CITY OF SPARTA, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED APRIL 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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 October 31, 2017 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, 2017

Financial Section

Basic Financial Statements

CITY OF SPARTA, GEORGIA

Exhibit 1

STATEMENT OF NET POSITION
APRIL 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 92,426	$ 214,957	$ 307,383
Restricted assets	-	1,147,366	1,147,366
Receivables, net of allowances for uncollectible:			
Taxes	237,254	-	237,254
Accounts	11,702	398,593	410,295
Intergovernmental	15,525	-	15,525
Other	-	-	-
Internal balances	(20,196)	20,196	-
Notes receivable	267,465	-	267,465
Prepaid expenses	5,751	11,502	17,253
Capital assets:			
Land and other non-depreciable assets	15,500	322,148	337,648
Other capital assets, net of depreciation	579,597	8,952,353	9,531,950
Total Assets	1,205,024	11,067,115	12,272,139
Liabilities			
Accounts payable	98,472	178,023	276,495
Accrued interest payable	-	43,688	43,688
Other current liabilities	12,863	20,606	33,469
Compensated absences payable - current	116,473	132,181	248,654
Customer deposits	-	113,433	113,433
Intergovernmental payable	94,644	-	94,644
Long-term obligations:			
Due within one year	31,283	344,412	375,695
Due in more than one year	101,255	7,812,610	7,913,865
Total Liabilities	454,990	8,644,953	9,099,943
Net Position			
Net investment in capital assets	462,559	1,117,479	1,580,038
Restricted for:			
Debt service	-	346,152	346,152
Prepaid expenses	5,751	11,502	17,253
Grant agreement	327,944	-	327,944
Unrestricted	(46,220)	947,029	900,809
Total Net Position	$ 750,034	$ 2,422,162	$ 3,172,196

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net 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	$ 307,860	$ 17,130	$ -	$ -	$ (290,730)	$ -	$ (290,730)
Administration	67,951	-	-	-	(67,951)	-	(67,951)
Public safety	481,133	25,258	-	-	(455,875)	-	(455,875)
Street maintenance	251,840	106,562	20,120	-	(135,158)	-	(135,158)
Culture and recreation	2,350	-	-	-	(2,350)	-	(2,350)
Interest on debt	6,647	-	-	-	(6,647)	-	(6,647)
Economic development	32,956	-	-	-	(32,956)	-	(32,956)
Total governmental activities	1,160,737	148,950	20,120	-	(991,667)	-	(991,667)
Business-type Activities:							
Water and sewer	2,741,692	2,229,632	-	-	-	(512,060)	(512,060)
Gas	545,141	434,507	-	-	-	(110,634)	(110,634)
Total business-type activities	3,286,833	2,664,139	-	-	-	(622,694)	(622,694)
Total primary government	$ 4,447,570	$ 2,813,089	$ 20,120	$ -	(991,667)	(622,694)	(1,614,361)
	General revenues:						
	Property taxes				298,874	-	298,874
	Franchise fees				82,375	-	82,375
	Local option sales tax				151,238	-	151,238
	TSPLOST				34,838	-	34,838
	Insurance premium tax				87,442	-	87,442
	Motor vehicle/mobile home taxes				32,387	-	32,387
	Beer/liquor/wine taxes				61,445	-	61,445
	Occupation taxes				20,432	-	20,432
	Unrestricted investment earnings				69	623	692
	Grant income				-	85,140	85,140
	Miscellaneous				16,645	-	16,645
	Transfers				110,000	(110,000)	-
	Total general revenues and transfers				895,745	(24,237)	871,508
	Change in net position				(95,922)	(646,931)	(742,853)
	Net position - beginning				845,956	3,069,093	3,915,049
	Net position -ending				$ 750,034	$ 2,422,162	$ 3,172,196

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, 2017

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 35,154	$ 57,272	$ 92,426
Receivables, net of allowances for uncollectibles:			
Taxes	237,254	-	237,254
Accounts	11,702	-	11,702
Intergovernmental	12,318	3,207	15,525
Notes receivable	-	267,465	267,465
Due from other funds	159,270	-	159,270
Prepaid expenditures	5,751	-	5,751
Total Assets	$ 461,449	$ 327,944	$ 789,393
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	98,472	$ -	$ 98,472
Intergovernmental payable	94,644	-	94,644
Accrued expenses	12,863	-	12,863
Due to other funds	179,466	-	179,466
Total Liabilities	385,445	-	385,445
Deferred Inflow of Resources -			
Unavailable revenues	256,197	-	256,197
Fund Balances:			
Nonspendable for:			
Prepaid expenditures	5,751	-	5,751
Restricted for:			
Special programs	-	327,944	327,944
Unassigned	(185,944)	-	(185,944)
Total Fund Balances	(180,193)	327,944	147,751
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 461,449	$ 327,944	$ 789,393

