)	10,803	(233,078)
Balances - beginning of year	548,241	2,379	550,620
Balances - end of year	$ 304,360	$ 13,182	$ 317,542
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ (7,625)	$ (55,834)	$ (63,459)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	685,952	12,029	697,981
Net change in assets and liabilities attributable to operations:			
Accounts receivable	(83,178)	20,854	(62,324)
Other receivables	-	32,216	32,216
Customers deposits	1,777	-	1,777
Accounts payable	29,123	(217,620)	(188,497)
Accrued expenses payable	(734)	(1,668)	(2,402)
Due from other funds	-	218,244	218,244
Prepaid expenses	967	967	1,934
Compensated absences payable	9,865	13,607	23,472
Due to other funds	(288,766)	-	(288,766)
	$ 347,381	$ 22,795	$ 370,176
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ 136,528	$ 13,182	$ 149,710
Restricted cash and cash equivalents	167,832	-	167,832
Total cash and cash equivalents	$ 304,360	$ 13,182	$ 317,542

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, 2016, 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 $322,865. 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 -			
Police salaries	$ 327,596	$ 327,000	$ 596
Utilities	33,094	19,500	13,594
Street -			
Capital outlay	65,609	3,000	62,609
Debt Service -			
Interest	5,468	5,000	468

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2016.

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, 2016, $84,753 of the government's bank balance was exposed to custodial credit risk.

As of April 30, 2016, 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 14.177 mills on the tax value of all taxable property in the City for calendar year 2015. The net digest for 2015 on property in the City was $19,327,784 and the tax levied amounted to $274,010. 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 2015 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, 2016, is composed of the following:

Year of Levy:		
2015	$	84,005
2014		70,552
2013		57,144
2012		53,210
2011		47,007
2010		43,741
2009		22,180
Prior to 2009		49,696
Total taxes receivable		427,535
Less - allowance for uncollectibles		(169,900)
Net receivable	$	257,635

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2015	10%	$ 84,005	$ 8,403
2014	20%	70,552	14,110
2013	30%	57,144	17,143
2012	40%	53,210	21,284
2011	50%	47,007	23,504
2010	60%	43,741	26,245
2009	70%	22,180	15,526
Prior to 2009	88%	49,696	43,685
Total		$ 427,535	$ 169,900

C. Accounts Receivable

Primary Government

Receivables at April 30, 2016 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	$ 427,535	$ -	$ -	$ -
Notes	-	-	-	272,272
Intergovernmental	12,265	-	-	3,278
Accounts	43,993	870,039	191,615	-
Other	-	-	-	-
Gross receivables	483,793	870,039	191,615	275,550
Less: allowance for Uncollectibles	(203,158)	(616,675)	(144,855)	-
Net total receivables	$ 280,635	$ 253,364	$ 46,760	$ 275,550

D. Capital Assets

Primary Government

Capital asset activity for the year ended April 30, 2016 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	70,144	-	165,233
Autos and trucks	723,103	4,750	-	727,853
Total other capital assets at historical cost	1,546,063	74,894	-	1,620,957
Less accumulated depreciation:				
Buildings and improvements	276,610	7,056	-	283,666
Infrastructure	22,725	10,641	-	33,366
Furniture and fixtures	2,222	-	-	2,222
Machinery and equipment	86,538	13,345	-	99,883
Autos and trucks	610,595	25,107	-	635,702
Total accumulated depreciation	998,690	56,149	-	1,054,839
Other capital assets, net	547,373	18,745	-	566,118
Governmental activities capital assets, net	$ 562,873	$ 18,745	$ -	$ 581,618

	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	20,358	-	-	20,358
Utility systems	22,032,343	203,395	-	22,235,738
Machinery and equipment	392,323	83,911	-	476,234
Furniture and fixtures	20,707	-	-	20,707
Total other capital assets at historical cost	22,465,731	287,306	-	22,753,037
Less accumulated depreciation:				
Buildings and improvements	25,891	721	-	26,612
Utility systems	12,179,150	664,625	-	12,843,775
Machinery and equipment	305,794	31,288	-	337,082
Furniture and fixtures	18,135	1,347	-	19,482
Total accumulated depreciation	12,528,970	697,981	-	13,226,951
Other capital assets, net	9,936,761	(410,675)	-	9,526,086
Business-type activities capital assets, net	$ 10,275,049	$ (410,675)	$ -	$ 9,864,374

