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MEMBERS
American Institute of CPAs
Georgia Society of CPAs

ESTABLISHED 1968

**Independent Auditors' Report on
Special 1 Percent Sales and Use Tax**

Honorable J. Clark Boddie, Mayor
and Members of the City Council
City of Palmetto
Palmetto, Georgia

We have audited the accompanying financial statements of the City of Palmetto, Georgia, as of and for the year ended June 30, 2017, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon July 27, 2018. These financial statements are the responsibility of the City of Palmetto's management. Our responsibility is to express an opinion on these financial statements based on our audit.

As required by the Official Code of Georgia Annotated (OCGA), Section 48-8-121, our Audit was conducted in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by OCGA, Sections 48-8-110 and 48-8-111. The accompanying Schedule of Special Purpose Local Option Sales Tax ("Schedule") lists each identified project and contains the information required by OCGA, Section 48-8-121. The Schedule is not intended to be a complete presentation of the City's assets, liabilities, revenues and expenses.

In our opinion this Schedule presents fairly, in all material respects, the original estimated cost of each project, expenditures incurred and the estimated percentage of completion of each project through June 30, 2017, the end of the fiscal year covered by this audit, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of those within the City, the regulatory agency with which the report is being filed, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be the initials "PJA" followed by a stylized flourish.

Marietta, Georgia
July 27, 2018

City of Palmetto, Georgia
 Schedule of Projects Constructed
 With Special Sales Tax Proceeds
 Year Ended June 30, 2017

Number	Project	Original	Revised	Expenditures		Total	Estimated Percentage of Completion
		Estimated Cost	Estimated Cost	Prior Years	Current Year		
1	Road Improvements	\$ -	\$ -	\$ 556,366		\$ 556,366	100%
2	Water and Sewer Improvements	409,500	1,118,968	1,118,968		1,118,968	100%
2	Weldon Park	-	12,547	12,547		12,547	100%
3	Public Safety	405,475	NA	249,299	15,833	265,132	65%
3	Water and Sewer Improvements	8,525	NA	-	-	-	0%
2	Road, Streets, and Bridges Improvements	55,740	55,740	55,740		55,740	100%
3	Road, Streets, and Bridges Improvements	8,000	16,525	16,525		16,525	100%
	Totals	<u>\$ 887,240</u>	<u>\$ 1,203,780</u>	<u>\$ 2,009,445</u>	<u>\$ 15,833</u>	<u>\$ 2,025,278</u>	

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable J. Clark Boddie, Mayor
and Members of the City Council
City of Palmetto
Palmetto, 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, each major fund, and the aggregate remaining fund information of the City of Palmetto, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Palmetto Georgia's basic financial statements and have issued our report thereon dated July 27, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Palmetto 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Post CPAs, LLC - Certified Public Accountants

3475 Dallas Highway, Suite 125 • Marietta, Georgia 30064 • Office: (678) 290-5100 • Fax: (678) 290-3307

postcpas.com

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.

A handwritten signature in black ink, appearing to be the initials 'PJA' with a long horizontal stroke extending to the right.

Marietta, Georgia
July 27, 2018

CITY OF PALMETTO, GEORGIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by
City Administrator's Office
William H. Shell
City Administrator
Palmetto City Hall
CITY OF PALMETTO, GEORGIA



CITY OF PALMETTO, GEORGIA

INTRODUCTORY SECTION

This Section Contains the Following Subsections:

ORGANIZATION CHART

LISTING OF CITY OFFICIALS

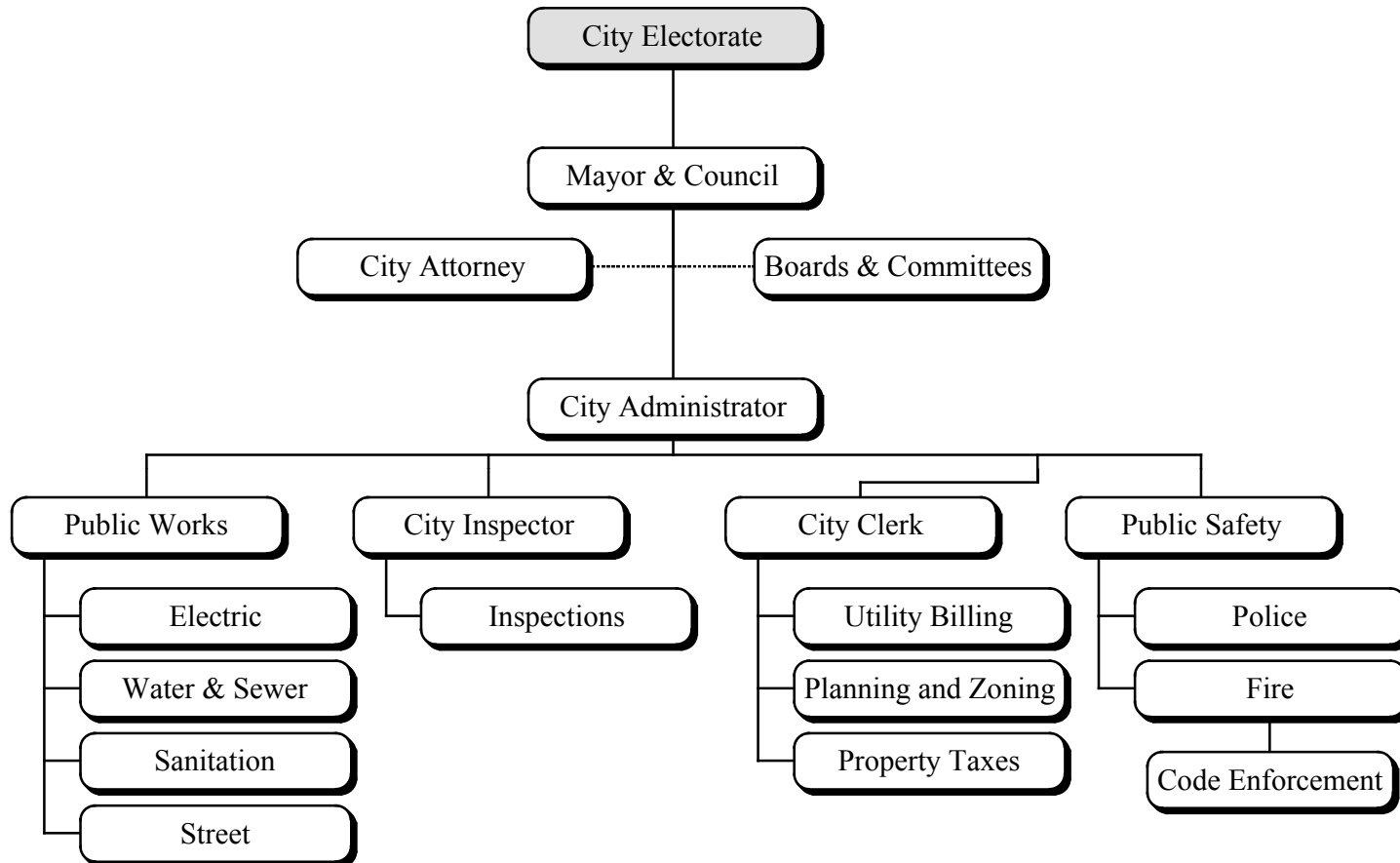
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EXCELLENCE IN FINANCIAL REPORTING

LETTER OF TRANSMITTAL

City of Palmetto, Georgia

Organizational Chart



**CITY OF PALMETTO, GEORGIA
CITY OFFICIALS
2017**

MAYOR

J. Clark Boddie

CITY COUNCIL

Michael Arnold

Tara Miller

Laura Mullis

Larry Parrott

Nathan Slaton

Patty O'Hara Willey

CITY ADMINISTRATOR

William H. Shell

CITY CLERK

Cynthia Hanson

CHIEF OF POLICE

Randy Mundy

FIRE CHIEF

Henry Argo

CITY RECORDER

Russell Ross

H. Clay Collins

BUILDING INSPECTOR

Leonard Thompson

Charles Abbott Associates, Inc.

CITY PLANNER

The Collaborative Firm

CITY ATTORNEYS

McNally, Fox, Grant & Davenport

CITY AUDITORS

Post & Associates LLC

CITY OF PALMETTO, GEORGIA

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

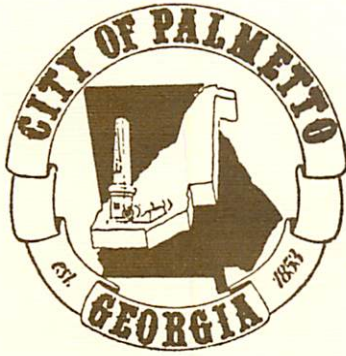
Presented to

**City of Palmetto
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



City Of Palmetto

P. O. Box 190

Palmetto, Georgia 30268

Area Code 770 / 463-3377

Honorable J. Clark Boddie, Mayor
and Members of the City Council
City of Palmetto
Palmetto, Georgia

Ladies and Gentlemen:

The comprehensive annual financial report of the City of Palmetto, Georgia for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for our most recent comprehensive annual financial report, the City's organizational chart and a list of principal officials. The transmittal letter includes general information about the City, economic condition and outlook for the City, major initiatives for the year and for the future and other information including the audit, awards and acknowledgments.

The financial section includes the independent auditor's report on the financial statements, management's discussion and analysis, the basic audited financial statements with combining and individual fund statements. This section also includes Required Supplementary Information.

The statistical section contains selected historical financial data, debt statistics and miscellaneous social and economic data generally presented on a multi-year basis.

General Information - City of Palmetto

In the beginning there was wilderness; then there was Johnson's Store; next there was Willis P. Menefee's plantation; finally there was Palmetto. Thus, the story of the town of Palmetto, Georgia, evolves. Located twenty-five miles southwest of Atlanta, Palmetto grew in much the same way as Atlanta did. Settlement in South Fulton, as it is known today, began with the creation of Coweta County in 1826 and Campbell County in 1828. Most of the people who came to the new district were residents of other parts of Georgia who had won land in the 1827 Land Lottery or who had bought land from those who had won land grants. The first known development in the area that was eventually to become the Town of Palmetto occurred in 1833 with the construction of a general store by John H. Johnson, who was appointed the first postmaster. This store was located in northern Coweta County on a trail that would in the future yield itself to a well traveled roadway, later to be Highway 29, and to the West Point Railroad.

The next step in the process of developing a town came with the arrival in the 1840's of Willis P. Menefee, who is sometimes called the "father of the town". Major Menefee settled in an area near Johnson's Store and a Methodist campground. Tradition has it that the Menefee plantation included almost all of the territory now occupied by the

town of Palmetto. The "Major" saw to it that the settlement would grow into a cohesive and lasting community by donating land for churches, schools and parks. He also had a hand in the naming of the town that was to be.