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, 2017

Fund balance - total governmental funds	$	147,751
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		(116,473)
Notes Payable		(92,143)
Capital Lease		(40,395)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		256,197
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		595,097
Net position of governmental activities	$	750,034

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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 754,510	$ 34,838	$ 789,348
Licenses and permits	17,130	-	17,130
Fines and forfeitures	25,258	-	25,258
Charges for services	105,446	-	105,446
Intergovernmental revenues	-	20,120	20,120
Other revenues	14,021	2,693	16,714
Total revenues	916,365	57,651	974,016
Expenditures:			
Current:			
General government	167,069	14,236	181,305
Administration	67,951	-	67,951
Public safety	526,517	-	526,517
Street maintenance	205,677	43,013	248,690
Intergovernmental payments to other governments or agencies	129,950	-	129,950
Debt service	29,130	-	29,130
Total expenditures	1,126,294	57,249	1,183,543
Deficiency of Revenues Under Expenditures	(209,929)	402	(209,527)
Other Financing Source -			
Proceeds from long term debt	70,511	-	70,511
Transfers in	115,071	-	115,071
Tranfers out	-	(5,071)	(5,071)
Total other financing source (use)	185,582	(5,071)	180,511
Net Change in Fund Balance	(24,347)	(4,669)	(29,016)
Fund Balance, Beginning	(155,846)	332,613	176,767
Fund Balance, Ending	$ (180,193)	$ 327,944	$ 147,751

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, 2017

Net change in fund balances - total governmental funds	$ (29,016)
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	75,266
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	(61,787)
The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(70,511)
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	(20,317)
Charges for service	1,116
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	(13,156)
Notes payable	9,400
Capital leases	13,083
Change in net position of governmental activities	$ (95,922)

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Taxes	$ 722,529	$ 722,529	$ 754,510	$ 31,981
Licenses and permits	19,500	19,500	17,130	(2,370)
Fines and forfeitures	10,000	10,000	25,258	15,258
Charges for services	223,000	223,000	105,446	(117,554)
Grant revenues	100,000	100,000	-	(100,000)
Other revenues	2,254	2,254	14,021	11,767
Total revenues	1,077,283	1,077,283	916,365	(160,918)
Expenditures:				
General government	373,884	373,884	167,069	206,815
Administration	88,540	88,540	67,951	20,589
Public safety	458,381	458,381	526,517	(68,136)
Street maintenance	281,578	281,578	205,677	75,901
Payments to other governmental agencies	34,300	34,300	129,950	(95,650)
Debt service	18,600	18,600	29,130	(10,530)
Total expenditures	1,255,283	1,255,283	1,126,294	128,989
Deficiency of Revenues Under Expenditures	(178,000)	(178,000)	(209,929)	(31,929)
Other Financing Source -				
Proceeds from long term debt	125,000	125,000	70,511	(54,489)
Transfers in	50,000	50,000	115,071	65,071
Total other financing sources	175,000	175,000	185,582	10,582
Deficiency of Revenues and Other Financing Source Under Expenditures	(3,000)	(3,000)	(24,347)	(21,347)
Fund Balance, Beginning	(155,846)	(155,846)	(155,846)	-
Fund Balance, Ending	$ (158,846)	$ (158,846)	$ (180,193)	$ (21,347)

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, 2017

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	$ 201,337	$ 13,620	$ 214,957
Receivables, net	358,220	40,373	398,593
Due from other funds	248,500	-	248,500
Prepaid expenses	5,751	5,751	11,502
Total current assets	813,808	59,744	873,552
Noncurrent assets:			
Restricted assets - cash	1,147,366	-	1,147,366
Capital assets:			
Land and other non-depreciable assets	319,201	2,947	322,148
Other capital assets, net of depreciation	8,854,454	97,899	8,952,353
Total noncurrent assets	10,321,021	100,846	10,421,867
Total Assets	11,134,829	160,590	11,295,419
LIABILITIES:			
Current Liabilities:			
Bonds and notes payable, current portion	337,887	6,525	344,412
Accounts payable	95,801	82,222	178,023
Accrued interest payable	43,688	-	43,688
Accrued expenses	13,230	7,376	20,606
Due to other funds	-	228,304	228,304
Compensated absences payable - current	87,739	44,442	132,181
Customer deposits	113,433	-	113,433
Total current liabilities	691,778	368,869	1,060,647
Noncurrent liabilities-			
Bonds and notes payables, less current portion	7,798,313	14,297	7,812,610
Total noncurrent liabilities	7,798,313	14,297	7,812,610
Total Liabilities	8,490,091	383,166	8,873,257
NET POSITION:			
Net investment in capital assets	1,037,455	80,024	1,117,479
Unrestricted	1,255,380	(308,351)	947,029
Restricted for prepaid expenses	5,751	5,751	11,502
Restricted for debt service	346,152	-	346,152
Total Net Position	$ 2,644,738	$ (222,576)	$ 2,422,162