Governmental activities depreciation expense:	
General Government	$ 23,851
Public Safety	19,714
Street Maintenance	12,584
Total governmental activities depreciation expense:	$ 56,149
Business-type activities:	
Water	685,952
Natural Gas	12,029
Total business-type activities depreciation expense	$ 697,981

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of April 30, 2016 is as follows:

Receivable Fund	Payable Fund	
Water and Sewer Fund	General Fund	$ 140,614
Water and Sewer Fund	Gas Fund	7,001
General Fund	Gas Fund	128,871
		$ 276,486

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	$ -	$ 93,935
LMIG	45,948	-
TSPLOST Fund	47,987	-
Total transfers	$ 93,935	$ 93,935

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, 2016, the City had $12,665 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, 2016, 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, 2016 was $25,039.

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, 2016 was $2,307.

The following is a summary of long-term debt at April 30, 2016:

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.	$ 174,462	$ 68,058	$ 106,404
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.	18,108	6,826	11,282
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.	1,056,496	58,883	997,613
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.	633,062	37,995	595,067
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.	2,071,779	52,854	2,018,925
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.	2,335,228	44,971	2,290,257
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.	325,041	8,042	316,999
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.	271,016	7,088	263,928
Note payable - Georgia Environmental Finance Authority, $125,185 for water system improvements. 2.4% interest rate with 240 monthly payments of approximately $657 to March 1, 2036.	124,778	4,947	119,831
Note payable - Five Star Dodge, Inc., the City financed the purchase 2010 Ford Ranger, the note bears interest rate of 5.29% with monthly payments of $252.93 and matures on February 21, 2021.	12,920	2,410	10,510
Total Water and Sewer Fund	7,022,890	292,074	6,730,816
Gas Fund:			
Note payable - Five Star Dodge, Inc., the City financed the purchase 2008 Ford F-250, the note bears interest rate of 6.64% with monthly payments of $691.93 and matures on February 15, 2020.	28,030	6,645	21,385
Total Gas Fund	28,030	6,645	21,385
Total Long-Term liabilities for Business-Type Activities	$ 7,050,920	$ 298,719	$ 6,752,201

Long-term liability activity for governmental activities for the year ended April 30, 2016 was as follows:

	Total	Current	Long-Term
Note payable - Five Star Dodge, Inc., the City financed the purchase 2014 Dodge Ram, the note bears interest rate of 6.39% with monthly payments of $496.01 and matures on June 5, 2021.	$ 26,048	$ 4,416	$ 21,632
Note payable - Bank of Hancock County, the City financed the purchase 2000 Ford pickup, the note bears interest rate of 6% with monthly payments of $845.19 and matures on October 5, 2016.	4,984	4,984	-
	$ 31,032	$ 9,400	$ 21,632

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	$ 113,259	$ -	$ 9,942	$ 103,317	$ 103,317	$ -
Capital lease payable	-	65,609	12,131	53,478	13,083	40,395
N/P - Dodge Ram - Five Star Dodge, Inc.	30,266	-	4,218	26,048	4,416	21,632
N/P - Bank of Hancock County	14,515	-	9,531	4,984	4,984	-
Total Governmental Activities	$ 158,040	$ 65,609	$ 35,822	$ 187,827	$ 125,800	$ 62,027

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
2017	$ 9,400
2018	4,706
2019	5,016
2020	5,346
2021	5,698
2022 and therafter	866
	$ 31,032

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	$ 77,230	$ 23,472	$ -	$ 100,702	$ 100,702	$ -
Notes payable - GEFA	43,775	81,410	407	124,778	4,947	119,831
N/P - F 250 - Five Star Dodge, Inc.	34,262	-	6,232	28,030	6,645	21,385
N/P - Ford Ranger - Five Star Dodge, Inc.	15,210	-	2,290	12,920	2,410	10,510
Water and sewer bonds - Series 1980-A	239,988	-	65,526	174,462	68,058	106,404
Water and sewer bonds - Series 1981	24,698	-	6,590	18,108	6,826	11,282
Water and sewer bonds - Series 1990-A	1,112,312	-	55,816	1,056,496	58,883	997,613
Water and sewer bonds - Series 1990-B	666,059	-	32,997	633,062	37,995	595,067
Water and sewer bonds - Series 2000-A	2,115,235	-	43,456	2,071,779	52,854	2,018,925
Water and sewer bonds - Series 2000-B	2,384,211	-	48,983	2,335,228	44,971	2,290,257
Water and sewer bonds - Series 2014-A	330,153	-	5,112	325,041	8,042	316,999
Water and sewer bonds - Series 2014-B	275,667	-	4,651	271,016	7,088	263,928
Total Business-Type Activities	$ 7,318,800	$ 104,882	$ 272,060	$ 7,151,622	$ 399,421	$ 6,752,201

