# CITY OF MOUNTAIN PARK, GEORGIA

## FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED
## JUNE 30, 2020

# CITY OF MOUNTAIN PARK, GEORGIA
## FINANCIAL REPORT
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

### TABLE OF CONTENTS

# FINANCIAL SECTION

# RL Jennings & Associates, PC
Certified Public Accountants

R. Lee Jennings, CPA, CFCA, CGMA
Marvin Chance, CPA, CGMA
Thomas H. Evans, Jr., CPA
Joe Sapp, CPA
Donna Parker, CPA
David E. DeScalzo, CPA, CFE, PC

Member

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

506 East Third Street
Rome, Georgia 30161
Phone 706.802.1945 Fax 706.802.1279
*www.romecpa.com*
14224 Highway 515 North, Suite 700
Ellijay, Georgia 30540
Phone 706.273.1945 Fax 706.273.1946
*www.ellijaycpa.com*


## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Mountain Park, Georgia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Mountain Park, Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Mountain Park, Georgia's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Mountain Park, Georgia, as of June 30, 2020, 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 accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mountain Park, Georgia's basic financial statements. The schedule of projects constructed with special purpose local option sales tax and the schedule of projects constructed with transportation special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of projects constructed with special purpose local option sales tax and the schedule of projects constructed with transportation special purpose local option sales tax are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of projects constructed with special purpose local option sales tax and the schedule of projects constructed with transportation special purpose local option sales tax are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the City of Mountain Park, 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 solely 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 effectiveness of the City of Mountain Park, Georgia's 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 Mountain Park, Georgia's internal control over financial reporting and compliance.

RL Jennings + Associates, PC

Ellijay, Georgia
December 20, 2021

# BASIC FINANCIAL STATEMENTS

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF NET POSITION
## JUNE 30, 2020

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash, unrestricted | $ 1,117,607 | $ 427,371 | $ 1,544,978 |
| Cash, restricted | 375,215 | 48,201 | 423,416 |
| Taxes receivable | 24,120 | - | 24,120 |
| Accounts receivable, net of allowance | 160 | 23,541 | 23,701 |
| Due from other governments | 20,366 | - | 20,366 |
| Internal balances | 6,194 | (6,194) | - |
| Prepaid items | 7,849 | - | 7,849 |
| Inventories | - | 18,000 | 18,000 |
| Capital assets: | | | |
| Capital assets, not being depreciated | 264,144 | - | 264,144 |
| Capital assets, net of depreciation | 728,703 | 565,544 | 1,294,247 |
| **Total assets** | 2,544,358 | 1,076,463 | 3,620,821 |
| **LIABILITIES** | | | |
| Accounts payable | 20,593 | 10,139 | 30,732 |
| Accrued and other liabilities | 22,376 | 3,202 | 25,578 |
| Customer deposits | - | 48,201 | 48,201 |
| **Total liabilities** | 42,969 | 61,542 | 104,511 |
| **NET POSITION** | | | |
| Investment in capital assets | 992,847 | 565,544 | 1,558,391 |
| Restricted for capital projects | 376,282 | - | 376,282 |
| Unrestricted | 1,132,260 | 449,377 | 1,581,637 |
| **Total net position** | $ 2,501,389 | $ 1,014,921 | $ 3,516,310 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** | **Business-type Activities** | **Total** |
| **Governmental activities:** | | | | | | | |
| General government | $ 158,281 | $ 316 | $ 645 | $ - | $ (157,320) | $ - | $ (157,320) |
| Judicial | 11,910 | - | - | - | (11,910) | - | (11,910) |
| Public safety | 84,680 | 6,668 | - | 18 | (77,994) | - | (77,994) |
| Public works | 51,833 | - | - | 113,118 | 61,285 | - | 61,285 |
| Culture and recreation | 110,481 | 21,906 | - | - | (88,575) | - | (88,575) |
| Housing and development | 27,879 | 3,890 | - | - | (23,989) | - | (23,989) |
| Interest on long-term debt | - | - | - | - | - | - | - |
| Total governmental activities | 445,064 | 32,780 | 645 | 113,136 | (298,503) | - | (298,503) |
| **Business-type activities:** | | | | | | | |
| Water and Sewer | 281,262 | 285,368 | - | - | - | 4,106 | 4,106 |
| Total business-type activities | 281,262 | 285,368 | - | - | - | 4,106 | 4,106 |
| Total | $ 726,326 | $ 318,148 | $ 645 | $ 113,136 | (298,503) | 4,106 | (294,397) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 234,725 | - | 234,725 |
| Sales taxes | | | | | 141,988 | - | 141,988 |
| Franchise taxes | | | | | 29,507 | - | 29,507 |
| Business taxes | | | | | 44,837 | - | 44,837 |
| Unrestricted investment earnings | | | | | 1,644 | 61 | 1,705 |
| Miscellaneous | | | | | 110 | - | 110 |
| Total general revenues | | | | | 452,811 | 61 | 452,872 |
| Change in net position | | | | | 154,308 | 4,167 | 158,475 |
| **Net position, beginning of year** | | | | | 2,347,081 | 1,010,754 | 3,357,835 |
| **Net position, end of year** | | | | | $ 2,501,389 | $ 1,014,921 | $ 3,516,310 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2020