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, 2017

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Revenues:			
Water revenues	$ 1,150,580	$ -	$ 1,150,580
Sewer revenues	1,048,032	-	1,048,032
Gas revenues	-	427,566	427,566
Penalties	31,020	6,941	37,961
Total operating revenues	2,229,632	434,507	2,664,139
Operating Expenses:			
Personnel costs	641,975	200,821	842,796
Natural gas purchases	-	265,216	265,216
Travel expenses	3,984	3,800	7,784
Office expenses	15,211	-	15,211
Insurance	11,572	11,572	23,144
Repairs and maintenance	136,890	15,390	152,280
Professional and technical services	95,808	12,505	108,313
Testing and monitoring	31,397	-	31,397
Depreciation	704,094	14,513	718,607
Pumping expense	114,019	-	114,019
Advertising	419	-	419
Supplies	13,081	783	13,864
Chemicals	60,459	-	60,459
Telephone	9,916	8,078	17,994
Utilities	75,174	4,513	79,687
Uniforms	-	4,073	4,073
Miscellaneous	102,110	2,090	104,200
Total operating expenses	2,016,109	543,354	2,559,463
Operating income (loss)	213,523	(108,847)	104,676
Non-operating Revenue (Expense):			
Interest income	590	33	623
USDA Grant Income	85,140	-	85,140
Bond issuance costs	(425,938)	-	(425,938)
Interest expense	(299,645)	(1,787)	(301,432)
Total non-operating revenue (expense)	(639,853)	(1,754)	(641,607)
Net income (loss) before transfer	(426,330)	(110,601)	(536,931)
Transfer to other funds	(110,000)	-	(110,000)
Change in net position	(536,330)	(110,601)	(646,931)
Total net position, beginning	3,181,068	(111,975)	3,069,093
Total net position, ending	$ 2,644,738	$ (222,576)	$ 2,422,162

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, 2017

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 2,135,274	$ 439,797	$ 2,575,071
Payments to suppliers	(530,454)	(294,387)	(824,841)
Payments to employees	(592,999)	(200,708)	(793,707)
Payments to others	(136,740)	(20,979)	(157,719)
Payments from (to) other funds	(100,885)	92,432	(8,453)
Net cash provided by (used in) operating activities	774,196	16,155	790,351
Cash Flows from Noncapital Financing Activities -			
Transfer from (to) other funds	(110,000)	-	(110,000)
Net cash provided by (used in) by noncapital financing activities	(110,000)	-	(110,000)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from USDA Grant	85,140	-	85,140
Bond issuance cost	(425,938)	-	(425,938)
Acquisition of capital assets	(121,979)	(6,755)	(128,734)
Borrowings of capital debt	1,322,239	-	1,322,239
Principal payments on capital debt	(208,929)	(7,208)	(216,137)
Interest payments on capital debt	(270,976)	(1,787)	(272,763)
Net cash provided by capital and related financing activities	379,557	(15,750)	363,807
Cash Flows from Investing Activities -			
Interest income	590	33	623
Net increase (decrease) in cash and cash equivalents	1,044,343	438	1,044,781
Balances - beginning of year			
Restricted	167,832	-	167,832
Unrestricted	136,528	13,182	149,710
Total cash and cash equivalents	304,360	13,182	317,542
Balances - end of year			
Restricted	1,147,366	-	1,147,366
Unrestricted	201,337	13,620	214,957
Total cash and cash equivalents	$ 1,348,703	$ 13,620	$ 1,362,323
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 213,523	$ (108,847)	$ 104,676
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	704,094	14,513	718,607
Net change in assets and liabilities attributable to operations:			
Accounts receivable	(104,856)	6,387	(98,469)
Other receivables	-	-	-
Customers deposits	10,499	-	10,499
Accounts payable	29,318	9,035	38,353
Accrued expenses payable	(868)	(3,279)	(4,147)
Due from other funds	-	92,432	92,432
Prepaid expenses	(1,097)	(1,097)	(2,194)
Compensated absences payable	24,468	7,011	31,479
Due to other funds	(100,885)	-	(100,885)
	$ 774,196	$ 16,155	$ 790,351
Components of Cash and Cash Equivalents:			
Unrestricted cash and cash equivalents	$ 201,337	$ 13,620	$ 214,957
Restricted cash and cash equivalents	1,147,366	-	1,147,366
Total cash and cash equivalents	$ 1,348,703	$ 13,620	$ 1,362,323

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, 2017, 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 City currently utilizes the Redevelopment Fund and the TSPLOST Discretionary Fund as Special Revenue Funds.