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

Year Ending April 30	Principal	Interest
2017	$ 299,417	$ 284,013
2018	313,899	268,946
2019	285,323	296,900
2020	256,667	249,897
2021	261,190	237,519
2022-2026	1,487,608	1,005,622
2027-2031	1,449,212	690,018
2032-2036	1,347,615	385,393
2037-2041	1,260,968	102,262
2042-2045	89,021	2,695
Total	$ 7,050,920	$ 3,523,265

H. Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of a Kubota tractor and cutter. This lease qualifies as a capital lease for accounting purposes (bargain purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is an analysis of the equipment leased under the capital lease as of April 30, 2016:

	Governmental Activities
Asset -	
Equipment	$ 65,609
Less: Accumulated depreciation	(8,592)
Total	$ 57,017

The future minimum lease obligations and the net present value of these minimum lease payments as of April 30, 2016 were as follows:

Year Ending April 30,	Governmental Activities
2017	$ 13,083
2018	13,083
2019	13,083
2020	13,083
2021	1,146
Total minimum lease payments	53,478
Less: amount representing interest	-
Present value of minimum lease payments	$ 53,478

The depreciation related with the above capital lease has been included in the depreciation expense reported in Note III D – Capital Assets.

I. 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, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 100,500	$ 75,000	$ 100,500	$ 75,000

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. 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:

	2016	2015
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	19,190	20,188
Payment of claims	(19,190)	(20,188)
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, 2016 totaled approximately $33,900. 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, 2015	$ 286,453
Net change	55
Balance April 30, 2016	$ 286,508

Asserted Claims

As of April 30, 2016, 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, 2016 was $269,229, 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 October 31 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.

In a letter dated September 22,2016, the Georgia Department of Community Affairs requested that the City should return $179,829 from the City's Redevelopment Fund. The Department alleged that the City had not followed the guidelines of the 1990 Community Development Block Grant for the use of these funds. The City's attorney has responded to these findings and has disputed a portion of the Department's total to be reimbursed. Because no settlement has been reached, no amount has been recorded on these financial statements as of April 30, 2016.

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, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes Revenues:				
General property taxes and public utilities	$ 332,562	$ 332,562	$ 284,860	$ (47,702)
Occupation taxes	25,000	25,000	19,296	(5,704)
Franchise fees	93,000	93,000	89,867	(3,133)
Vehicle taxes	30,000	30,000	38,285	8,285
Mobile home taxes	2,000	2,000	2,256	256
Beer, liquor, wine tax	70,000	70,000	59,614	(10,386)
Local option sales tax	155,000	155,000	137,833	(17,167)
Insurance premium tax	75,000	75,000	81,364	6,364
Total taxes revenues	782,562	782,562	713,375	(69,187)
Fines and Forfeitures-				
Municipal Court fines and forfeitures	30,000	30,000	15,881	(14,119)
Licenses and Permits:				
Building permits	6,000	6,000	4,745	(1,255)
Parade permits	500	500	600	100
Beer and liquor licenses	13,000	13,000	12,750	(250)
Re-zoning application fees	1,000	1,000	-	(1,000)
Total licenses and permits	20,500	20,500	18,095	(2,405)
Charges for Services-				
Garbage fees	123,000	123,000	106,839	(16,161)
Grant Revenue -				
Georgia Department of Transportation grant	215,000	215,000	-	(215,000)
FEMA grant	-	-	-	-
Total grant revenues	215,000	215,000	-	(215,000)
Other Revenue -				
Miscellaneous revenues	6,872	(6,128)	17,016	23,144
Total Revenues	$ 1,177,934	$ 1,164,934	$ 871,206	$ (293,728)