| | General Fund | T-SPLOST Fund | SPLOST Fund | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | $ 1,143,157 | $ 312,564 | $ 37,101 | $ 1,492,822 |
| Property taxes receivable | 21,813 | - | - | 21,813 |
| Franchise taxes receivable | 2,307 | - | - | 2,307 |
| Accounts receivable | 160 | - | - | 160 |
| Due from other governments | 11,776 | 8,590 | - | 20,366 |
| Due from other funds | 13,717 | - | - | 13,717 |
| Prepaid items | 7,849 | - | - | 7,849 |
| **Total assets** | $ 1,200,779 | $ 321,154 | $ 37,101 | $ 1,559,034 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 20,593 | $ - | $ - | $ 20,593 |
| Accrued and other liabilities | 22,376 | - | - | 22,376 |
| Due to other funds | - | 100 | 7,423 | 7,523 |
| **Total liabilities** | 42,969 | 100 | 7,423 | 50,492 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Unavailable property taxes | 20,561 | - | - | 20,561 |
| **Total deferred inflows of resources** | 20,561 | - | - | 20,561 |
| **FUND BALANCES** | | | | |
| Nonspendable | 7,849 | - | - | 7,849 |
| Restricted for capital projects | 25,550 | 321,054 | 29,678 | 376,282 |
| Unassigned | 1,103,850 | - | - | 1,103,850 |
| Total fund balances | 1,137,249 | 321,054 | 29,678 | 1,487,981 |
| **inflows of resources and fund balances** | $ 1,200,779 | $ 321,154 | $ 37,101 | $ 1,559,034 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
## TO THE STATEMENT OF NET POSITION
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | | |
|---|---|---|
| **Total fund balances - governmental funds** | | $ 1,487,981 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the fund financial statements. | | 992,847 |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned: | | |
| Unavailable property taxes | $ 20,561 | 20,561 |
| **Total net position - governmental activities** | | $ 2,501,389 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | General Fund | T-SPLOST Fund | SPLOST Fund | Total |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 239,606 | $ - | $ - | $ 239,606 |
| Sales taxes | 141,988 | 98,883 | - | 240,871 |
| Franchise taxes | 29,507 | - | - | 29,507 |
| Business taxes | 44,837 | - | - | 44,837 |
| Licenses and permits | 9,171 | - | - | 9,171 |
| Intergovernmental | 13,843 | - | - | 13,843 |
| Charges for services | 16,941 | - | - | 16,941 |
| Fines and forfeitures | 6,668 | - | - | 6,668 |
| Interest revenue | 1,644 | 392 | - | 2,036 |
| Miscellaneous | 110 | - | - | 110 |
| Contributions from private sources | 663 | - | - | 663 |
| **Total revenues** | 504,978 | 99,275 | - | 604,253 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 156,341 | - | - | 156,341 |
| Judicial | 11,910 | - | - | 11,910 |
| Public safety | 59,021 | - | - | 59,021 |
| Public works | 37,608 | 100 | - | 37,708 |
| Culture and recreation | 61,319 | - | - | 61,319 |
| Housing and development | 27,879 | - | - | 27,879 |
| Capital outlay: | | | | |
| Public safety | 24,867 | - | - | 24,867 |
| Public Works | 63,035 | - | - | 63,035 |
| **Total expenditures** | 441,980 | 100 | - | 442,080 |
| Excess of revenues over (under) expenditures | 62,998 | 99,175 | - | 162,173 |
| Net change in fund balances | 62,998 | 99,175 | - | 162,173 |
| **Fund balances, beginning of year** | 1,074,251 | 221,879 | 29,678 | 1,325,808 |
| **Fund balances, end of year** | $ 1,137,249 | $ 321,054 | $ 29,678 | $ 1,487,981 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | | | | |
|---|---|---|---|---|
| **Net change in fund balances - total governmental funds** | | | $ | 162,173 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capitalizable assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | | | |
| Capital outlays | $ | 87,902 | | |
| Depreciation expense | | (90,886) | | (2,984) |
| Revenues are recognized in the Statement of Activities when earned as under accrual accounting. Revenues are recognized in governmental funds statements only when they are measureable and considered available to pay liabilities of the current period. Accordingly, timing differences occur when statements recognize revenues in different accounting periods. | | | | |
| Property taxes | $ | (4,881) | | (4,881) |
| **Change in net position - governmental activities** | | | $ | 154,308 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
## GENERAL FUND
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **Revenues** | | | | |
| Property taxes | $ 244,503 | $ 244,503 | $ 239,606 | $ (4,897) |
| Sales taxes | 261,111 | 159,000 | 141,988 | (17,012) |
| Franchise taxes | 32,000 | 32,000 | 29,507 | (2,493) |
| Business taxes | 43,800 | 43,800 | 44,837 | - |
| Licenses and permits | 13,695 | 13,695 | 9,171 | (4,524) |
| Intergovernmental | 11,000 | 11,000 | 13,843 | 2,843 |
| Charges for services | 19,600 | 19,600 | 16,941 | (2,659) |
| Fines and forfeitures | 60 | 60 | 6,668 | 6,608 |
| Interest revenue | 900 | 900 | 1,644 | 744 |
| Miscellaneous | - | - | 110 | 110 |
| Contributions from private sources | - | - | 663 | 663 |
| **Total revenues** | 626,669 | 524,558 | 504,978 | (19,580) |
| **Expenditures** | | | | |
| General government: | | | | |
| Legislative | 27,830 | 23,880 | 22,545 | 1,335 |
| Executive | 93,638 | 93,448 | 86,290 | 7,158 |
| General administration | 80,598 | 61,763 | 47,506 | 14,257 |
| Judicial: | | | | |
| Municipal court | 8,160 | 12,096 | 11,910 | 186 |
| Public safety: | | | | |
| Animal control | 1,500 | 4,200 | 3,799 | 401 |
| Police services | 34,000 | 34,000 | 33,855 | 145 |
| Fire and emergency | 76,529 | 70,394 | 46,234 | 24,160 |
| Public works: | | | | |
| Roads and streets | 112,700 | 50,657 | 48,309 | 2,348 |
| Public facilities | 64,508 | 55,189 | 52,334 | 2,855 |
| Culture and recreation: | | | | |
| Lakes, parks, and recreational activities | 50,400 | 53,400 | 23,663 | 29,737 |
| Recreational buildings and property | 42,248 | 42,300 | 37,656 | 4,644 |
| Housing and development: | | | | |
| Building, zoning, and planning | 39,851 | 28,035 | 27,879 | 156 |
| **Total expenditures** | 631,962 | 529,362 | 441,980 | 87,382 |
| Excess of revenues over ( under) expenditures | (5,293) | (4,804) | 62,998 | 67,802 |
| Other financing sources: | | | | |
| Transfer from Water and Sewer Fund | 5,293 | 4,804 | - | (4,804) |
| Net change in fund balance | - | - | 62,998 | 62,998 |
| **Fund balance, beginning of year** | 1,074,251 | 1,074,251 | 1,074,251 | - |
| **Fund balance, end of year** | $ 1,074,251 | $ 1,074,251 | $ 1,137,249 | $ 62,998 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF NET POSITION
## PROPRIETARY FUND
## JUNE 30, 2020