It happened that in January of 1847 a regiment of soldiers under the leadership of General Butler was traveling from South Carolina on their way to fight in the Mexican War. The soldiers bivouacked for two weeks in the vicinity of the Menefee plantation and the Methodist campground. During this time, Major Menefee opened his home to the men and showed such hospitality to his guests that upon their departure they presented him with a handsome sword. More importantly, the soldiers suggested that this community might be named in honor of both their regiment and

their home state - they were the Palmetto Regiment from the Palmetto State. In May of that year the local residents agreed that henceforth this land was to be called Palmetto. In honor of this historic occasion, the town's first governmental official was elected, the Town Intendant, Dr. W.S. Zellars.



On February 18, 1854, the town of Palmetto was granted a charter by the state legislature and the first city limits were established. The first town commissioners were Willis P. Menefee, Samuel Swanson, James J. Beall, Reuben Melsaps and John M. Edwards. By the time the charter was granted, the railroad was already assuming a role in the making of the town. The Atlanta and LaGrange Railroad was completed to Palmetto on March 17, 1851. This railroad was built on a high ridge of land which runs on an easterly parallel to the Chattahoochee River from Atlanta to West Point. As a natural passageway, the ridge was once a trail used by Indians, and later became part of the Montgomery Stage Coach route. People who owned

land in the path of the railroad sold rights-of-way for passage through their property. Major Menefee, on the other hand, being a director and stockholder in the railroad company, gave all the land necessary for the laying of tracks and the building of the station in town.

Now Palmetto, which had been primarily a farming town, found itself becoming a railroad town. More businesses developed, more people moved into the district, and the area which began as a wilderness had truly become a town. The many occupations of the residents of Palmetto in the 1870's reveal a developing, self sustaining community. In the surrounding district, the families were engaged in farming, but in the town itself there were numerous dry good merchants and clerks, several physicians, a druggist, ministers, school teachers, a lawyer, a bailiff, a railroad engineer, a depot agent, a blacksmith, a painter, a boot maker, a plasterer, a brick molder, a wheelwright, carpenters, brick masons and a tobacconist agent.

Palmetto is a turn of the century City that has the charm and atmosphere of a small town with the convenience of a large city. Quaint but prosperous, Palmetto is expanding. Today, Palmetto has grown to a population of 4,625 with a population growth rate of 25% between 1980 and 1990, 27% between 1990 and 2000, and 42% between 2000 and 2015.

Services Provided

Services provided by the City under general governmental functions include police and fire protection, planning and engineering, code enforcement, street maintenance, traffic control, parks operation and maintenance. In addition, electric, water and sewer services and solid waste collection and disposal services are provided under an Enterprise fund concept, with user charges set by the City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

The Organization of the Government

The City has a Mayor and Council - City Administrator form of government with a mayor and six council members in the governing body. The City Administrator is appointed by and serves at the pleasure of the City Council. The City Council annually adopts a balanced budget and establishes a tax rate for the support of City programs. The City Administrator has the responsibility of administering these programs in accordance with policies and the annual budget adopted by the City Council. Management has a reasonable basis for assuming responsibility for the

information contained in the basic financial statements as a result of implementing sound internal controls through segregation of accounting duties.

Economic Condition and Outlook

The City of Palmetto is located in South Metro Atlanta just fifteen minutes south of Atlanta's Hartsfield-Jackson International Airport. The community is in close proximity to the dynamic Atlanta interstate hub of commerce being located in south Fulton County and north Coweta County, Palmetto is poised for economic development. Palmetto is known as the "Friendly City" and its current logo invites you to enjoy "Green Space, Blue Skies, Great People".

Two large parcels of land have been annexed into the City since 2006. One of the parcels was annexed in October 2006 and encompasses 3,717 acres on the northwest side of Palmetto within Fulton County. The size of the planned development in this area required designation as a Development of Regional Impact and was found in the best interest of the state by the Atlanta Regional Commission and the Georgia Regional Transportation Authority in January 2009. This area was rezoned as a Planned Unit Development District as part of a complete update to the City's Zoned Ordinance which was completed, approved, and adopted by the mayor and council in 2012.

The second parcel was annexed in January 2008 and is located on the southeast side of the City within Coweta County. Of the 255 acres annexed, the planned use for a portion of the acreage located along US Interstate I-85 included 55 acres for light industrial and 30 acres for general commercial.

Major Initiatives

FOR THE YEAR

The old fire truck has been repaired and put in use as a service truck. The ISO evaluation was completed and the City has earned a class 1 rating. The City has purchased the second defibrillator with Coweta County SPLOST money. Plans have been received to build five warehouses in Palmetto, and they will all contain over a million square feet of space. Two will be located at the old airport site, two on Tatum Road, and one on Weldon Road. Finally, a new liquid lime system has been installed at the water plant.

FOR THE FUTURE

Plans are to finish the sidewalk on Phipps Road to the MARTA shelter this coming year. A sidewalk will be built from Highway 29 to the new Tatum Road warehouses for the MARTA bus riders. A new MARTA shelter will be built at Highway 29 and Tatum Road. Johnson Road will be resurfaced with transportation money it will receive. Smoke testing will be done so as to repair old sewer lines. Lastly, a traffic light will be installed at the intersection of Collinsworth and Weldon Roads.

Other Information

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed expected benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Post & Associates, CPA's LLC was selected. The independent auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmetto, Georgia for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

MD&A. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of Palmetto's MD&A can be found immediately following the report of the independent auditors.

Acknowledgments. I would like to take this opportunity to express my appreciation to Mayor J. Clark Boddie and each of the council members for your guidance and support in the preparation of this report. I would also like to express my sincere appreciation to department heads, Fire Chief Henry Argo, and Police Chief Bobby Fronebarger for their assistance and cooperation during the year to effect a better accounting and reporting system for the City of Palmetto, for without this assistance and cooperation this report would not have been possible.

Respectfully submitted,



William H. Shell
City Administrator

July 27, 2018



CITY OF PALMETTO, GEORGIA

FINANCIAL SECTION

This Section Contains the Following Subsections:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

To the Honorable Mayor and Members of the City Council
City of Palmetto, Georgia
Palmetto, Georgia

Report on 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 Palmetto, Georgia as of and for the year ended June 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, 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, the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual, and the aggregate remaining fund information of the City Palmetto, Georgia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 14-20 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palmetto, Georgia's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report July 27, 2018 on our consideration of the City of Palmetto's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palmetto's internal control over financial reporting and compliance.



Marietta, Georgia
July 27, 2018

Management's Discussion and Analysis

As management of the City of Palmetto, we offer readers of the City of Palmetto's financial statements this narrative overview and analysis of the financial activities of the City of Palmetto for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of the City of Palmetto exceeded its liabilities and deferred inflows at the close of the fiscal year by nearly \$17.4 million.
- The government's total net position increased by \$508,000.
- As of the close of the current fiscal year, the City of Palmetto's governmental funds reported combined ending net position of \$4.1 million, an slight increase of \$132,000 in comparison with the prior year. Transferred into the governmental funds was \$150,000 from business-type funds.
- The City of Palmetto's total liabilities and deferred inflows decreased by \$785,000 during the current fiscal year due primarily to a decrease in revenue bonds payable of \$603,000 countered by an increase in net pension liability of \$355,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Palmetto's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Palmetto.

Required Components of Annual Financial Report

Basic Financial Statements

The first two statements (pages 21 & 22) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (pages 23-32) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statement; and 3) the proprietary funds statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net Position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, community services, and general administration. Property and other types of taxes and licenses and permits finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the electric, water and sewer and sanitation services offered by the City.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palmetto, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Palmetto can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Palmetto adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - City of Palmetto has three types of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Palmetto uses enterprise funds to account for its electric, water and sewer and sanitation operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 33-53 of this report.

Government-Wide Financial Analysis
City of Palmetto, Georgia
Statement of Net Position - Primary Government

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 977,751	\$ 2,731,276	\$ 3,709,027	\$ 862,899	\$ 2,498,376	\$ 3,361,275
Capital Assets - Net	3,767,180	16,999,883	20,767,063	3,974,632	17,119,741	21,094,373
Total assets	<u>4,744,931</u>	<u>19,731,159</u>	<u>24,476,090</u>	<u>4,837,531</u>	<u>19,618,117</u>	<u>24,455,648</u>
Deferred Outflows	48,628	430,657	479,285	255,267	523,049	778,316
Total Assets and Deferred Outflows	<u>\$ 4,793,559</u>	<u>\$ 20,161,816</u>	<u>\$ 24,955,375</u>	<u>\$ 5,092,798</u>	<u>\$ 20,141,166</u>	<u>\$ 25,233,964</u>
Long-Term Liabilities	389,876	5,237,241	5,627,117	678,746	5,919,620	6,598,366
Other Liabilities	149,027	1,532,689	1,681,716	167,385	1,540,006	1,707,391
Total Liabilities	<u>538,903</u>	<u>6,769,930</u>	<u>7,308,833</u>	<u>846,131</u>	<u>7,459,626</u>	<u>8,305,757</u>
Deferred Inflows	171,683	38,328	210,011	-	-	-
Total Liabilities and Deferred Inflows	<u>\$ 710,586</u>	<u>\$ 6,808,258</u>	<u>\$ 7,518,844</u>	<u>\$ 846,131</u>	<u>\$ 7,459,626</u>	<u>\$ 8,305,757</u>
Net Investment in Capital Assets	\$ 3,767,180	\$ 11,325,901	\$ 15,093,081	\$ 3,974,632	\$ 10,889,123	\$ 14,863,755
Restricted for:						
Capital Projects	258,305	324,896	583,201	34,687	324,896	359,583
Unrestricted	57,488	1,702,761	1,760,249	237,348	1,467,521	1,704,869
Total Net Position	<u>\$ 4,082,973</u>	<u>\$ 13,353,558</u>	<u>\$ 17,436,531</u>	<u>\$ 4,246,667</u>	<u>\$ 12,681,540</u>	<u>\$ 16,928,207</u>

Government-Wide Financial Analysis
City of Palmetto, Georgia
Statement of Activities- Primary Government