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 2 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:				
General Government:				
Salaries	$ 39,000	$ 39,000	$ 34,291	$ 4,709
Payroll taxes	3,400	3,400	3,082	318
Workers compensation reserve fund	8,200	8,200	7,120	1,080
Service contracts	18,000	18,000	17,064	936
Utilities	8,400	8,400	8,364	36
Telephone	6,000	6,000	5,991	9
Supplies	6,100	6,100	6,026	74
Landfill expenditures	300	300	20	280
Dues and subscriptions	8,500	8,500	2,682	5,818
Professional services	47,000	47,000	46,493	507
Repairs and maintenance	4,300	4,300	3,047	1,253
Insurance - general	27,500	27,500	26,707	793
Election/Registration expenditures	41,600	41,600	39,873	1,727
Postage	2,000	2,000	1,406	594
Equipment rental	800	800	650	150
Travel and training	3,000	3,000	2,343	657
GSCCCA	4,000	4,000	3,320	680
Advertising	2,100	2,100	2,066	34
Capital outlay	1,000	1,000	-	1,000
Miscellaneous expenditures	154,500	154,500	52,180	102,320
Total General Government	$ 385,700	$ 385,700	$ 262,725	$ 122,975
Administration:				
Salaries:				
Mayor	$ 15,000	$ 15,000	$ 14,700	$ 300
Council	19,000	19,000	18,600	400
City Clerk's office	16,500	16,500	15,774	726
Payroll taxes	3,859	3,859	3,746	113
Retirement expenditures	3,600	3,600	3,600	-
Telephone	500	500	334	166
Repairs and maintenance	2,600	2,600	2,400	200
Gas and oil	-	-	-	-
Travel and training	20,500	20,500	15,123	5,377
Recorders court	3,900	3,900	3,900	-
Dues and subscriptions	1,450	1,450	820	630
Miscellaneous expenditures	1,050	1,050	395	655
Total Administration	$ 87,959	$ 87,959	$ 79,392	$ 8,567

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 3 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public Safety:				
Salaries:				
Police department	$ 327,000	$ 327,000	$ 327,596	$ (596)
Fire department	15,000	15,000	8,875	6,125
Payroll taxes	25,900	25,900	25,343	557
Retirement expenditures	4,500	4,500	4,500	-
Workers compensation insurance	300	300	-	300
Group insurance	7,200	7,200	6,921	279
Utilities	19,500	19,500	33,094	(13,594)
Clothing and uniforms	1,500	1,500	473	1,027
Supplies	3,100	3,100	2,178	922
Tools and hardware	200	200	80	120
Telephone	10,350	10,350	10,178	172
Repairs and maintenance	23,941	23,941	19,816	4,125
Gasoline and oil	11,100	11,100	10,795	305
Travel and training	5,500	5,500	4,253	1,247
Donations	600	600	600	-
Capital outlay	10,284	10,284	9,285	999
Miscellaneous	21,400	21,400	19,098	2,302
Total Public Safety	$ 487,375	$ 487,375	$ 483,085	$ 4,290
Street Maintenance:				
Salaries	$ 37,000	$ 37,000	$ 34,340	$ 2,660
Payroll taxes	3,200	3,200	2,494	706
Group insurance	7,200	7,200	6,921	279
Workers compensation insurance	500	500	-	500
Retirement expenditures	4,200	4,200	4,200	-
Utilities	2,300	2,300	1,318	982
Solid waste disposal	110,000	110,000	99,705	10,295
Street and traffic lights	46,000	46,000	45,383	617
Gasoline, oil and grease	8,000	8,000	7,496	504
Street and road improvements	89,500	89,500	84,518	4,982
Repairs and maintenance	12,300	12,300	8,782	3,518
Groundwater monitoring	19,000	19,000	12,665	6,335
Tools and hardware	1,000	1,000	853	147
Capital outlay	3,000	3,000	65,609	(62,609)
Miscellaneous	39,800	39,800	2,130	37,670
Total Street Maintenance	$ 383,000	$ 383,000	$ 376,414	$ 6,586

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 4 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Payments to Other Government Agencies:				
Historical Preservation	$ 200	$ 200	$ -	$ 200
Better Hometown Project	1,000	1,000	-	1,000
Uncle Remus Library	3,100	3,100	2,935	165
Total Payments to Other Government Agencies	$ 32,800	$ 32,800	$ 2,935	$ 29,865
Debt Service -				
Principal	$ 26,100	$ 26,100	$ 25,880	$ 220
Interest and other charges	5,000	5,000	5,468	(468)
Total Debt Service	$ 31,100	$ 31,100	$ 31,348	$ (248)
Total Expenditures	$ 1,407,934	$ 1,407,934	$ 1,235,899	$ 172,035

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 Local Maintenance and Improvement Grant (LMIG) funds received that are legally restricted to expenditure for capital road projects within the City.