| | Enterprise Fund Water and Sewer Fund |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash, unrestricted | $ 427,371 |
| Cash, restricted | 48,201 |
| Accounts receivable, net of allowance | 23,541 |
| Inventories | 18,000 |
| Total current assets | 517,113 |
| Noncurrent assets: | |
| Capital assets, net of depreciation | 565,544 |
| Total noncurrent assets | 565,544 |
| **Total assets** | 1,082,657 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | 10,139 |
| Customer deposits | 48,201 |
| Due to other funds | 6,194 |
| Other liabilities | 3,202 |
| **Total liabilities** | 67,736 |
| **NET POSITION** | |
| Investment in capital assets | 565,544 |
| Unrestricted | 449,377 |
| **Total net position** | $ 1,014,921 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## PROPRIETARY FUND
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Enterprise Fund<br>Water and Sewer Fund |
|---|---|
| **Operating Revenues:** | |
| Water charges | $ 124,975 |
| Sewer charges | 50,676 |
| Sanitation charges | 82,147 |
| Meter service fees | 19,180 |
| Late and reconnect fees | 8,050 |
| Other | 340 |
| **Total operating revenues** | 285,368 |
| **Operating Expenses:** | |
| Personal services | 75,184 |
| Operations: | |
| Water purchases | 59,380 |
| Sewer treatment | 23,047 |
| Sanitation services | 48,617 |
| Repairs and maintenance | 21,423 |
| Professional fees | 11,305 |
| Other operating expenses | 6,201 |
| Depreciation | 36,105 |
| **Total operating expenses** | 281,262 |
| Operating income (loss) | 4,106 |
| **Nonoperating Revenue:** | |
| Interest revenue | 61 |
| **Total nonoperating revenue** | 61 |
| Change in net position | 4,167 |
| **Net position, beginning of year** | 1,010,754 |
| **Net position, end of year** | $ 1,014,921 |