	<u>June 30, 2017</u>			<u>June 30, 2016</u>		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 613,722	\$ 5,762,928	\$ 6,376,650	\$ 495,641	\$ 5,829,570	\$ 6,325,211
Grants and Contributions	1,538,776	-	1,538,776	1,454,903	-	1,454,903
General Revenues:						
Property Taxes	1,006,758	-	1,006,758	1,028,561	-	1,028,561
Other Taxes	442,647	-	442,647	449,622	-	449,622
Other	118,022	12,506	130,528	12,975	12,506	25,481
Total Revenues	<u>3,719,925</u>	<u>5,775,434</u>	<u>9,495,359</u>	<u>3,441,702</u>	<u>5,842,076</u>	<u>9,283,778</u>
Expenses:						
General Government	869,816	-	869,816	698,675	-	698,675
Public Safety	2,561,667	-	2,561,667	2,296,009	-	2,296,009
Street	432,052	-	432,052	446,732	-	446,732
Community Services	170,084	-	170,084	168,251	-	168,251
Interest on Long-Term Debt	-	191,318	191,318	-	213,445	213,445
Electric	-	3,085,850	3,085,850	-	2,989,625	2,989,625
Water and Sewer	-	1,447,919	1,447,919	-	1,422,332	1,422,332
Sanitation	-	228,329	228,329	-	227,751	227,751
Total Expenses	<u>4,033,619</u>	<u>4,953,416</u>	<u>8,987,035</u>	<u>3,609,667</u>	<u>4,853,153</u>	<u>8,462,820</u>
Increase (Decrease) in Net Position Before Transfers and contributions	(313,694)	822,018	508,324	(167,965)	988,923	820,958
Transfers and Contributions	150,000	(150,000)	-	300,000	(300,000)	-
Increase in Net Position	(163,694)	672,018	508,324	132,035	688,923	820,958
Net Position, July 1	4,246,667	12,681,540	16,928,207	4,114,632	11,992,617	16,107,249
Net Position, June 30	<u>\$ 4,082,973</u>	<u>\$ 13,353,558</u>	<u>\$ 17,436,531</u>	<u>\$ 4,246,667</u>	<u>\$ 12,681,540</u>	<u>\$ 16,928,207</u>

The largest portion of assets is the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City of Palmetto uses these capital assets to provide services to citizens and, therefore, these assets are not available for future spending. No portion of the city of Palmetto's net position represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance of \$1.8 million may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities: Governmental activities decreased the City's net position by \$168,000 prior to a transfer in of \$300,000 from the Electric Fund.

Business-type activities: Business-type activities increased the City of Palmetto's net position by \$389,000 before a transfer out of \$300,000.

Financial Analysis of the City's Funds

As noted earlier, the City of Palmetto uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Palmetto's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Palmetto's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Palmetto. At the end of the current fiscal year, the Non-spendable fund balance was \$199,000 and the unassigned fund balance was \$360,000. The Confiscated Fund had no fund balance at year end. SPLOST had a restricted balance of \$33,000. At June 30, 2016, the governmental funds of City of Palmetto reported a combined fund balance of \$593,000, an increase of 96% over the prior year. The main reason for the increase in the fund balance over the previous year is due to a transfer in from the Electric Fund.

General Fund Budgetary Highlights: Overall revenues were below the budgeted amounts and expenditures came in less than budgeted. The fund balance came in with a positive variance of \$774,000 after a transfer in of \$300,000.

Proprietary Funds. The City of Palmetto's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The unrestricted portion of the net position of the business-like funds at the end of the fiscal year amounted to just over \$1.6 million. This represents an increase of \$146,000 over the previous year.

Capital Asset and Debt Administration

Capital Assets. The City of Palmetto's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$21 million (net of accumulated depreciation). These assets include land, buildings and improvements, utility systems, vehicles and equipment, and infrastructure.

Additional information on the City's capital assets can be found in Note 5 pages 42 and 43 of the Basic Financial Statements.

City of Palmetto's Capital Assets

	Governmental Activities	Business-Type Activities	Total
Land	\$ 291,180	\$ 6,667	\$ 297,847
Construction in Progress	-	2,842,650	2,842,650
Buildings and Improvements	3,117,813	364,254	3,482,067
Distribution System	-	20,127,793	20,127,793
Vehicles, Equipment, and Furniture	2,050,784	478,162	2,528,946
Infrastructure	2,213,983	-	2,213,983
Total	\$ 7,673,760	\$ 23,819,526	\$ 31,493,286

Long-term Debt. As of June 30, 2017 the City of Palmetto had long term bonded debt outstanding of \$5.77 million (including the amount due within one year) resulting from the issuance of a Combined Public Utility Refunding Revenue Bond Series 2015 to be repaid by the City commenced January 1, 2015 with the final payment due July 1, 2025. See note 5D on pages 43-44.

The City of Palmetto's total debt decreased by \$603,000 during the past fiscal year.

Georgia general statutes limit the amount of general obligation debt that a unit of government can issue to 10 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Palmetto is \$11 million.

Additional information regarding the City of Palmetto's long-term debt can be found in Note 5 on pages 44-46 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicator reflects the reason for potential growth and prosperity of the City:

- Continued growth in the tax base projected due to proximity of the City of Atlanta once home values stabilize and increase.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Tax revenue is expected to be about \$2.1 million in 2018 which is about \$700,000 more than the actual for 2017. Fines and forfeitures are budgeted to be \$100,000 which is \$38,000 over the actual number received in 2017. Intergovernmental revenues are expected to increase to \$2 million due to an increase in TSPLOST of \$570,000 and Tree Bank of \$174,000. Overall governmental revenues are budgeted to increase \$2.6 million over the actual received in 2017. Expenditures overall are budgeted to be \$1.4 million.

Business - type Activities: The budget for 2018 for the Electric Fund anticipates revenue of \$4.1 million which is in about \$400,000 higher than the actual received in 2017. Anticipated expenditures are \$3.9 million which includes about \$350,000 for capital outlay. This is \$825,000 more than the actual expended in 2017.

The Water and Sewer Fund is budgeted for total revenues of \$2.27 million, an increase of \$500,000 over actual 2017 revenues. Expenses are budgeted to be \$2.8 million excluding depreciation of around \$370,000 and including debt service requirements of \$1.3 million and capital outlay of \$215,000.

The Sanitation Fund is expected to perform similarly to 2017.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the City Administrator, City of Palmetto, P.O. Box 190, Palmetto, GA 30268.