CITY OF SPARTA, GEORGIA

EXHIBIT 12

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
APRIL 30, 2016

	Special Revenue	Capital Project		
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 14,236	$ 28,414	$ 14,413	$ 57,063
Intergovernmental receivable	-	3,278	-	3,278
Notes receivable, net of uncollectible	272,272	-	-	272,272
Total Assets	$ 286,508	$ 31,692	$ 14,413	$ 332,613
LIABILITIES AND FUND BALANCE				
Liability				
Deferred revenue	$ -	$ -	-	$ -
Fund Balance -				
Restricted for special programs	286,508	31,692	14,413	332,613
Total fund balance	286,508	31,692	14,413	332,613
Total Liabilities and Fund Balance	$ 286,508	$ 31,692	$ 14,413	$ 332,613

CITY OF SPARTA, GEORGIA

EXHIBIT 13

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

	Special Revenue	Capital Project		
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ -	$ 35,827	$ -	$ 35,827
Grant revenue	-	-	15,461	15,461
Other revenue	2,781	-	-	2,781
Total revenues	2,781	35,827	15,461	54,069
Expenditures:				
Other expenditures	2,726	-	-	2,726
Total expenditures	2,726	-	-	2,726
Excess of Revenues Over Expenditures	55	35,827	15,461	51,343
Other Financing Use -				
Transfer out	-	(47,987)	(45,948)	(93,935)
Net change in fund balance	55	(12,160)	(30,487)	(42,592)
Fund Balance, Beginning	286,453	43,852	44,900	375,205
Fund Balance, Ending	$ 286,508	$ 31,692	$ 14,413	$ 332,613

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
FOR THE YEAR ENDED APRIL 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
Interest income	$ 7,500	$ 2,781	$ (4,719)
Total revenues	7,500	2,781	(4,719)
Expenditures:			
Miscellaneous	7,500	2,726	4,774
Total expenditures	7,500	2,726	4,774
Excess of Revenues Over Expenditures	-	55	55
Other Financing Use -			
Transfer out	-	-	-
Total other financing use	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	55	55
Fund Balance, Beginning	286,453	286,453	-
Fund Balance, Ending	$ 286,453	$ 286,508	$ 55

Compliance Section

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
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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, 2016, 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 October 31, 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 items 16-1 and 16-2.

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 16-3.

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.

October 31, 2016

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

16-1 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 not budgeted, as well as the use of daily reconciliation procedures across department lines to help alleviate the segregation issues.

16-2 Accounts Receivable Delinquencies in Utilities Department

Condition

It was noted during the course of the audit that delinquencies in the Utilities Department accounts receivables, which includes gas receivables, water and sewer receivables and garbage receivables, are excessive. These large receivable balances are partially due to cut-off procedures in place by the Utilities Department.

Effect

The utilities accounts receivable balances continue to increase.

Recommendation

It is recommended that the City continue to enhance their cut-off and collection efforts in the area of accounts receivable.

Views of Responsible Officials

We concur and have an agreement to outsource the collection of delinquent utility accounts to a third-part collection company. Cut-offs are being made on the 18th of the month for customers that are two months in arrears.

COMPLIANCE AND OTHER MATTERS

16-3 Budgetary

Condition

In the City's General Fund, actual expenditures exceeded budget appropriations in two 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. In one instance during this fiscal year, the Council had budgeted for the payment of lease payments, but did not understand to budget for the total cost of the purchased equipment, with an offsetting revenue amount for the proceeds from a capital lease.

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, 2016.

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. It was noted during the course of the audit that delinquencies in the Utilities Department accounts receivables, which includes gas receivables, water and sewer receivables and garbage receivables, are excessive. The City has entered into an agreement to outsource the collection of delinquent utility accounts. Cut-offs are being made on current customers not paying by the 18th of the month.

3. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended April 30, 2016:

Debt service – interest	$ 468
Public safety – police salaries	596
Public safety – Utilities	13,594
Street department – capital outlays	62,609

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