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 LMIG Fund as a Capital Projects Fund.

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.

   All trade and property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 43 percent of outstanding property taxes at April 30, 2017.

   Property taxes are levied as of January 1 by the City of Sparta on property values assessed as of the same date by Hancock County Government. The City's property taxes are levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the City. The tax levy is usually billed by the City on October 1.

   The City bills and collects its own property taxes and the City's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred in the general fund.

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 $308,079. 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.

Deficit Fund Balance – The gas fund had a deficit fund balance as of April 30, 2017.

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 -			
Utilities	39,609	15,000	24,609
Capital outlay	70,511	3,900	66,611
Miscellaneous	16,944	16,200	744
Payments to Other Governments -			
Streetscape Project	32,956	30,000	2,956
Intergovenmental- Redevelopment Grant	94,644	-	94,644
Debt Service -			
Principal	22,483	13,600	8,883
Interest	6,647	5,000	1,647

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investments – The Government owns no investments as of April 30, 2017.

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, 2017, none of the government's bank balance was exposed to custodial credit risk, as these deposits were fully insured and collateralized.

As of April 30, 2017, 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 14.284 mills on the tax value of all taxable property in the City for calendar year 2016. The net digest for 2016 on property in the City was $20,284,605 and the tax levied amounted to $289,745. 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 2016 collected during the current year, and within 60 days of year-end, has been recognized as revenue.

The City had no tax abatements during the year ending April 30, 2017.

Property taxes receivable, shown net of allowance for uncollectibles, at April 30, 2017, is composed of the following:

Year of Levy:		
2016	$	75,808
2015		56,841
2014		55,841
2013		48,017
2012		45,389
2011		40,129
2010		37,830
Prior to 2010		55,471
Total taxes receivable		415,326
Less - allowance for uncollectibles		(178,072)
Net receivable	$	237,254

The allowance for uncollectible property taxes was determined as follows:

Year of Levy	Percentage Allocation	Outstanding Balance	Amount Allocated To Reserve
2016	10%	$ 75,808	$ 7,583
2015	20%	56,841	11,368
2014	30%	55,841	16,752
2013	40%	48,017	19,207
2012	50%	45,389	22,695
2011	60%	40,129	24,077
2010	70%	37,830	26,481
Prior to 2010	90%	55,471	49,909
Total		$ 415,326	$ 178,072

C. Accounts Receivable

Primary Government

Receivables at April 30, 2017 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	$ 415,326	$ -	$ -	$ -
Notes	-	-	-	267,465
Intergovernmental	12,318	-	-	3,207
Accounts	45,366	1,012,748	156,512	-
Other	-	-	-	-
Gross receivables	473,010	1,012,748	156,512	270,672
Less: allowance for Uncollectibles	(211,736)	(654,528)	(116,139)	-
Net total receivables	$ 261,274	$ 358,220	$ 40,373	$ 270,672

D. Capital Assets

Primary Government

Capital asset activity for the year ended April 30, 2017 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	4,755	-	6,978
Machinery and equipment	165,233	-	-	165,233
Autos and trucks	727,853	70,511	-	798,364
Total other capital assets at historical cost	1,620,957	75,266	-	1,696,223
Less accumulated depreciation:				
Buildings and improvements	283,666	7,056	-	290,722
Infrastructure	33,366	10,641	-	44,007
Furniture and fixtures	2,222	159	-	2,381
Machinery and equipment	99,883	12,171	-	112,054
Autos and trucks	635,702	31,760	-	667,462
Total accumulated depreciation	1,054,839	61,787	-	1,116,626
Other capital assets, net	566,118	13,479	-	579,597
Governmental activities capital assets, net	$ 581,618	$ 13,479	$ -	$ 595,097

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 338,288	$ -	$ (16,140)	322,148
Total capital assets not being depreciated	338,288	-	(16,140)	322,148
Other capital assets:				
Buildings and improvements	20,358	16,140	-	36,498
Utility systems	22,235,738	103,720	-	22,339,458
Machinery and equipment	476,234	20,259	-	496,493
Furniture and fixtures	20,707	4,755	-	25,462
Total other capital assets at historical cost	22,753,037	144,874	-	22,897,911
Less accumulated depreciation:				
Buildings and improvements	26,612	721	-	27,333
Utility systems	12,843,775	674,299	-	13,518,074
Machinery and equipment	337,082	42,045	-	379,127
Furniture and fixtures	19,482	1,542	-	21,024
Total accumulated depreciation	13,226,951	718,607	-	13,945,558
Other capital assets, net	9,526,086	(573,733)	-	8,952,353
Business-type activities capital assets, net	$ 9,864,374	$ (573,733)	$ (16,140)	$ 9,274,501