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CITY OF PALMETTO, GEORGIA

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash on Hand and In Banks	\$ 217,044	\$ 1,282,687	\$ 1,499,731
Ad Valorem Taxes Receivable	246,515	-	246,515
Local Option Sales Taxes Receivable	94,543	-	94,543
Alcoholic Beverage Taxes Receivable	7,496	-	7,496
Franchise Taxes Receivable	23,189	-	23,189
Police Fines Receivable	83,391	-	83,391
CDBG Receivable	16,338	-	16,338
Prepaid Assets	184,286	41,784	226,070
Utility Accounts Receivable (Net of Allowance for Uncollectibles)	-	698,288	698,288
Inventories	26,276	383,621	409,897
Restricted Assets:			
Temporarily Restricted			
Cash	78,673	324,896	403,569
Total Current Assets	<u>977,751</u>	<u>2,731,276</u>	<u>3,709,027</u>
Non-Current Assets:			
Capital Assets not being Depreciated			
Land and Improvements	291,180	6,667	297,847
Construction In Progress	-	2,842,650	2,842,650
Capital Assets being Depreciated			
Capital Assets (net of Accumulated Depreciation)	<u>3,476,000</u>	<u>14,150,566</u>	<u>17,626,566</u>
Total Non-current Assets	<u>3,767,180</u>	<u>16,999,883</u>	<u>20,767,063</u>
Total Assets	<u>4,744,931</u>	<u>19,731,159</u>	<u>24,476,090</u>
Deferred Outflows			
Related to Pensions	48,628	10,857	59,485
Related to Bond Refinancing	-	419,800	419,800
Total Deferred Outflows	<u>48,628</u>	<u>430,657</u>	<u>479,285</u>
Total Assets and Deferred Outflows	<u>4,793,559</u>	<u>20,161,816</u>	<u>24,955,375</u>
LIABILITIES AND NET POSITION			
Liabilities			
Current Liabilities (Payable from Current Assets):			
Accounts Payable	14,167	284,657	298,824
Accrued Liabilities and Payroll Taxes	40,348	30,480	70,828
Accrued Compensated Absences	82,549	11,618	94,167
Utility Deposits	-	517,358	517,358
Inspector Deposit-Developments	11,963	-	11,963
Revenue Bonds Payable	-	617,928	617,928
Accrued Bond Interest Payable	-	70,648	70,648
Total Current Liabilities (Payable from Current Assets):	<u>149,027</u>	<u>1,532,689</u>	<u>1,681,716</u>
Noncurrent Liabilities			
Compensated Absences	9,172	1,291	10,463
Revenue Bonds Payable	-	5,150,958	5,150,958
Net Pension Liability	380,704	84,992	465,696
Total Noncurrent Liabilities	<u>389,876</u>	<u>5,237,241</u>	<u>5,627,117</u>
Total Liabilities	<u>538,903</u>	<u>6,769,930</u>	<u>7,308,833</u>
Deferred Inflows Related to Pensions	171,683	38,328	210,011
Total Liabilities and Deferred Inflows	<u>710,586</u>	<u>6,808,258</u>	<u>7,518,844</u>
Net Position:			
Net Investment in Capital Assets	3,767,180	11,325,901	15,093,081
Restricted for:			
Capital Projects	258,305	324,896	583,201
Unrestricted	57,488	1,702,761	1,760,249
Total Net Position	<u>\$ 4,082,973</u>	<u>\$ 13,353,558</u>	<u>\$ 17,436,531</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary Government							
Governmental activities:							
General Government	\$ 869,816	\$ 225,176	\$ -	\$ 1,312,388	\$ 667,748	\$ -	\$ 667,748
Public Safety	2,561,667	62,246	161,865	-	(2,337,556)	-	(2,337,556)
Street	432,052	304,412	-	64,523	(63,117)	-	(63,117)
Special Services	170,084	21,888	-	-	(148,196)	-	(148,196)
Total governmental activities	<u>4,033,619</u>	<u>613,722</u>	<u>161,865</u>	<u>1,376,911</u>	<u>(1,881,121)</u>	<u>-</u>	<u>(1,881,121)</u>
Business activities:							
Electric Utilities	3,085,850	3,698,028	-	-	-	612,178	612,178
Water and Sewer Utilities	1,639,237	1,735,654	-	-	-	96,417	96,417
Sanitation Utilities	228,329	329,246	-	-	-	100,917	100,917
Total Business-type Activities	<u>4,953,416</u>	<u>5,762,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,512</u>	<u>809,512</u>
Total primary government	<u>\$ 8,987,035</u>	<u>\$ 6,376,650</u>	<u>\$ 161,865</u>	<u>\$ 1,376,911</u>	<u>(1,881,121)</u>	<u>809,512</u>	<u>(1,071,609)</u>
General Revenues:							
Ad Valorem Tax					947,425	-	947,425
Motor Vehicle Tax					59,333	-	59,333
Franchise Tax					65,500	-	65,500
Insurance Premium Tax					280,177	-	280,177
Beer/Wine/Liquor Tax					82,697	-	82,697
Transfer Tax					3,707	-	3,707
Intangible Tax					10,566	-	10,566
Interest Income					622	-	622
Gain on Sale of Vehicles					18,879	-	18,879
Miscellaneous					98,521	12,506	111,027
Transfers					150,000	(150,000)	-
Total General Revenues and Transfers					<u>1,717,427</u>	<u>(137,494)</u>	<u>1,579,933</u>
Change in Net Position					(163,694)	672,018	508,324
Net Position Beginning					4,246,667	12,681,540	16,928,207
Net Position Ending					<u>\$ 4,082,973</u>	<u>\$ 13,353,558</u>	<u>\$17,436,531</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash on Hand and In Banks	\$ 37,412	\$ 179,632	\$ 217,044
LMIG Cash in Bank	78,673	-	78,673
Ad Valorem Taxes Receivable	246,515	-	246,515
Local Option Sales Taxes Receivable	94,543	-	94,543
Alcoholic Beverage Taxes Receivable	7,496	-	7,496
Franchise Taxes Receivable	23,189	-	23,189
Police Fines Receivable	83,391	-	83,391
Community Development Grant Receivable	16,338	-	16,338
Prepaid Items	184,286	-	184,286
Inventories	<u>26,276</u>	<u>-</u>	<u>26,276</u>
Total Assets	<u>\$ 798,119</u>	<u>\$ 179,632</u>	<u>\$ 977,751</u>
LIABILITIES			
Liabilities:			
Accounts Payable	14,167	-	14,167
Accrued Salaries and Taxes Payable	40,348	-	40,348
Compensated Time Off	9,172	-	9,172
Inspector Deposit - Developments	<u>11,963</u>	<u>-</u>	<u>11,963</u>
Total Liabilities	<u>75,650</u>	<u>-</u>	<u>75,650</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Ad Valorem Tax Revenue	<u>172,562</u>	<u>-</u>	<u>172,562</u>
Total Deferred Inflows of Resources	<u>172,562</u>	<u>-</u>	<u>172,562</u>
Fund Balance			
Nonspendable			
Prepaid Items	184,286	-	184,286
Inventories	26,276	-	26,276
Restricted for:			
Capital Projects	78,673	179,632	258,305
Unassigned	<u>260,672</u>	<u>-</u>	<u>260,672</u>
Total Fund Balance	<u>549,907</u>	<u>179,632</u>	<u>729,539</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 798,119</u>	<u>\$ 179,632</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets of \$7,657,927 net of accumulated depreciation of \$3,906,580 are not financial resources and, therefore, are not reported in the funds.			3,767,180
Accrued compensated absences considered long-term do not require the use of current resources and therefore not recorded in the governmental funds.			(82,549)
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds. Net pension liability and related derred inflows and outflows of resources			(503,759)
Deferred ad valorem taxes are not available to pay current-period expenditures and, therefore, are deferred in the funds.			<u>172,562</u>
Net Position of Governmental Activities			<u>\$ 4,082,973</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General	Other Governmental Funds	Total
Revenues:			
Taxes:			
Ad Valorem Tax	\$ 947,318		\$ 947,318
Motor Vehicle Tax	59,333		59,333
Franchise Tax	65,500		65,500
Insurance Premium Tax	280,177		280,177
Beer, Wine, Liquor Tax	82,697		82,697
Transfer Taxes	3,707		3,707
Intangibles Taxes	10,566		10,566
Total Taxes	<u>1,449,298</u>	<u>-</u>	<u>1,449,298</u>
Licenses and Permits:			
Business Licenses	101,771		101,771
Building & Other Permits	123,405		123,405
Total Licenses and Permits	<u>225,176</u>	<u>-</u>	<u>225,176</u>
Intergovernmental Revenues:			
Intergovernmental L.O.S.T. Taxes	1,149,692	162,696	1,312,388
FEMA Fire Grant	161,865	-	161,865
LMIG Grant	64,523	-	64,523
Total Intergovernmental Revenues	<u>1,376,080</u>	<u>162,696</u>	<u>1,538,776</u>
Fines, Forfeitures, and Court Technologies :			
Police	<u>62,246</u>	<u>-</u>	<u>62,246</u>
Miscellaneous:			
Landfill Tipping Fees	304,412	-	304,412
Senior Center Transportation	21,888	-	21,888
Community Center and Train Depot	5,487	-	5,487
Cemetery Lot Sales	6,000	-	6,000
Interest Income	622	-	622
Proceeds from Sale of Vehicles	18,879	-	18,879
Other Miscellaneous	87,034	-	87,034
Total Miscellaneous	<u>444,322</u>	<u>-</u>	<u>444,322</u>
Total Revenues	<u>3,557,122</u>	<u>162,696</u>	<u>3,719,818</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General	Other Governmental Funds	Totals
Expenditures:			
Current:			
Administrative	\$ 844,554	\$ -	\$ 844,554
Police	1,258,760	-	1,258,760
Fire Department	1,141,563	-	1,141,563
Street	327,696	-	327,696
Special Services	62,293	-	62,293
Total Current Expenditures	<u>3,634,866</u>	<u>-</u>	<u>3,634,866</u>
Capital Outlay:			
Administrative	3,881	-	3,881
Police	36,670	-	36,670
Fire Department	18,840	15,833	34,673
Street	23,678	-	23,678
Special Services	-	-	-
Total Capital Outlay	<u>83,069</u>	<u>15,833</u>	<u>98,902</u>
Total Expenditures	<u>3,717,935</u>	<u>15,833</u>	<u>3,733,768</u>
Excess (Deficit) of Revenues Over Expenditures Before	<u>(160,813)</u>	<u>146,863</u>	<u>(13,950)</u>
Other Financing Sources			
Transfers in	150,000	-	150,000
Transfers out	-	-	-
Total Other Financing Sources	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Net Change in Fund Balance	(10,813)	146,863	136,050
Fund Balance Beginning	<u>560,720</u>	<u>32,769</u>	<u>593,489</u>
Fund Balance Ending	<u>\$ 549,907</u>	<u>\$ 179,632</u>	<u>\$ 729,539</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Net change in fund balances - total governmental funds:	\$ 136,050
Amounts reported for governmental activities in the statements of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$297,031 exceeded capital outlays of \$89,579.	(207,452)
Some expenses 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	(4,295)
Change in net pension liability and related deferred inflows and outflows of resources	(88,104)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	107
Rounding	
Change in Net Position of Government Activities	\$ (163,694)

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year Ended June 30, 2017

	Budget		Actual	Variance- Positive (Negative)
	Original	Revised		
Revenues:				
Taxes	\$ 3,273,982	\$ 1,948,982	1,449,298	\$ (499,684)
Licenses and Permits	55,500	55,500	225,176	169,676
Intergovernmental Revenues	340,572	1,665,572	1,376,080	(289,492)
Fines and Forfeitures	110,000	110,000	62,246	(47,754)
Special Services	39,450	39,450	33,585	(5,865)
Miscellaneous Revenue	412,100	412,100	410,737	(1,363)
Total Revenues	<u>4,231,604</u>	<u>4,231,604</u>	<u>3,557,122</u>	<u>(674,482)</u>
Expenditures:				
Administrative	802,925	802,925	833,054	(30,129)
Police Department	1,481,947	1,481,947	1,258,760	223,187
Fire/Emergency Medical Department	1,299,725	1,299,725	1,141,563	158,162
Street Department	835,720	835,720	327,696	508,024
Special Services	88,200	88,200	62,233	25,967
Mayor & Council Contingency	125,000	125,000	11,500	113,500
Capital Outlay	5,500	5,500	83,129	(77,629)
Total Expenditures	<u>4,639,017</u>	<u>4,639,017</u>	<u>3,717,935</u>	<u>921,082</u>
Excess (Deficiency) of Revenues over Expenditures	(407,413)	(407,413)	(160,813)	246,600
Other Financing Sources (Uses)				
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balance	(257,413)	(257,413)	(10,813)	246,600
Fund Balance at Beginning of Year	<u>621,359</u>	<u>621,359</u>	<u>560,720</u>	<u>(60,639)</u>
Fund Balance at End of Year	<u>\$ 363,946</u>	<u>\$ 363,946</u>	<u>\$ 549,907</u>	<u>\$ 185,961</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2017

	Electric Fund	Water and Sewer Fund	Sanitation Fund	Total
ASSETS				
Current Assets:				
Cash in Banks	\$ 831,881	\$ 105,369	\$ 345,437	\$ 1,282,687
Restricted for Construction	-	324,896	-	324,896
Prepaid Expenses	15,366	26,418	-	41,784
Utility Accounts Receivable (Net of Allowance for Uncollectibles)	416,263	222,092	59,933	698,288
Inventories	359,582	24,039	-	383,621
Total Current Assets	1,623,092	702,814	405,370	2,731,276
Noncurrent Assets:				
Capital Assets Not Being Depreciated:				
Land	6,667	-	-	6,667
Construction In Progress	-	2,842,650	-	2,842,650
Capital Assets Being Depreciated:				
Buildings	62,132	1,850	-	63,982
Utility Distribution System	2,656,613	17,471,180	-	20,127,793
Water Tanks	-	300,272	-	300,272
Machinery, Vehicles, and Equipment	309,991	168,171	-	478,162
Total	3,035,403	20,784,123	-	23,819,526
Less: Accumulated Depreciation	(1,351,540)	(5,468,103)	-	(6,819,643)
Total Capital Assets	1,683,863	15,316,020	-	16,999,883
Total Noncurrent Assets	1,683,863	15,316,020	-	16,999,883
Total Assets	3,306,955	16,018,834	405,370	19,731,159
Deferred Outflows				
Related to Pension	4,803	6,054	-	10,857
Related to Bond Refinancing	-	419,800	-	419,800
Total Deferred Outflows	4,803	425,854	-	430,657
Total Assets and Deferred Outflows	3,311,758	16,444,688	405,370	20,161,816
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	235,580	29,653	19,424	284,657
Accrued Payroll and Payroll Taxes	14,492	15,988	-	30,480
Accrued Compensated Absences	7,647	3,971	-	11,618
Utility Deposits	490,147	27,211	-	517,358
Revenue Bonds Payable	-	617,928	-	617,928
Total Current Liabilities (Payable from Current Assets):	747,866	694,751	19,424	1,462,041
Current Liabilities Payable from Restricted Assets:				
Accrued Bond Interest Payable	-	70,648	-	70,648
Total Current Liabilities (Payable from Restricted Assets)	-	70,648	-	70,648
Total Current Liabilities	747,866	765,399	19,424	1,532,689
Noncurrent Liabilities				
Compensated Absences	850	441	-	1,291
Revenue Bonds Payable	-	5,150,958	-	5,150,958
Net Pension Liability	37,600	47,392	-	84,992
Total Non-Current Liabilities	38,450	5,198,791	-	5,237,241
Total Liabilities	786,316	5,964,190	19,424	6,769,930
Deferred Inflow Related to Pension	16,956	21,372	-	38,328
Total Liabilities and Deferred Inflows	803,272	5,985,562	19,424	6,808,258
NET POSITION				
Net Investment in Capital Assets	1,683,863	9,642,038	-	11,325,901
Restricted for Construction	-	324,896	-	324,896
Unrestricted	824,623	492,192	385,946	1,702,761
Total Net Position	2,508,486	\$ 10,459,126	385,946	\$ 13,353,558