***The accompanying notes to financial statements are an integral part of this statement.***

# CITY OF MOUNTAIN PARK, GEORGIA
## STATEMENT OF CASH FLOWS
## PROPRIETARY FUND
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Enterprise Fund |
|---|---|
| | **Water and Sewer Fund** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers | $ 284,787 |
| Payments to suppliers and service providers | (167,247) |
| Payments to employees | (75,184) |
| Net cash provided by operating activities | 42,356 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest revenue | 61 |
| Net cash provided by investing activities | 61 |
| Net increase in cash | 42,417 |
| **Cash, beginning of year** | 433,155 |
| **Cash, end of year** | $ 475,572 |
| **Cash, as shown on the Statement of Net Position:** | |
| Cash, unrestricted | $ 427,371 |
| Cash, restricted | 48,201 |
| Total Cash | $ 475,572 |
| **Reconciliation of operating income (loss) to net cash provided by operating activities:** | |
| Operating income (loss) | $ 4,106 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 36,105 |
| Change in assets and liabilities: | |
| Accounts receivable | (411) |
| Accounts payable | 2,729 |
| Customer deposits | 1,560 |
| Due to other fund | (3) |
| Other liabilities | (1,730) |
| Net cash provided by operating activities | $ 42,356 |

***The accompanying notes to financial statements are an integral part of this statement.***

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Mountain Park, Georgia ("the City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

### A. Reporting Entity

The City was incorporated in 1927 and operates under a city council/mayor form of government. Policy making and legislative authority are vested in the mayor and a five-member City Council elected at large. The City Clerk/Administrator is responsible for the daily operations of the City. The City provides basic services which include general government, judicial, public safety, public works, culture and recreation, and housing and development. In addition, it provides public utilities (water, sewer, and sanitation) for the incorporated and immediate surrounding areas.

In defining the reporting entity for financial reporting purposes and as required by accounting principles generally accepted in the United States of America, management has considered all potential component units. The criteria used for including an organization within the City's reporting entity as a component unit, is financial accountability. Financial accountability is defined as appointment of a voting majority of the organization's board and either the ability to impose will by the primary government or the possibility that the organization will provide a financial benefit or impose a financial burden on the primary government. As a result of applying these criteria, the City has no component units.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all activities of the City. For the most part, the effect of inter-fund activity has been removed from the government-wide statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities reports the degree to which the direct expenses of a given function or segments 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 those 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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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*. The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the City.

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City's funds are grouped into two broad fund categories and three generic fund types for financial statement presentation purposes. Governmental funds include the General Fund and capital projects funds. Proprietary funds include an enterprise fund. At present, the City operates a Special Purpose Local Option Sales Tax ("SPLOST") Fund and a Transportation Special Purpose Local Option Sales Tax ("T-SPLOST") Fund, its only capital projects funds, and a Water and Sewer Fund, its only enterprise fund.

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

The fund financial statements report detailed information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than on fund types. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major funds:

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

- Governmental fund – The SPLOST Fund is a capital projects fund. The fund is to account for revenues provided by a one percent Special Purpose Local Option Sales Tax of Cherokee County, to be shared with the City and used to acquire, construct, and maintain capital projects.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Governmental fund – The T-SPLOST Fund is also a capital projects fund. The fund is to account for revenues provided by a .75 percent Transportation Special Purpose Local Option Sales Tax of metropolitan Fulton County, to be distributed by the Georgia Department of Revenue to the County and participating cities for the various transportation projects under the terms of the T-SPLOST agreement.

- Enterprise fund – The Water and Sewer Fund is used to account for revenues from user charges and the costs of providing water, sewer, and sanitation services to residents.

### C. Measurement Focus, Basis of Accounting and Financial Statement 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government-wide net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, 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. Expenditures generally are recorded in the accounting period in which a fund liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses and investment income 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering such services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer enterprise fund are charges for water, sewer and sanitation services provided to residents. Operating expenses of the enterprise fund include the costs of providing these services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### D. Cash and Investments

Amounts reported as cash by the City in the accompanying financial statements include cash on hand and on deposit with financial institutions.

State of Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the City to invest in (1) U.S. Government obligations; (2) U.S. Government agency obligations; (3) obligations of the State of Georgia; (4) obligations of other counties, municipal

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investor's Service, Inc.; (5) negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; (6) repurchase agreements when collateralized by U.S. Government or agency obligations; and (7) pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Investments are reported at fair value as determined by quoted market prices. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

The City had no investments at June 30, 2020.

### E. Prepaid Items

Certain payments to vendors for services that will benefit future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as nonspendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

### F. Inventories

Inventories consist of sewer taps and are stated at cost. Inventories are accounted for on the first-in, first-out (FIFO) method of accounting. The City maintains the inventory on a perpetual basis and makes any necessary adjustments at year end.

### G. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles and equipment, water system and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Infrastructure assets acquired prior to July 1, 2004, have been capitalized as of December 31, 2007. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value as of the date of donation. Infrastructure assets acquired prior to June 30, 1980 are not reported.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are expensed as incurred.

Land and construction in progress are not depreciated. Other capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Years |
|---|---|
| Infrastructure | 20 |
| Buildings and Improvements | 10-50 |
| Vehicles | 5-12 |
| Machinery and Equipment | 3-12 |
| Water System | 35 |

### H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the governmental fund that will pay the liability, typically the General Fund. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. Accrued, but unpaid, sick leave at year end is not recorded as a liability as it is contingent upon employees' future illness and is not paid upon separation of service.