Governmental activities depreciation expense:	
General Government	$ 23,510
Public Safety	25,127
Street Maintenance	13,150
Total governmental activities depreciation expense:	$ 61,787
Business-type activities:	
Water	704,094
Natural Gas	14,513
Total business-type activities depreciation expense	$ 718,607

E. Interfund Receivables, Payables and Transfers

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

	Payable Fund				
Receivable Fund	General Fund	Other Nonmajor Governmental Funds	Water Fund	Gas Fund	Total
General Fund	$ -	$ -	$ -	$ 159,270	$ 159,270
Water Fund	179,466	-	-	69,034	248,500
Gas Fund	-	-	-	-	-
Other nonmajor governmental funds	-	-	-	-	-
Total	$ 179,466	$ -	$ -	$ 228,304	$ 407,770

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 In			
Transfers Out	General Fund	Other Nonmajor Governmental Funds	Water Fund	Total Transfers Out
General Fund	$ -	$ -	$ -	$ -
Water Fund	110,000	-	-	110,000
Other nonmajor governmental funds	5,071	-	-	5,071
Total- Transfer in	$ 115,071	$ -	$ -	$ 115,071

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, 2017, the City had $15,615 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, 2017, financial assurance requirements are no longer required by the City in relation to the landfill.

G. 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, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	$ 75,000	$ 121,574	$ 196,574	$ -

H. Long-Term Debt

Primary Government Notes Payable

On February 28, 2017, the City refinanced the remaining balance of USDA bonds 1980-A, 1981, 1990-A, 1990-B, 2000-A and 2000-B with Texas Capital Bank as series 2017 bonds. As part of the refinance, the costs incurred by the City included $369,750 as bond issuance costs, $56,188 as municipal bond insurance, $244,325 was included to be deposited into a debt service reserve fund for the purpose of repaying the bond payments, and $651,977 was deposited into a construction fund for the purpose of buying equipment for the water fund.

The following is a summary of long-term debt at April 30, 2017:

Water and Sewer Fund:	Total	Current	Long-term
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.	$ 319,799	$ 8,245	$ 311,554
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.	266,266	7,241	259,025
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.	119,831	5,067	114,764
Water and sewer bonds- Texas Capital Bank, issued in the amount of $7,420,000 for refinancing water and sewer bonds, maintaining a debt service reserve fund, and creating a construction fund. 3.33% interest with semi-annual installments to June 1, 2034. Payments range from approximately $246,000 to $251,500.	7,420,000	315,000	7,105,000
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.	10,304	2,334	7,970
Total Water and Sewer Fund	8,136,200	337,887	7,798,313
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.	20,822	6,525	14,297
Total Gas Fund	20,822	6,525	14,297
Total Long-Term liabilities for Business-Type Activities	$ 8,157,022	$ 344,412	$ 7,812,610

Long-term liability activity for governmental activities for the year ended April 30, 2017 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.	$ 21,632	$ 4,706	$ 16,926
Note payable- USDA, the City financed the purchase of two 2016 Dodge Chargers, the note bares interest rate of 2.75% with monthly payments of $1,272 and matures on May 11, 2022.	70,511	13,494	57,017
	$ 92,143	$ 18,200	$ 73,943

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	$ 103,317	$ 13,156	$ -	$ 116,473	$ 116,473	$ -
Capital lease payable	53,478	-	13,083	40,395	13,083	27,312
N/P - Dodge Ram - Five Star Dodge, Inc.	26,048	-	4,416	21,632	4,706	16,926
N/P -Two Dodge Chargers - USDA	-	70,511	-	70,511	13,494	57,017
N/P - Bank of Hancock County	4,984	-	4,984	-	-	-
Total Governmental Activities	$ 187,827	$ 83,667	$ 22,483	$ 249,011	$ 147,756	$ 101,255

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
2018	$ 18,200
2019	18,886
2020	19,602
2021	20,351
2022	15,104
2023 and therafter	-
	$ 92,143