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Electric Fund	Water and Sewer Fund	Sanitation Fund	Total
Operating Revenues:				
Sales of Utilities	\$ 3,574,000	\$ 1,681,532	\$ -	\$ 5,255,532
Sanitation Charges	-	-	309,987	309,987
Penalties	99,409	54,122	17,454	170,985
Service, Cut on, and Permit Fees	4,085	-	-	4,085
Miscellaneous	20,534	-	1,805	22,339
Total Operating Revenue	<u>3,698,028</u>	<u>1,735,654</u>	<u>329,246</u>	<u>5,762,928</u>
Operating Expenses:				
Purchase of Utilities	2,550,203	56,610	-	2,606,813
Sewer Treatment	-	279,919	-	279,919
Salaries	182,683	207,597	-	390,280
Payroll Taxes	13,046	15,064	-	28,110
Retirement	24,229	30,539	-	54,768
Insurance (Group)	46,899	58,535	-	105,434
Training	11,874	3,518	-	15,392
Uniforms	4,215	2,849	-	7,064
Insurance - Vehicles and Equipment	4,178	2,299	-	6,477
Insurance - Other	7,500	17,840	-	25,340
Georgia Public Web	4,485	-	-	4,485
Professional Fees	46,204	58,635	-	104,839
Miscellaneous Administrative Expenses	-	12,553	-	12,553
Office Supplies	-	167	-	167
Depreciation Expense	67,388	372,238	-	439,626
Contracted Services	-	-	228,329	228,329
Repairs and Maintenance:				
Buildings	208	3,804	-	4,012
Distribution System	30,130	195,876	-	226,006
Equipment	4,789	30,830	-	35,619
Vehicles	10,620	1,288	-	11,908
Gas and Oil	4,602	3,838	-	8,440
Supplies	39,020	58,919	-	97,939
Equipment Rental	-	19,633	-	19,633
Telephone	4,694	9,318	-	14,012
Utilities	1,511	4,316	-	5,827
Miscellaneous Operating Expense	27,372	1,734	-	29,106
Total Operating Expenses	<u>3,085,850</u>	<u>1,447,919</u>	<u>228,329</u>	<u>4,762,098</u>
Operating Income	<u>612,178</u>	<u>287,735</u>	<u>100,917</u>	<u>1,000,830</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Electric Fund	Water and Sewer Fund	Sanitation Fund	Total
Nonoperating Revenues (Expenses):				
Contribution from MEAG	\$ 12,506	\$ -	\$ -	\$ 12,506
Bond Interest	-	(191,318)	-	(191,318)
Total Nonoperating Revenues (Expenses)	<u>12,506</u>	<u>(191,318)</u>	<u>-</u>	<u>(178,812)</u>
Transfers In (Out)	<u>(600,000)</u>	<u>450,000</u>	<u>-</u>	<u>(150,000)</u>
Change in Net Position	24,684	546,417	100,917	672,018
Net Position, Beginning of Year	<u>2,483,802</u>	<u>9,912,709</u>	<u>285,029</u>	<u>12,681,540</u>
Net Position, End of Year	<u><u>\$ 2,508,486</u></u>	<u><u>\$ 10,459,126</u></u>	<u><u>\$385,946</u></u>	<u><u>\$ 13,353,558</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF PALMETTO, GEORGIA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Total
Increase (Decrease) in Cash:				
Cash Provided by (Used in) Operating Activities:				
Receipts from Customers	\$ 3,816,625	\$ 1,717,060	\$ 328,969	\$ 5,862,654
Payments to Providers	(2,816,558)	(874,240)	(228,181)	(3,918,979)
Payments to Employees	(182,683)	(207,597)	-	(390,280)
Net Cash Provided by (Used in) Operating Activities	<u>817,384</u>	<u>635,223</u>	<u>100,788</u>	<u>1,553,395</u>
Cash Flows from Non-Capital Financing Activities:				
Transferred from (to) Other Funds	(600,000)	450,000	-	(150,000)
Net Cash Flows from Non-Capital Financing Activities:	<u>(600,000)</u>	<u>450,000</u>	<u>-</u>	<u>(150,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Cash Paid for Additions to Property, Plant and Equipment	(18,742)	(301,025)	-	(319,767)
Contribution from MEAG	12,506	-	-	12,506
Principal Paid on Bond Indebtedness	-	(602,897)	-	(602,897)
Interest Paid on Bond Indebtedness	-	(145,057)	-	(145,057)
Net Cash Flows from Capital and Related Financing Activities	<u>(6,236)</u>	<u>(1,048,979)</u>	<u>-</u>	<u>(1,055,215)</u>
Net Increase (Decrease) in Cash	211,148	36,244	100,788	348,180
Cash at Beginning of Year	<u>620,733</u>	<u>394,021</u>	<u>244,649</u>	<u>1,259,403</u>
Cash at End of Year	<u>\$ 831,881</u>	<u>\$ 430,265</u>	<u>\$ 345,437</u>	<u>\$ 1,607,583</u>
Classified As:				
Cash on Hand and in Banks	831,881	430,265	345,437	1,607,583
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Income (Loss)	<u>612,178</u>	<u>287,735</u>	<u>100,917</u>	<u>1,000,830</u>
Adjustments Not Affecting Cash:				
Depreciation and Amortization	67,388	372,238	-	439,626
Deferred Outflows Pension	37,364	25,723	-	63,087
(Increase) Decrease in Accounts Receivable	114,656	(23,366)	(277)	91,013
(Increase) Decrease in Inventory	5,945	2,463	-	8,408
(Increase) Decrease in Prepaid Expenses	(17)	15,876	-	15,859
Increase (Decrease) in Accounts Payable	7,570	(34,282)	148	(26,564)
Increase (Decrease) in Accrued Liabilities	(31,641)	(15,936)	-	(47,577)
Increase (Decrease) in Utility Deposits	3,941	4,772	-	8,713
Total Adjustments	<u>205,206</u>	<u>347,488</u>	<u>(129)</u>	<u>552,565</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 817,384</u>	<u>\$ 635,223</u>	<u>\$ 100,788</u>	<u>\$ 1,553,395</u>

The accompanying notes are an integral part of these financial statements.



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CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

1) Scope of Reporting Entity

The City of Palmetto was incorporated on February 18, 1854, under the provisions of an Act of the General Assembly of Georgia. The City operates under the Mayor and Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, electricity, water and sewer, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City considered all potential component units for inclusion in these financial statements because of significant operational or financial relationships, as required by accounting principles generally accepted in the United States of America. For the year ended June 30, 2017, the City has no component units.

(2) Summary of Significant Accounting Policies

The accounting policies of The City of Palmetto conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government. The effect of inter-fund activity, within the governmental and business-type activities columns have not been eliminated in the process of consolidation. 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 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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. 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 funds financial statements. Revenues are recorded when earned and expense 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.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

All governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, charges for services and investment income associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred. 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, claims, and judgments are recorded only when payment is due.

Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. Fines, permits and fees revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports the following major governmental funds:

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

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed, or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The government reports the following major proprietary funds:

The **Electric Fund** accounts for the activities of the City's electric distributions operations.

The **Water and Sewer Fund** accounts for the activities of the City's water and sewer services.

The **Sanitation Fund** accounts for the activities of the City's sanitation services.

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.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations of the proprietary fund. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The investments of the City consist of bank certificates of deposit and are stated at cost which is equal to fair value. Accrued interest receivable on these investments is shown separately.

2. Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

The tax digest for the calendar year is compiled by Fulton and Coweta County and is presented to the City by the first of September. The digest is reviewed by the City and tax bills are mailed by November 1st of each year and due on or before December 31st. The City may place liens for any and all debts after the due date.

3. Inventories and Prepaid Items

Inventories of supplies and materials are valued at cost using the first-in, first-out method of accounting. Reported inventories in the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current position. The consumption method is used to account for inventories within the governmental funds and proprietary funds.

Prepaid items are amortized over their useful lives, generally one year. The current balance represents insurance costs paid for the year ended June 30, 2016. Reported prepaid items in the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The City uses the purchases method to account for prepaid items in governmental funds.

It is the City's policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

4. 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 or business-type activities 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 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings	30
Building Improvements	15
Vehicles	5-10
Office Equipment	5-7
Computer Equipment	5
Furniture	10
Water Distribution System	50
Infrastructure	30

5. Compensated Absences

The City provides vacation and sick leave benefits to all eligible employees and permits an accumulation of a maximum of twenty (200) hours of vacation. The City, however, does not recognize unused sick pay as a liability, because it does not meet the criteria for accrual. The cost of vacation and sick pay benefits exercised during the current year has been included in the expenditures/expenses of the statements. Provision has been made for accumulated (accrued) vacation-pay benefits and it is included in the Government-wide Statement of Net Position. The liability for compensated vacation benefits city-wide was \$94,167 compared to \$87,764 in the previous year which represents an increase of \$6,403. The short-term portion for the governmental funds is included in the Balance Sheet for Governmental Funds.

6. Long-term Obligations

In the Government-wide financial statements and proprietary fund types in the fund financial statements long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discount, as well as issuance costs, are deferred and amortized over the life of the bonds using the

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

effective interest method. Bonds payable are reported net of the applicable bond premium or discount. As of June 30, 2017 the City had outstanding bonds of \$5,768,886 resulting from the issuance of a Combined Utility Revenue Refunding Bond, Series 2014 on August 18, 2014.