### I. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column of the Statement of Net Position. The City had no long-term liabilities at June 30, 2020.

### J. Interfund Transactions and Balances

Quasi-external transactions are accounted for as revenues and expenditures and are not eliminated. The City had no quasi-external transactions during the year.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

Receipts and/or payments to or from other governmental units, not included in the reporting entity of the City, are not reported as transfers, but rather according to the purpose for which the receipt or payment is made.

### K. 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under the *current financial resources measurement focus* and modified accrual accounting that qualifies for reporting in this category. Accordingly, property taxes levied in 2019, but which remain unavailable at June 30, 2020, are reported in the governmental funds statements as deferred inflows of resources. Such unavailable property taxes will be recognized as an inflow of resources in the period that the amounts become available.

### L. Fund Balance

Fund balances of governmental funds are presented in various classifications that comprise a hierarchy which is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. Descriptions and the City's policies with respect to these classifications are as follows:

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items as nonspendable as these items are not resources in spendable form.

*Restricted* – includes amounts that are restricted to specific purposes by external sources (creditors, grantors, contributors or laws or regulations of other governments) or by law through constitutional provision or enabling legislation. The City's capital projects funds are legally restricted to expenditures for specific purposes.

*Committed* – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the City Council, the City's highest level of decision-making authority. Commitments may be modified or rescinded only through adoption of a subsequent resolution.

*Assigned* – includes amounts that the City intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the mayor or the finance director, under the supervision of the mayor, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget constitute assignments and are documented by adoption of the City's annual operating budget. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund.

*Unassigned* – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The City's policy would be to use restricted fund balances first when expenditure is made for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the City's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

### M. Net Position

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

The City's policy would be to use restricted net position first when expenditure is made for purposes for which both restricted and unrestricted net position is available.

### N. Use of Estimates

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

## 2. LEGAL COMPLIANCE – BUDGETS

### A. Budgets and Budgetary Accounting

The applicable statutes of the State of Georgia require the City to operate under an annual balanced budget adopted by resolution for all governmental funds. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Annual budgets are adopted for the General Fund. Capital projects funds have project length budgets. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by department, which constitutes the legal level of control and the level at which expenditures may not legally exceed appropriations.

## 2. LEGAL COMPLIANCE – BUDGETS (CONCLUDED)

Budget revisions at the department level are subject to final review and approval by the City Council. Budget amendments for supplemental appropriations during the year were necessary due to changing needs in operations. All annual appropriations lapse at year end.

The original amounts budgeted for the General Fund for fiscal year ending June 30, 2020, as adopted by the City Council, inadvertently included budgeted T-SPLOST revenues and expenditures of $102,111 and $90,000, respectively. When the City became aware of this error, a final budget amendment was prepared to remove T-SPLOST revenues and expenditures from the General Fund's 2020 budget and simultaneously maintain the legal requirement for a balanced General Fund budget.

Although not required by state law, an operating budget is also adopted for the City's proprietary fund for administrative control purposes.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

### B. Excess of Expenditures over Appropriations

As shown in the accompanying budgetary comparison statement for the General Fund, departmental expenditures did not exceed appropriated budget amounts during the year ended June 30, 2020.

## 3. CASH DEPOSITS

Cash on the accompanying financial statements includes cash on hand, demand deposits and money market accounts with financial institutions. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At June 30, 2020, the City's cash deposits were adequately insured or collateralized against custodial credit risk.

## 4. RECEIVABLES

The City of Mountain Park is located in both Cherokee and Fulton Counties. The City has approximately 20 parcels of land in Cherokee County and approximately 725 parcels of land in Fulton County. Assessed values are established by the Fulton and Cherokee Counties' Tax Assessor's offices and are calculated at 40% of the market value.

The City bills and collects its own property taxes for properties located in Cherokee County. Property taxes on Cherokee County properties were levied by the City on November 28, 2019, and were due on or before January 28, 2020, after which the account is assessed penalties and interest. Properties are subject to a lien for unpaid property taxes 90 days after the due date.

The City contracts with Fulton County to bill and collect property taxes for properties located in Fulton County. Taxes are generally levied at approximately July 1 of each year based on the assessed value of property as listed on the previous January 1 and are due on October 15 of each year. After the due date, interest is charged on unpaid taxes, with a 10% penalty being assessed in addition to interest charges as receivables become greater than 90 days delinquent. Unpaid property taxes attach as an enforceable lien on property as of January 1 of the following year.

The City's property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are reported as unavailable revenue.

Receivables outstanding at June 30, 2020, for governmental funds are summarized as follows:

| Receivables: | General Fund |
|---|---|
| Property taxes | $ 21,813 |
| Franchise taxes | 2,307 |
| Accounts | 160 |
| | $ 24,280 |

General Fund accounts receivable consist of payments due to the City as of June 30, 2020, for services rendered that were collected subsequent to year end; therefore, no allowance for uncollectible receivables was considered necessary.