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	$ 100,702	$ 31,479	$ -	$ 132,181	$ 132,181	$ -
Notes payable - GEFA	124,778	-	4,947	119,831	5,067	114,764
N/P - F 250 - Five Star Dodge, Inc.	28,030	-	7,208	20,822	6,525	14,297
N/P - Ford Ranger - Five Star Dodge, Inc.	12,920	-	2,616	10,304	2,334	7,970
Water and sewer bonds - Series 1980-A	174,462	-	174,462	-	-	-
Water and sewer bonds - Series 1981	18,108	-	18,108	-	-	-
Water and sewer bonds - Series 1990-A	1,056,496	-	1,056,496	-	-	-
Water and sewer bonds - Series 1990-B	633,062	-	633,062	-	-	-
Water and sewer bonds - Series 2000-A	2,071,779	-	2,071,779	-	-	-
Water and sewer bonds - Series 2000-B	2,335,228	-	2,335,228	-	-	-
Water and sewer bonds - Series 2014-A	325,041	-	5,242	319,799	8,245	311,554
Water and sewer bonds - Series 2014-B	271,016	-	4,750	266,266	7,241	259,025
Water and sewer bonds - Texas Capital	-	7,420,000	-	7,420,000	315,000	7,105,000
Total Business-Type Activities	$ 7,151,622	$ 7,451,479	$ 6,313,898	$ 8,289,203	$ 476,593	$ 7,812,610

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

Year Ending April 30	Principal	Interest
2018	$ 344,412	$ 185,202
2019	296,301	232,814
2020	306,075	223,473
2021	304,518	220,434
2022	312,570	185,167
2023-2027	1,731,133	792,366
2028-2032	2,036,195	599,076
2033-2037	2,384,485	256,730
2038-2042	374,240	17,869
2043-2046	67,093	1,156
Total	$ 8,157,022	$ 2,714,287

I. 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, 2017:

	Governmental Activities
Asset -	
Equipment	$ 65,609
Less: Accumulated depreciation	(17,964)
Total	$ 47,645

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

Year Ending April 30,	Governmental Activities
2018	$ 13,083
2019	13,083
2020	13,083
2021	1,146
Total minimum lease payments	40,395
Less: amount representing interest	-
Present value of minimum lease payments	$ 40,395

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

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:

	2017	2016
Claims Liability, Beginning	$ -	$ -
Claims incurred throughout the year	18,864	19,190
Payment of claims	(18,864)	(19,190)
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, 2017 totaled approximately $27,750. 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, 2016	$	286,508
Net change		(11,543)
Balance April 30, 2017	$	274,965

Asserted Claims

As of April 30, 2017, 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, 2016, 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, 2017 was $264,422, 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. Redevelopment Fund Grant Revenue

In a letter dated September 22, 2016, the Georgia Department of Community Affairs requested that the City 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. In a letter to the assistant attorney general dated June 23 ,2017, the City agreed to pay $108,880 but is still in dispute over approximately $79,000 loaned to individuals and businesses. The City has returned funds of $14,236 from the redevelopment fund, and a payable of $94,644 has been recorded on these financial statements and included as an intergovernmental payable in the Statement of Net Assets as of April 30, 2017.

G. Subsequent Events

The City performed an evaluation of subsequent events through October 31, 2017, 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, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes Revenues:				
General property taxes and public utilities	$ 331,186	$ 331,186	$ 319,191	$ (11,995)
Occupation taxes	20,000	20,000	20,432	432
Franchise fees	91,000	91,000	82,375	(8,625)
Vehicle taxes	9,298	9,298	30,722	21,424
Mobile home taxes	2,045	2,045	1,665	(380)
Beer, liquor, wine tax	59,000	59,000	61,445	2,445
Local option sales tax	130,000	130,000	151,238	21,238
Insurance premium tax	80,000	80,000	87,442	7,442
Total taxes revenues	722,529	722,529	754,510	31,981
Fines and Forfeitures-				
Municipal Court fines and forfeitures	10,000	10,000	25,258	15,258
Licenses and Permits:				
Building permits	5,000	5,000	3,955	(1,045)
Parade permits	500	500	800	300
Beer and liquor licenses	13,000	13,000	12,375	(625)
Re-zoning application fees	1,000	1,000	-	(1,000)
Total licenses and permits	19,500	19,500	17,130	(2,370)
Charges for Services-				
Garbage fees	223,000	223,000	105,446	(117,554)
Grant Revenue -				
Georgia Department of Transportation grant	100,000	100,000	-	(100,000)
Total grant revenues	100,000	100,000	-	(100,000)
Other Revenue -				
Miscellaneous revenues	2,254	2,254	14,021	11,767
Total Revenues	$ 1,077,283	$ 1,077,283	$ 916,365	$ (160,918)