7. Fund Equity

Fund Balances:

- Non-spendable - The following fund balances are non-spendable because they are allocated to:

<u>General Fund</u>	
Prepaid Items	\$ 184,286
Inventories	26,276
Total	<u>\$ 210,562</u>

- Restricted - The following fund balances are restricted for:

<u>General Fund</u>	
Capital Projects	\$ 78,673
<u>SPLOST Fund</u>	
Capital Projects	179,632
Total	<u>\$ 258,305</u>

- Unassigned – The following fund balance is unassigned:

<u>General Fund</u>	
Unassigned	<u>\$ 260,672</u>

The City considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in unrestricted fund balance classifications could be used. The City Council is authorized to assign amounts to a specific purpose. The City does not have a policy for assigning amounts.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(3) Reconciliation of Government-wide and Fund Financial Statements.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$	89,579
Depreciation expense		(297,031)
Net adjustment to increase changes in fund balances total government funds to arrive at changes in net position of governmental activities		(207,452)

Another element of that reconciliation states “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The detail of this difference is as follows:

Deferred ad valorem taxes-current year	\$	107
Deferred ad valorem taxes-prior year		-
Net adjustment to decrease changes in fund balances total government funds to arrive at changes in net position of governmental activities		107

Another element states “Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The detail of this difference is as follows:

Change in net pension liability and related deferred inflows and outflows of resources		
Net pension liability - prior	670,922	
Net pension liability - current	(380,704)	290,218
Deferred outflows prior	(255,267)	
Deferred outflows current	48,628	(206,639)
Deferred inflows prior	-	
Deferred inflows current	(171,683)	(171,683)
		\$ (88,104)

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(4) Stewardship, Compliance, and Accountability

A. Budgetary Information

The City of Palmetto is legally required to adopt annual budgets for all funds. Budgets are presented by the City Administrator prior to June 1 for the fiscal year commencing the following July 1. Budgets for the General and Special Revenue Funds are prepared using the modified accrual basis of accounting, while budgets for the Enterprise Funds are prepared on the accrual basis. Public hearings are conducted to obtain taxpayer comments. The budgets are then legally enacted through passage of an ordinance by the City Council. The government's department heads may make transfers of appropriations within departmental accounts of a specific fund. Transfers of appropriations between departments require the approval of the council. The approval of City Council is also necessary for budget revisions over \$5,000 which alter the total expenditures of any fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for debt service monies because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgeted amounts are as originally adopted, or as amended by the City Council. All appropriations lapse at the end of the fiscal year on June 30.

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Palmetto because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

(5) Detailed Notes on All Funds

A. Cash, Cash Equivalents, and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash" and "Investments" under each fund's caption. Except for bond related transactions, the City conducts all its banking and investment transactions with its depository bank. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and other short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the proprietary fund statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's deposits at year end were carrying an amount of \$1,903,300 and a bank balance of \$2,257,018. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,757,018 was covered by collateral held in the pledging bank's trust department in the City's name. There were no deposits uninsured or uncollateralized at June 30, 2017.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

State statutes require all deposits to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities authorized by the state. State statutes allow investments in obligations of the U.S. Government and its agencies, bonds and certificates of indebtedness of the state of Georgia and its agencies, and certificates of deposits of banks and savings and loan associations which have their deposits insured.

In accordance with the City's Cash and Investment Policies, safety of principal is the foremost objective of the investment program. As a result, credit risk and investment risk are aggressively mitigated. To the extent possible, the City shall attempt to match investments with anticipated cash flow requirements.

<u>Banks</u>	<u>Fair Value</u>	<u>Investment</u>
Ninety days or less	\$ 1,499,731	100.00%

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to.

As a means of limiting exposure to credit risk, the risk of loss due to failure of the security issuer or backer, the City limits investments to obligations of the U. S. Government or obligations explicitly guaranteed by the U. S. Government and those deposit-type items which can be collateralized at 110% of the face value. Accordingly, \$65,139 is currently invested in PNC Bank Money Market accounts, which are fully insured or collateralized. Since these have a maturity of ninety days or less, they are considered to be a cash equivalent. Custodial credit risk is the risk associated with unsecured deposits, uninsured securities, or securities not registered in the City's name, and is managed in accordance with the City's policy through a safekeeping agreement with an external party. All investments as of June 30, 2017 were held in the City's name by the contracted custodial agent, with the exception of the certificates of deposits which were held by the City in the City's name.

Through the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, the City reduces exposure to interest rate risk. Interest rate risk, the risk that the fair value of securities in the portfolio will fall due to changes in general interest rates is also managed through the City's objective to hold investments until maturity, meaning the yield received is greater than funds that are not invested due to an anticipated improvement of economic conditions. Additionally, interest rate risk is substantially reduced through investing totally in only short term money market accounts.

B. Receivables

Most revenues of the governmental funds are considered "measurable" only when in the hands of the collecting agency and are recorded as revenue when received except for the following items for which receivables have been recorded:

1. Property taxes collected within 60 days after the end of the fiscal year.
2. Local option sales taxes received from the State of Georgia in July.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

3. Amounts due from the State of Georgia Department of Transportation for work contracted by them and completed as of June 30.
4. Other miscellaneous receivables recorded for grants and certain other revenue which were received in July.

The City provides electric service, water and sewer service and sanitation (garbage) service to residents on a user charge basis. Billings are made monthly and include all three services (if applicable). Utility accounts receivable include all billed services rendered. The allowance for uncollectible accounts on each of the utilities is determined based upon current experience of collections. As of June 30, 2017 the following allowances and receivable balances existed:

Fund	Receivable	Allowance	Net
Electric	\$530,486	\$141,352	\$389,134
Water & Sewer	324,196	110,106	214,090
Sanitation	96,430	49,605	46,825
Total	\$951,112	\$301,063	\$650,049

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CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

C. Capital Assets

Governmental activities as of June 30, 2017:

Asset Class	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
<u>Capital assets not being depreciated:</u>				
Land	\$ 291,180	\$ -	\$ -	\$ 291,180
<u>Capital assets being depreciated:</u>				
Building	3,117,813	-	-	3,117,813
Furniture	92,757	3,712	-	96,469
Machinery, Equipment, & Vehicles	1,945,309	63,324	54,318	1,954,315
Infrastructure	2,191,438	22,545	-	2,213,983
Total capital assets being depreciated	7,347,317	89,581	54,318	7,382,580
Less accumulated depreciation for:				
Buildings	1,519,915	158,785	-	1,678,700
Furniture	88,994	1,438	-	90,432
Machinery, Equipment, & Vehicles	1,420,996	83,268	54,318	1,449,946
Infrastructure	633,960	53,542	-	687,502
Total accumulated depreciation	3,663,865	297,033	54,318	3,906,580
Total capital assets being depreciated, net	3,683,452	(207,452)	-	3,476,000
Government activities capital assets, net	\$ 3,974,632	\$ (207,452)	\$ -	\$ 3,767,180

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CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Business-type activities as of June 30, 2017:

Asset Class	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
<u>Capital assets not being depreciated:</u>				
Land	\$ 6,667	\$ -	\$ -	\$ 6,667
Construction In Progress	2,560,532	282,118	-	2,842,650
Total capital assets not being depreciated	<u>2,567,199</u>	<u>282,118</u>	<u>-</u>	<u>2,849,317</u>
<u>Capital assets being depreciated:</u>				
Buildings	63,982	-	-	63,982
Machinery, Vehicles, and Equipment	464,018	14,144	-	478,162
Water Tanks	281,365	18,907	-	300,272
Distribution System	20,123,195	4,598	-	20,127,793
Total capital assets being depreciated	<u>20,932,560</u>	<u>37,649</u>	<u>-</u>	<u>20,970,209</u>
Less accumulated depreciation for:				
Buildings	54,370	2,075		56,445
Machinery, Vehicles, and Equipment	389,594	13,862		403,456
Water Tanks	168,211	13,283		181,494
Distribution system	5,767,843	410,405		6,178,248
Total accumulated depreciation	<u>6,380,018</u>	<u>439,625</u>	<u>-</u>	<u>6,819,643</u>
Total capital assets being depreciated, net	<u>14,552,542</u>	<u>(401,976)</u>	<u>-</u>	<u>14,150,566</u>
Business type activities capital assets, net	<u>\$ 17,119,741</u>	<u>\$ (119,858)</u>	<u>\$ -</u>	<u>\$ 16,999,883</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Administration	\$ 12,797
Police	51,033
Fire	34,052
Streets	92,492
Special Services	106,657
Total depreciation expense-governmental activities	<u>297,031</u>
Business-type activities:	
Electric	67,388
Water and Sewer	372,238
Total depreciation expense-business-type activities	<u>\$ 439,626</u>

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

D. Long - Term Liabilities

The following is a summary of bond transactions of the City for the year ended June 30, 2017:

	Water & Sewer Revenue
Bonds Payable July 1, 2016	\$ 6,371,783
Bonds Issued	-
Bonds Retired	602,897
Bonds Payable June 30, 2017	\$ 5,768,886

On August 27, 2014, the City of Palmetto issued a Combined Utility Revenue Refunding Bond, Series 2014 amounting to \$7,280,757 of long term debt. The Series 2014 Bonds were issued for the purpose of an advanced refinancing of the Combined Utility Revenue Bonds Series 2005.

Bonds Payable at June 30, 2017 are comprised of the following:

- \$7,280,757 Series 2014, Combined Utility Revenue Refunding Bonds due in annual installments of \$602,897 to \$733,893 through July 1, 2025; interest at 2.45%. The first line on the table below indicates the amounts due within one year.