Accounts receivable outstanding at June 30, 2020, for the City's Water and Sewer Fund are reported net of an allowance for doubtful accounts of $4,000.

## 5. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

### A. Due to/from Other Funds

| Receivable Fund | Payable Fund | | Amounts |
|---|---|---|---|
| General Fund | T-SPLOST Fund | $ | 100 |
| General Fund | SPLOST Fund | | 7,423 |
| General Fund | Water and Sewer Fund | | 6,194 |
| | | $ | 13,717 |

The outstanding balances between funds primarily result 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. All interfund balances are expected to be repaid within one year from the date of the financial statements.

### B. Transfers to/from Other Funds

During the year ending June 30, 2020, the City made no transfers between funds.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## 6. DUE FROM OTHER GOVERNMENTS

Due from other governments consist of the following at June 30, 2020:

| | | |
|---|---|---|
| **General Fund** | | |
| Georgia Department of Revenue - LOST | $ | 11,776 |
| **T-SPLOST Fund** | | |
| Georgia Department of Revenue - Special Transportation Tax | $ | 8,590 |

## 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

| Governmental Activities: | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Capital assets not depreciated: | | | | |
| Land | $ 264,144 | $ - | $ - | $ 264,144 |
| Total capital assets not depreciated | 264,144 | - | - | 264,144 |
| Capital assets depreciated: | | | | |
| Infrastructure | 6,460,633 | 37,252 | - | 6,497,885 |
| Buildings and improvements | 1,217,421 | - | - | 1,217,421 |
| Vehicles and equipment | 435,335 | 50,650 | - | 485,985 |
| Total capital assets depreciated | 8,113,389 | 87,902 | - | 8,201,291 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 6,306,723 | 13,355 | - | 6,320,078 |
| Buildings and improvements | 677,763 | 54,726 | - | 732,489 |
| Vehicles and equipment | 397,216 | 22,805 | - | 420,021 |
| Total accumulated depreciation | 7,381,702 | 90,886 | - | 7,472,588 |
| Total capital assets depreciated, net | 731,687 | (2,984) | - | 728,703 |
| Governmental activities capital assets, net | $ 995,831 | $ (2,984) | $ - | $ 992,847 |

The remainder of this page is intentionally left blank.

## 7. CAPITAL ASSETS (CONCLUDED)

| Business-type Activities: | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Capital assets depreciated: | | | | |
| Vehicles | $ 6,017 | $ - | $ - | $ 6,017 |
| Water System | 1,280,566 | | - | 1,280,566 |
| Total capital assets depreciated | 1,286,583 | - | - | 1,286,583 |
| Less accumulated depreciation for: | | | | |
| Vehicles | 6,017 | - | - | 6,017 |
| Water System | 678,917 | 36,105 | - | 715,022 |
| Total accumulated depreciation | 684,934 | 36,105 | - | 721,039 |
| Total capital assets depreciated, net | 601,649 | (36,105) | - | 565,544 |
| Business-type activities capital assets, net | $ 601,649 | $ (36,105) | $ - | $ 565,544 |

Depreciation expense during the year on capital assets was charged to functions/programs as follows:

| Governmental Activities: | |
|---|---|
| General government | $ 1,940 |
| Public safety | 25,659 |
| Public works | 14,125 |
| Culture and recreation | 49,162 |
| Total depreciation expense - Government activities | $ 90,886 |

| Business-type Activities: | |
|---|---|
| Water and Sewer | $ 36,105 |

## 8. FUND BALANCE

Fund balances of governmental funds presented in the accompanying governmental funds balance sheet at June 30, 2020, are classified as follows:

| Fund Balance Classifications | Purpose | | Amount |
|---|---|---|---|
| General Fund Nonspendable | Prepaid items are not in spendable form | $ | 7,849 |
| General Fund Restricted | Fund balance is restricted for Local Maintenance and Improvement Grant (LMIG) revenues | $ | 25,550 |
| SPLOST Fund Restricted | Fund balance is restricted for capital projects financed with SPLOST revenues | $ | 29,678 |
| T-SPLOST Fund Restricted | Fund balance is restricted for capital projects financed with T-SPLOST revenues | $ | 321,054 |

All remaining fund balance in the General Fund not reported as nonspendable or restricted, is classified as unassigned.

## 9. DEFINED CONTRIBUTION PLAN

As a participating employer, the City offers its employees the opportunity to participate in the Georgia Municipal Association 401(a) Defined Contribution Plan created in accordance with Internal Revenue Code Section 401(a). The Plan is administered by the Georgia Municipal Association and all regular employees of the City are eligible to participate. Elected City officials are not permitted to participate. Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and liabilities of the Plan are not included in the accompanying financial statements. Under terms of the adoption agreement, the City matches 100% of employee contributions up to 3% and 1.5% of compensation for Class A and Class B employees (as defined), respectively. During the year ended June 30, 2020, employee contributions and the employer match were $6,938 and $2,930, respectively. Participation and contribution requirements under the adoption agreement are established by, and may only be amended by, an official action of the Mayor and City Council.