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 2 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:				
General Government:				
Salaries	$ 21,000	$ 21,000	$ 18,390	$ 2,610
Payroll taxes	2,984	2,984	1,404	1,580
Workers compensation reserve fund	14,200	14,200	13,236	964
Service contracts	10,000	10,000	8,738	1,262
Utilities	8,500	8,500	6,453	2,047
Telephone	6,800	6,800	5,399	1,401
Supplies	6,000	6,000	4,310	1,690
Landfill expenditures	5,000	5,000	-	5,000
Dues and subscriptions	9,800	9,800	969	8,831
Professional services	45,000	45,000	33,678	11,322
Repairs and maintenance	14,900	14,900	2,073	12,827
Insurance - general	20,700	20,700	14,122	6,578
Election/Registration expenditures	25,000	25,000	14,203	10,797
Postage	700	700	215	485
Equipment rental	800	800	540	260
Travel and training	4,000	4,000	3,369	631
GSCCCA	4,000	4,000	3,405	595
Advertising	2,000	2,000	1,232	768
Capital outlay	5,000	5,000	4,755	245
Miscellaneous expenditures	167,500	167,500	30,578	136,922
Total General Government	$ 373,884	$ 373,884	$ 167,069	$ 206,815
Administration:				
Salaries:				
Mayor	$ 15,000	$ 15,000	$ 12,445	$ 2,555
Council	20,000	20,000	18,110	1,890
City Clerk's office	16,500	16,500	14,928	1,572
Payroll taxes	3,940	3,940	2,482	1,458
Retirement expenditures	3,600	3,600	3,600	-
Telephone	1,000	1,000	303	697
Repairs and maintenance	2,600	2,600	2,400	200
Travel and training	18,800	18,800	8,687	10,113
Recorders court	3,900	3,900	3,600	300
Dues and subscriptions	2,000	2,000	1,230	770
Miscellaneous expenditures	1,200	1,200	166	1,034
Total Administration	$ 88,540	$ 88,540	$ 67,951	$ 20,589

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 3 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public Safety:				
Salaries:				
Police department	$ 327,200	$ 327,200	$ 322,523	$ 4,677
Fire department	10,000	10,000	7,725	2,275
Payroll taxes	26,781	26,781	18,951	7,830
Retirement expenditures	4,600	4,600	4,550	50
Workers compensation insurance	1,000	1,000	-	1,000
Group insurance	7,400	7,400	7,317	83
Utilities	15,000	15,000	39,609	(24,609)
Clothing and uniforms	1,500	1,500	736	764
Supplies	3,400	3,400	2,300	1,100
Tools and hardware	200	200	-	200
Telephone	15,200	15,200	14,787	413
Repairs and maintenance	12,300	12,300	10,186	2,114
Gasoline and oil	9,100	9,100	7,300	1,800
Travel and training	4,000	4,000	2,528	1,472
Donations	600	600	550	50
Capital outlay	3,900	3,900	70,511	(66,611)
Miscellaneous	16,200	16,200	16,944	(744)
Total Public Safety	$ 458,381	$ 458,381	$ 526,517	$ (68,136)
Street Maintenance:				
Salaries	$ 35,000	$ 35,000	$ 32,501	$ 2,499
Payroll taxes	4,678	4,678	3,002	1,676
Group insurance	8,000	8,000	7,317	683
Retirement expenditures	3,600	3,600	3,600	-
Utilities	1,600	1,600	1,267	333
Solid waste disposal	100,000	100,000	82,889	17,111
Street and traffic lights	46,000	46,000	43,980	2,020
Gasoline, oil and grease	8,000	8,000	4,774	3,226
Street and road improvements	34,200	34,200	3,865	30,335
Repairs and maintenance	8,300	8,300	5,151	3,149
Groundwater monitoring	20,000	20,000	15,615	4,385
Tools and hardware	1,000	1,000	95	905
Capital outlay	8,500	8,500	-	8,500
Miscellaneous	2,700	2,700	1,621	1,079
Total Street Maintenance	$ 281,578	$ 281,578	$ 205,677	$ 75,901

CITY OF SPARTA, GEORGIA

EXHIBIT 11
PAGE 4 OF 4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Payments to Other Government Agencies:				
Historical Preservation	$ 200	$ 200	$ -	$ 200
Intergovenmental- Redevelopment Grant	-	-	94,644	(94,644)
Better Hometown Project	1,000	1,000	-	1,000
Streetscape Project	30,000	30,000	32,956	(2,956)
Uncle Remus Library	3,100	3,100	2,350	750
Total Payments to Other Government Agencies	$ 34,300	$ 34,300	$ 129,950	$ (95,650)
Debt Service -				
Principal	$ 13,600	$ 13,600	$ 22,483	$ (8,883)
Interest and other charges	5,000	5,000	6,647	(1,647)
Total Debt Service	$ 18,600	$ 18,600	$ 29,130	$ (10,530)
Total Expenditures	$ 1,255,283	$ 1,255,283	$ 1,126,294	$ 128,989

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.
- ***TSPLOST Discretionary Fund*** – To account for the TSPLOST funds received that are legally restricted to expenditures for transportation expenses within the City.

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.