For Year Ending	Water & Sewer System Principal	Water & Sewer System Interest	Water & Sewer System Total
2018	617,928	137,598	755,526
2019	634,531	122,369	756,900
2020	650,374	106,710	757,084
2021	665,405	90,695	756,100
2022	682,031	74,288	756,319
2023	697,953	57,478	755,431
2024	715,328	40,283	755,611
2025	733,893	22,640	756,533
2026	371,443	4,550	375,993
Total	\$ 5,768,886	\$ 656,611	\$ 6,049,504

The net carrying amount of the Series 2005 bonds was \$6,294,502, and the 2005 Series is considered defeased and therefore not recorded on the financial statements. The Water and Sewer Fund retained \$324,896 in a construction account and paid \$126,542 in issuance costs which have been recorded as an expense. The refunding resulted in an economic gain of \$262,595. The reacquisition price was greater than the net carrying amount on the financial statements resulting in a deferred outflow on refunding debt of \$534,817. This deferred outflow will be allocated in a systematic and rational manner over the life of the new loan as a component of interest expense as follows:

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Pmt Date	Principal Payment	Actual New Debt	Deferred Refunding	Net New Debt	Effective Interest	Stated Interest	Deferred Refunding Amortization
7/1/2017	305,320	5,463,566	419,801	5,043,765	94,127	70,669	23,458
1/1/2018	312,608	5,150,958	396,343	4,754,615	90,949	66,929	24,020
7/1/2018	312,607	4,838,351	372,323	4,466,028	87,153	63,099	24,054
1/1/2019	321,924	4,516,427	348,269	4,168,158	84,043	59,270	24,773
7/1/2019	321,923	4,194,504	323,497	3,871,007	80,151	55,327	24,824
1/1/2020	328,451	3,866,053	298,673	3,567,380	76,714	51,383	25,331
7/1/2020	328,450	3,537,603	273,341	3,264,262	72,733	47,359	25,374
1/1/2021	336,955	3,200,648	247,967	2,952,681	69,372	43,336	26,036
7/1/2021	336,955	2,863,693	221,931	2,641,762	65,313	39,208	26,105
1/1/2022	345,076	2,518,617	195,826	2,322,791	61,823	35,080	26,743
7/1/2022	345,075	2,173,542	169,083	2,004,459	57,683	30,853	26,830
1/1/2023	352,878	1,820,664	142,253	1,678,411	54,076	26,625	27,451
7/1/2023	352,877	1,467,787	114,802	1,352,985	49,874	22,303	27,571
1/1/2024	362,451	1,105,336	87,231	1,018,105	46,329	17,980	28,349
7/1/2024	362,450	742,886	58,882	684,004	42,144	13,540	28,604
1/1/2025	371,443	371,443	30,278	341,165	38,541	9,100	29,441
7/1/2025	371,443	-	837	(837)	5,387	4,550	837
	<u>5,768,886</u>				<u>1,076,412</u>	<u>656,611</u>	<u>419,801</u>

The amount of deferred outflows recognized during the year was \$46,261.

The following is a summary of compensated absences for governmental activities of the City for the year ended June 30, 2017:

<u>Compensated Absences</u>	<u>Governmental Activities</u>
Compensated Absences July 1, 2016	\$ 78,254
Absences Accrued	83,896
Absences (Used)	<u>(70,428)</u>
Compensated Absences Payable June 30, 2017	<u>\$ 91,721</u>
Due Within One Year	<u>\$ 82,549</u>

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

The following is a summary of compensated absences for business-type activities of the City for the year ended June 30, 2017:

<u>Compensated Absences</u>	<u>Business-Type Activities</u>
Compensated Absences July 1, 2016	\$ 9,510
Absences Accrued	11,958
Absences (Used)	<u>(8,559)</u>
Compensated Absences Payable June 30, 2017	<u>\$ 12,909</u>
Due Within One Year	<u>\$ 11,618</u>

The City has liquidated other long-term liabilities (such as compensated absences and pension liabilities) within the General Fund in prior years.

E. Transfers

During the year the City transferred money between funds. The Electric Fund transferred \$450,000 to the Water and Sewer Fund and \$150,000 to the General Fund for the purpose of overcoming cash deficiencies in each fund.

(6) **Retirement Plan**

Plan Description. The City's defined benefit pension plan, Palmetto Employees Pension Plan (PEPP), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PEPP is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), a state wide, agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS handles all administrative and investment functions relative to the plan. All full time City employees and City Officials are eligible to participate in the system.

Plan Benefits. Benefits vest after ten years of service for employees, immediate vesting for officials. Members may retire on reaching the age of 60 or 65, (55 for police or firefighters). Early retirement is possible on reaching the age 55, depending on the classification. Benefits are calculated at 1.25% of the average monthly earnings for the period of the five highest years prior to retirement, payable monthly for life. City Officials receive a lifetime benefit at age 65 of \$40 per month for each year of service to the City. There is no waiting period to become eligible to participate in the plan for City Officials. Regulations of the State of Georgia assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for PEPP, the authority rests with the City Council of Palmetto.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Employees Covered by Benefit Term. At the December 31, 2017 valuation date the following employees were covered by the benefit terms:

Active participants	61
Inactive vested participants	21
Retired participants and beneficiary	26
Total covered by plan	108

Funding Policy. The City’s plan is non-contributory, under this plan and the City’s policy is to contribute 100% of an actuarially determined rate; the current rate is 9.66% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the GMEBS Board of Trustees.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2016 which makes them applicable to the Fiscal Year beginning July 1, 2016 and ending June 30, 2017.

Plan Changes and Assumptions.

- There were no changes in plan features since the last valuation.
- Employees are able to participate immediately.
- The salary increases range from 3.75% to 8.75% and include an inflation rate of 3.25%.
- The projection of cash flows used to determine the discount rate assumes a 3.25% inflation rate, a social security wage base increase of 3.25%, a cost of living adjustment of 3%, and administrative expenses of \$4,000 plus \$48 per participant, \$60 per retiree and beneficiary plus 0.06% of the market value of assets.
- *Discount Rate.* The discount rate to measure the total pension liability was 7.75% for 2017 and will be on an ongoing basis. The rate was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate of the ongoing basis is a margin for adverse deviation. Best Estimates of arithmetic real rates of return for each major asset class included in the pensions plan’s target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Long-term Nominal Real Rate of Return
Domestic Equity	45.00%	6.75%	9.20%
International Equity	20.00%	7.45%	9.70%
Fixed Income	25.00%	5.05%	4.80%
Real Estate	10.00%	4.55%	7.00%
Cash	0.00%		
Total	100.00%		

- The mortality and economic actuarial assumptions used in the January 1, 2017 valuation were based upon the results of an actuarial experience for the period January 1, 2010 to June 30, 2015 conducted by the actuarial company. There were no *ad hoc* postemployment benefit changes.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Healthy: RP-2000 Combined Healthy Table with sex-distinct rates, set forward two years for males and one year for females

Disabled: RP-2000 Disabled Retiree Mortality Table with sex-distinct rates

Plan termination basis (all lives): 1994 Group Annuity Reserving Unisex Table

Changes in Net Pension Liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2015	\$ 3,450,383	\$ 2,629,678	\$ 820,705
Changes for the year:			
Service cost	107,906	-	107,906
Interest	260,703	-	260,703
Difference between expected and actual experience	(258,400)	-	(258,400)
Contributions - employer	-	177,422	(177,422)
Contributions - employee	-	-	-
Net investment income	-	295,093	(295,093)
Benefit payments. Including refunds of employee contributions	(172,944)	(172,944)	-
Administrative expense	-	(7,297)	7,297
Other	-	-	-
Net changes	(62,735)	292,274	(355,009)
Balances at September 30, 2016	\$ 3,387,648	\$ 2,921,952	\$ 465,696

Sensitivity of Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is one per cent lower than the current rate and also one per cent higher than the current rate.

	Current Discount		
	1% Decrease 6.75%	Rate 7.75%	1% Increase 8.75%
City's Net Pension Liability	\$ 878,224	\$ 465,696	\$ 120,444

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017 the City recognized pension expense of \$208,869. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to, pensions from the following sources:

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,309	\$ (206,720)
Changes in assumptions	3,176	-
Net difference between projected and actual earnings on pension plan investments	-	(3,291)
Total	\$ 59,485	\$ (210,011)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	(31,260)
2019	(31,260)
2020	(18,046)
2021	(69,960)

The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing or calling:

Georgia Municipal Association
Risk Management and Employee Benefit Services
201 Pryor Street, SW
Atlanta, Georgia 30303
(404) 688-0472 www.gmanet.com

(7) 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; and natural disasters for which the City carries commercial insurance. The City is a member of the Georgia Interlocal Risk Management Agency, which allows the City to share liability, crime, motor vehicle and property damage risks. The City did not experience any significant reductions in insurance coverage from the prior year. The City has also not experienced any settlements which exceeded insurance coverage for the past three fiscal years. The coverage is as follows:

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

COVERAGE DESCRIPTION - PROPERTY:

Buildings and Contents	\$10,165,855
Mobile Equipment	522,913
Automobile Physical Damage	Per application on file with GIRMA

COVERAGE DESCRIPTION - CASUALTY:

Comprehensive General Liability and Law Enforcement Liability	1,000,000
Automobile Liability	1,000,000
Errors and Omissions (Public Officials) Liability	1,000,000
Employee Benefits Liability	1,000,000
Pollution Liability	1,000,000

COVERAGE DESCRIPTION - CRIME:

Blanket Bond	500,000
Depositors Forgery	500,000
Computer Crime	500,000
Money and Securities - Loss Inside and Outside the Premises	500,000

DEDUCTIBLE:

All coverages are subject to a per occurrence deductible of	1,000
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COVERAGES SUBJECT TO A RETROACTIVE DATE:

(Unless stated otherwise in the Coverage Exceptions)

Public Officials Liability	1/1/1990
Employee Benefits Liability	1/1/1990
Pollution Liability	5/1/1998

Chapter 85 of Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities - GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City of Palmetto must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GIRMA at such times and in such amounts as shall be established.
- To assist and cooperate with GIRMA, or its authorized representatives, in defense and settlement of claims against the City.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

- To use due diligence and concur in doing all things reasonable practicable to avoid or diminish any loss of or damage to the property herein covered.
- To allow GIRMA, or their duly authorized representatives, reasonable access to inspect the premises and to examine the books or records so far as they relate to coverage provided by GIRMA.
- To follow all loss reduction and prevention procedures established by GIRMA.
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

The City of Palmetto retains the first \$1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the \$1,000 deductible.

The City is not aware of any claims which the City is liable for (up to the \$1,000) which were outstanding and unpaid at June 30, 2017. No provisions have been made in the financial statements for the year ended June 30, 2017 for any estimate of potential unpaid claims.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Palmetto became a member of the Georgia Municipal Workers' Compensation Self Insurance Fund (GMWCSIF). The liability of the fund to the employees of any employer (City of Palmetto) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability. GMWCSIF is to defend and process claims in accordance with the member government contract.

The responsibilities of the City are as follows:

- To pay all contributions, assessments or other sums due to GMWCSIF at such times and in such amounts as shall be established by GMWCSIF.
- To assist and cooperate with GMWCSIF, or its authorized representatives, in defense and settlement of workers compensation claims against the City.

The Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is 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.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

The City of Palmetto also provides health insurance coverage for its employees through the Georgia Municipal Employees Benefit System (GMEBS).

(8) Regional Development Center Membership

The City of Palmetto, Georgia, in conjunction with cities and counties in the nine (9) county Atlanta Metropolitan area are members of the Atlanta Regional Commission (ARC). Membership in a regional development center (RDC) is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The City paid no annual dues to the ARC for the year ended June 30, 2017 because currently all dues are paid on the City's behalf by Fulton County. An RDC Board membership includes the chief elected official of each county and a rotating chief elected official of each municipality from South Fulton. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentality's of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources, (O.C.G.A. 50-8-39.1). Separate financial statements may be obtained from:

Atlanta Regional Commission (ARC)
40 Courtland Street, NE
Atlanta, GA 30303

(9) Contingencies

A. Litigation

The City Attorney has advised that there are no pending or threatened litigation or potential claims against the City as of July 26, 2018.