## 10. 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.

## 10. RISK MANAGEMENT (CONCLUDED)

The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

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

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

There were no significant reductions in insurance coverage compared to the prior year. Settled claims have not exceeded insurance coverage in any of the past three years.

## 11. JOINT VENTURE

The City, in conjunction with other cities and counties in the Atlanta metropolitan area, is a member of the Atlanta Regional Commission (ARC). Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. Board membership of the ARC includes the chief elected official of each county, one appointed mayor from municipalities in the area, and one appointed citizen representative also from the area.

Each member county and municipality is required to pay minimum annual dues to the ARC. Georgia law also provides that member governments are liable for any debts or obligations of the ARC (O.C.G.A. 50-8-39.1). Separate financial statements can be provided by contacting the ARC directly at:

Atlanta Regional Commission
229 Peachtree St, NE Ste 100
Atlanta, GA 30303

## 12. COMMITMENTS AND CONTINGENCIES

The City has contracted with the City of Roswell for assistance with Public Safety services, including law enforcement, fire protection and emergency medical services, necessary for the protection of the citizens of the City of Mountain Park and their property. Under terms of the amended agreement dated April, 2009, the City shall pay to the City of Roswell the sum of $33,855 annually. The agreement automatically renews annually for one year and may be terminated by either party with a notice at least ninety (90) days prior to the expiration of its term.

Subsequent to year end and following lengthy negotiations with the City of Roswell, the City entered into new contracts with the City of Roswell for Fire and Rescue and Emergency 911 services. The new Fire and Rescue contact, effective August 1, 2021, provides for a monthly per capita charge of $13 per resident. The agreement also provides for an adjustment to per capita rates as of January 31, 2022, and each year thereafter. The new Emergency 911 contract, effective March 1, 2021, provides for a monthly per capita charge of $2.25 per resident. The agreement also provides for an adjustment to per capita rates as of January 1, 2022, and each year thereafter. Each of these contracts are based on a City of Mountain Park census showing 568 residents and each may be terminated with a thirty-day notice prior to the annual renewal dates. Police services are currently provided by the Fulton County Sheriff's Office at no charge to the City.

The City has entered into a water supply contract with the Cobb County-Marietta Water Authority in order to provide water for its residents and other customers. The agreement for water supply was signed on November 1, 2000, for a term of fifty (50) years. Terms also provide for rate increases as well as surcharges for peak usage months, as defined under the agreement. During the year ending June 30, 2020, the City purchased 17,823,000 gallons of water at a cost of $59,380 from the Authority; rates charged the City for water purchases were increased from $3.30 to $3.37 per thousand gallons on January 1, 2020.

The City routinely enters into various other contracts and agreements in the ordinary course of business. Such commitments are not considered material to the accompanying financial statements.

The City is party to several matters of litigation as a result of its status as a city in Fulton County, Georgia. Such matters involve tax issues and service delivery between the various governmental entities within Fulton County. Because the City of Mountain Park is such a small percentage of Fulton County, an estimate of loss or range of loss, if any, cannot be made. Legal counsel and management have represented that the final outcome of these matters would likely not be material to the City's financial statements.

## 13. RESTRICTED ASSETS

Restrictions on cash in the government-wide Statement of Net Position at June 30, 2020, are as follows:

| Restrictions: | Governmental Activities | Business-type Activites |
|---|---|---|
| SPLOST - for publc safety, streets and drainage | $ 37,101 | $ - |
| T-SPLOST - for transportation projects | 312,564 | |
| LMIG - for street maintenance and improvements | 25,550 | |
| Water and Sewer Fund - for customer deposits | - | 48,201 |
| Total restricted cash | $ 375,215 | $ 48,201 |

## OTHER SUPPLEMENTARY INFORMATION

# CITY OF MOUNTAIN PARK, GEORGIA
## SCHEDULE OF PROJECTS CONSTRUCTED WITH
## SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST)
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| Project | Estimated Cost Original | Estimated Cost Current | Expenditures Prior Years | Expenditures Current Year | Expenditures Total | Estimated % of Completion |
|---|---|---|---|---|---|---|
| Cherokee County / City of Mountain Park, Georgia | | | | | | |
| SPLOST 2000 Projects: | | | | | | |
| Roads, streets, and bridges | $ 10,000 | $ 10,000 | $ 7,423 | $ - | $ 7,423 | 74% |
| Public safety - fire hydrants | 30,000 | 30,000 | 10,000 | - | 10,000 | 33% |
| Storm drainage facilities | 60,000 | 60,000 | 18,665 | - | 18,665 | 31% |
| | $ 100,000 | $ 100,000 | $ 36,088 | $ - | $ 36,088 | |
| SPLOST 2004 Projects: | | | | | | |
| Public safety, streets and drainage | $ 45,000 | $ 45,000 | $ 42,544 | $ - | $ 42,544 | 95% |
| | $ 45,000 | $ 45,000 | $ 42,544 | $ - | $ 42,544 | |
| SPLOST 2010 Projects: | | | | | | |
| Law enforcement, streets and drainage | $ 6,264 | $ 6,264 | $ 3,462 | $ - | $ 3,462 | 55% |
| | $ 6,264 | $ 6,264 | $ 3,462 | $ - | $ 3,462 | |
| SPLOST 2017 Projects: | | | | | | |
| Public safety, streets and drainage | $ 25,000 | $ 25,000 | $ - | $ - | $ - | 0% |
| | $ 25,000 | $ 25,000 | $ - | $ - | $ - | |