- ***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, 2017

	Special Revenue		Capital Project	
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 7,500	$ 15,239	$ 34,533	$ 57,272
Intergovernmental receivable	-	3,207	-	3,207
Notes receivable, net of uncollectible	267,465	-	-	267,465
Total Assets	$ 274,965	$ 18,446	$ 34,533	$ 327,944
LIABILITIES AND FUND BALANCE				
Liability				
Accounts payable	$ -	$ -	-	$ -
Fund Balance -				
Restricted for special programs	274,965	18,446	34,533	327,944
Total fund balance	274,965	18,446	34,533	327,944
Total Liabilities and Fund Balance	$ 274,965	$ 18,446	$ 34,533	$ 327,944

CITY OF SPARTA, GEORGIA

EXHIBIT 13

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Special Revenue		Capital Project	
	Redevelopment Fund	TSPLOST Fund	LMIG Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ -	$ 34,838	$ -	$ 34,838
Intergovernmental revenue	-	-	20,120	20,120
Other revenue	2,693	-	-	2,693
Total revenues	2,693	34,838	20,120	57,651
Expenditures:				
Road expenditures	-	43,013	-	43,013
Other expenditures	14,236	-	-	14,236
Total expenditures	14,236	43,013	-	57,249
Excess of Revenues Over Expenditures	(11,543)	(8,175)	20,120	402
Other Financing Use -				
Transfer out	-	(5,071)	-	(5,071)
Net change in fund balance	(11,543)	(13,246)	20,120	(4,669)
Fund Balance, Beginning	286,508	31,692	14,413	332,613
Fund Balance, Ending	$ 274,965	$ 18,446	$ 34,533	$ 327,944

CITY OF SPARTA, GEORGIA

EXHIBIT 14

BUDGETARY COMPARISON SCHEDULE – REDEVELOPMENT FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
Interest income	$ 7,500	$ 2,693	$ (4,807)
Total revenues	7,500	2,693	(4,807)
Expenditures:			
Miscellaneous	7,500	14,236	(6,736)
Total expenditures	7,500	14,236	(6,736)
Excess of Revenues Over Expenditures	-	(11,543)	(11,543)
Other Financing Use -			
Transfer out	-	-	-
Total other financing use	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(11,543)	(11,543)
Fund Balance, Beginning	286,508	286,508	-
Fund Balance, Ending	$ 286,508	$ 274,965	$ (11,543)

CITY OF SPARTA, GEORGIA

EXHIBIT 15

BUDGETARY COMPARISON SCHEDULE – TSPLOST FUND
FOR THE YEAR ENDED APRIL 30, 2017

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenue -			
TSPLOST income	$ -	$ 34,838	$ 34,838
Total revenues	-	34,838	34,838
Expenditures-			
Miscellaneous expenditures	-	1,500	(1,500)
Road expenditures	-	41,513	(41,513)
Total expenditures	-	43,013	(43,013)
Excess of Revenues Over Expenditures	-	(8,175)	(8,175)
Other Financing Use -			
Transfer out	-	(5,071)	(5,071)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	(13,246)	(13,246)
Fund Balance, Beginning	-	31,692	31,692
Fund Balance, Ending	$ -	$ 18,446	$ 18,446

Compliance Section

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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, 2017, 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, 2017.

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, and therefore material weaknesses or significant deficiencies may exist that were not identified. . Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies noted as item 17-1 to 17-3.

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 17-4.

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, 2017

CITY OF SPARTA, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended April 30, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT

17-1 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.

17-2 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-party collection company. Cut-offs are being made on the 18th of the month for customers that are two months in arrears..

17-3 Recordkeeping

Condition

During the audit, the City was unable to locate eight invoices (out of 220 total) that were requested as part of expenditure testing. Seven of these invoices were for expense reimbursements paid to the Mayor. These invoices had been pulled previously by the City as a part of multiple open records requests and were not properly returned to the appropriate vendor file after copies were made for the applicable request.

Effect

Invoices are lost that may be needed for different purposes.

Recommendation

It is recommended that the City be diligent in filing invoices in the proper vendor file.

Views of Responsible Officials

We concur and will discuss with our clerical employees about being more conscientious when filing invoices, especially after open records requests.

COMPLIANCE AND OTHER MATTERS

17-4 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, 2017.

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 include 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. During the audit, the City was unable to locate eight invoices (out of 220 total) that the auditors had requested in their expenditure sample. Seven of these invoices were for expense reimbursements paid to the Mayor. These invoices had been pulled during the year as a part of open records request and were not properly returned to the appropriate vendor file after copies were made for the applicable request. In the future, we will be more diligent about maintaining accurate and complete vendor files.

4.. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended April 30, 2017:

Public safety – capital outlays	$ 66,611
Public safety – miscellaneous	744
Public safety – Utilities	24,609
Payments to others – Streetscape project	2,956
Payments to others – Redevelopment grant	94,644
Debt service – principal	8,883
Debt service – interest	1,647

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