***Note to Schedule -***

***The above schedule has been prepared using the modified accrual basis of accounting.***

# CITY OF MOUNTAIN PARK, GEORGIA

## SCHEDULE OF PROJECTS CONSTRUCTED WITH

## TRANSPORTATION SPECIAL PURPOSE LOCAL OPTION SALES TAX (T-SPLOST)

## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| Project | Estimated Cost | | Expenditures | | | Estimated % of Completion |
|---|---|---|---|---|---|---|
| | Original | Current | Prior Years | Current Year | Total | |
| Fulton County / City of Mountain Park, Georgia | | | | | | |
| T-SPLOST TIER 1 PROJECTS: | | | | | | |
| Congestion Relief | $ 280,000 | $ 280,000 | $ - | $ - | $ - | 0% |
| Roadway Stormwater Improvements | | | | | | |
| Quick Response | 185,308 | 185,308 | - | - | - | 0% |
| | $ 465,308 | $ 465,308 | $ - | $ - | $ - | |
| T-SPLOST TIER 2 PROJECTS: | | | | | | |
| Quick Response | $ 82,113 | $ 82,113 | $ - | $ - | $ - | 0% |
| | $ 82,113 | $ 82,113 | $ - | $ - | $ - | |
| T-SPLOST TIER 3 PROJECTS: | | | | | | |
| Quick Response | $ 82,437 | $ 82,437 | $ - | $ - | $ - | 0% |
| | $ 82,437 | $ 82,437 | $ - | $ - | $ - | |
| TOTAL T-SPLOST | $ 629,858 | $ 629,858 | $ - | $ - | $ - | |

***Note to Schedule -***

***The above schedule has been prepared using the modified accrual basis of accounting.***

# INTERNAL CONTROL AND COMPLIANCE SECTION

# RL Jennings & Associates, PC
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Marvin Chance, CPA, CGMA
Thomas H. Evans, Jr., CPA
Joe Sapp, CPA
Donna Parker, CPA
David E. DeScalzo, CPA, CFE, PC

Member

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

506 East Third Street
Rome, Georgia 30161
Phone 706.802.1945 Fax 706.802.1279
*www.romecpa.com*
14224 Highway 515 North, Suite 700
Ellijay, Georgia 30540
Phone 706.273.1945 Fax 706.273.1946
*www.ellijaycpa.com*


## 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 Honorable Mayor and
Members of the City Council
City of Mountain Park, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Mountain Park, Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Mountain Park, Georgia's basic financial statements and have issued our report thereon dated December 20, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, and are identified as finding 2009-1.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Mountain Park, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses, as finding 2019-1.

**City of Mountain Park, Georgia's Response to Findings**

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

RL Jennings + Associates, PC

Ellijay, Georgia

December 20, 2021

**Repeat finding from prior year**

**2009-1 Lack of Segregation of Duties (Internal Control)**

*Criteria:* Segregation of employees' duties is common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, payroll, general ledger and bank reconciliation.

*Condition/Context:* During the course of our audit, we noted that certain duties in critical areas have been combined and assigned to available employees. As a result, conflicting duties are present within the cash receipt, cash disbursement, bookkeeping and account reconciliation processes.

*Effect:* Without proper segregation of duties within these functions, there is increased risk that City assets could be intentionally or unintentionally misappropriated or that errors could occur in the accounting records and remain undetected and uncorrected.

*Cause:* A limited number of employees work in the City's office. The resulting overlap of responsibilities causes segregation of duties to be difficult.

*Recommendation:* To the extent feasible, duties should be segregated to maintain the best control system possible. Responsibilities for preparing payroll, processing cash receipts and disbursements, reconciling bank accounts and maintaining the general ledger should be segregated to the extent possible. Segregation of duties could be improved if different employees performed these separate duties. In situations where additional employees are not available, management and City Council should look for and consider alternative solutions to achieve the greatest possible segregation of duties. Continuing City Council involvement in finances of the City is encouraged.

*Response:* We concur with this finding. Proper segregation of duties is difficult to achieve with limited employees. Nevertheless, we will continue to review our operations to identify opportunities where segregation of duties can be improved.