B. Contingencies

The City has participated in a number of grant programs funded by certain Federal and State agencies. Several of these programs are subject to program compliance audits and reviews by the grantor, some of which have not been concluded. Accordingly, the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts to be immaterial based upon previous experience.

CITY OF PALMETTO, GEORGIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

The City has entered into contracts with the Municipal Electric Authority of Georgia (the “Authority”) which requires the City to purchase, from the Authority, all of the City’s bulk power supply, other than power supplied by Federally-owned generation projects. These contracts contain certain minimum purchase requirements regardless of the City’s ability to sell its allocation, through the year 2020. The minimum purchase requirements are based upon the Authority’s system output.

(10) Related Organizations

A. South Fulton Municipal Water and Sewer Authority

The South Fulton Municipal Water and Sewer Authority was formed on March 13, 2001 by resolutions of the City of Union City, the City of Fairburn, and the City of Palmetto pursuant to the authority of the General Assembly of the State of Georgia, Act 540 Georgia Law 2000 page 3739 and following and as may be thereafter amended. The Authority is governed by a Board of seven directors, three of whom are the chief elected official of each member city, three of whom are appointed one each by each of the member cities, and one director being appointed by members of the local delegation of the Georgia General Assembly who represent all, or any part of, a member city.

The Authority is a special purpose governmental entity engaged in business-like activities. The purpose of the authority is to acquire and develop adequate sources of water supply, including, but not limited to, the construction of reservoirs, the treatment of such water, and the collection and treatment of waste water. The Authority will provide these services to the area in and around the three municipalities.

B. The Housing Authority of the City of Palmetto, Georgia

The Housing Authority of the City of Palmetto, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing Authority is a legally separate entity having a board composed of members appointed originally by the City of Palmetto, Georgia. The City of Palmetto, Georgia is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority of the City of Palmetto, Georgia is a related organization.



CITY OF PALMETTO, GEORGIA

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF PALMETTO, GEORGIA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2017

	T-SPLOST Fund	SPLOST Fund	Total Non-Major Governmental
ASSETS			
Cash on Hand and in Banks	\$ 111,835	\$ 67,797	\$ 179,632
Local Option Sales Tax Receivable	-	-	-
Total Assets	111,835	67,797	179,632
LIABILITIES AND FUND BALANCE			
Fund Balances			
Restricted for:			
Capital Projects Financed with SPLOST	111,835	67,797	179,632
Total Liabilities and Fund Balance	\$ 111,835	\$ 67,797	\$ 179,632

CITY OF PALMETTO, GEORGIA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	<u>T SPLOST Fund</u>	<u>SPLOST Fund</u>	<u>Total Non-Major Governmental</u>
Revenues:			
Intergovernmental SPLOST Taxes	<u>\$ 111,835</u>	<u>\$ 50,861</u>	<u>\$ 162,696</u>
Total Revenues	<u>111,835</u>	<u>50,861</u>	<u>162,696</u>
Expenditures:			
Current			
Administrative	-	-	-
Capital Outlays	<u>-</u>	<u>15,833</u>	<u>15,833</u>
Total Expenditures	<u>-</u>	<u>15,833</u>	<u>15,833</u>
Excess (Deficiency) of Revenues over Expenditures	<u>111,835</u>	<u>35,028</u>	<u>146,863</u>
Other Financing (Uses)			
Transfers In (Out)	-	-	-
Net Change in Fund Balances	111,835	35,028	146,863
Fund Balance at Beginning of Year	<u>-</u>	<u>32,769</u>	<u>32,769</u>
Fund Balance at End of Year	<u>\$ 111,835</u>	<u>\$ 67,797</u>	<u>\$ 179,632</u>

CITY OF PALMETTO, GEORGIA

ELECTRIC FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL

For the Fiscal Years Ended June 30, 2016 and 2015

	2017			2016		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
Operating Revenues:						
Sale of Utilities	\$ 3,850,000	\$ 3,574,000	\$ (276,000)	\$ 3,850,000	\$ 3,570,902	\$ (279,098)
Cut On and Permit Fees	2,000	455	(1,545)	1,500	1,655	155
Penalties	175,000	99,409	(75,591)	175,000	106,637	(68,363)
Service Fees	10,000	3,630	(6,370)	10,000	5,269	(4,731)
Miscellaneous	15,000	20,534	5,534	15,000	7,042	(7,958)
Total Operating Revenue	4,052,000	3,698,028	(353,972)	4,051,500	3,691,505	(359,995)
Operating Expenses:						
Personnel Services:						
Salaries	191,487	182,683	8,804	169,525	111,468	58,057
Payroll Taxes	13,757	13,046	711	12,100	8,391	3,709
Retirement	25,283	24,229	1,054	19,800	8,271	11,529
Insurance (Group and Worker's Compensation)	33,463	46,899	(13,436)	43,000	29,915	13,085
Training Expense	12,000	11,874	126	12,000	11,439	561
Uniforms	4,000	4,215	(215)	4,000	3,827	173
Total Personal Services	279,990	282,946	(2,956)	260,425	173,311	87,114
Administrative Expenses:						
Insurance - Vehicles and Equipment	4,500	4,178	322	10,000	7,893	2,107
Insurance - Other	6,000	7,500	(1,500)	7,000	6,637	363
Miscellaneous	2,000	-	2,000	3,000	1,155	1,845
Office Supplies	500	-	500	500	-	500
Postage	10,000	-	10,000	3,000	14	2,986
Georgia Public Web	5,000	4,485	515	2,500	4,434	(1,934)
Professional Fees and Contracted Services	50,000	46,204	3,796	51,000	32,347	18,653
Total Administrative Expenses	78,000	62,367	15,633	77,000	52,480	24,520
Depreciation Expense	-	67,388	(67,388)	-	74,223	(74,223)
Other Operating Expenses:						
Purchase of Utilities	2,886,000	2,550,203	335,797	2,850,789	2,598,373	252,416
Repairs and Maintenance:						
Buildings	4,000	208	3,792	4,000	6,169	(2,169)
Distribution System	50,000	30,130	19,870	35,000	19,833	15,167
Equipment	8,000	4,789	3,211	8,000	5,529	2,471
Vehicles	15,000	10,620	4,380	15,000	7,586	7,414
Equipment Rental	200	-	200	200	-	200
Gas and Oil	10,000	4,602	5,398	10,000	6,142	3,858
Miscellaneous Operating Expenses	24,000	27,372	(3,372)	36,200	24,905	11,295
Supplies	20,000	39,020	(19,020)	15,000	15,639	(639)
Telephone	4,000	4,694	(694)	5,000	4,153	847
Utilities	1,600	1,511	89	1,600	1,282	318
Total Other Operating Expenses	3,022,800	2,673,149	349,651	2,980,789	2,689,611	291,178
Total Expenses	3,380,790	3,085,850	294,940	3,318,214	2,989,625	328,589
Operating Income (Loss)	671,210	612,178	(59,032)	733,286	701,880	(31,406)
Nonoperating Revenues (Expenses):						
MEAG Telecom	12,500	12,506	(6)	-	12,506	(12,506)
Transferred to Water and Sewer Fund	(450,000)	(450,000)	-	(400,000)	(400,000)	-
Transferred to General Fund	(150,000)	(150,000)	-	-	-	-
Total Nonoperating Revenues (Expenses)	(587,500)	(587,494)	(6)	(400,000)	(387,494)	(12,506)
Change in Net Position	83,710	24,684	(59,026)	333,286	314,386	(18,900)
Net Position at Beginning of Year	2,483,802	2,483,802	-	2,169,416	2,169,416	-
Net Position at End of Year	\$ 2,567,512	\$ 2,508,486	\$ (59,026)	\$ 2,502,702	\$ 2,483,802	\$ (18,900)

CITY OF PALMETTO, GEORGIA

WATER AND SEWER FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL

For the Fiscal Years Ended June 30, 2017 and 2016

	2017			2016		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
Operating Revenues:						
Sale of Utilities	\$ 1,880,000	\$ 1,605,032	\$ (274,968)	\$ 1,880,000	\$ 1,644,824	\$ (235,176)
Water and Sewer Taps	170,000	76,500	(93,500)	170,000	100,600	(69,400)
Penalties	65,000	54,122	(10,878)	65,000	56,364	(8,636)
Miscellaneous	-	-	-	-	16,480	16,480
Total Operating Revenues	2,115,000	1,735,654	(379,346)	2,115,000	1,818,268	(296,732)
Operating Expenses:						
Personnel Services:						
Salaries	268,500	207,597	60,903	256,950	240,966	15,984
Payroll Taxes	19,600	15,064	4,536	13,000	18,354	(5,354)
Retirement	17,600	30,539	(12,939)	24,075	8,517	15,558
Insurance (Group and Worker's Compensation)	56,000	58,535	(2,535)	61,000	53,625	7,375
Training Expenses	3,000	3,518	(518)	3,000	2,976	24
Uniforms	3,000	2,849	151	2,000	2,798	(798)
Total Personal Services	367,700	318,102	49,598	360,025	327,236	32,789
Administrative Expenses:						
Insurance - Vehicles and Equipment	3,000	2,299	701	4,000	10,884	(6,884)
Insurance - Other	17,000	17,840	(840)	15,000	6,244	8,756
Miscellaneous	10,000	12,553	(2,553)	10,000	-	10,000
Professional Fees	70,000	58,635	11,365	70,000	54,712	15,288
Office Supplies	500	167	333	800	196	604
Total Administrative Expenses	100,500	91,494	9,006	99,800	72,036	27,764
Depreciation Expense	-	372,238	(372,238)	-	373,742	(373,742)
Other Operating Expenses:						
Water Purchases	100,000	56,610	43,390	80,000	79,303	697
Sewer Treatment	295,000	279,919	15,081	325,000	323,928	1,072
Equipment Rental	10,000	19,633	(9,633)	5,000	9,723	(4,723)
Gas and Oil	10,000	3,838	6,162	10,000	4,735	5,265
Miscellaneous Operating Expense	2,000	1,734	266	2,500	9,975	(7,475)
Repairs and Maintenance:						
Buildings	10,000	3,804	6,196	12,000	11,534	466
Distribution - Water and Sewer Systems	190,100	195,876	(5,776)	140,000	134,521	5,479
Equipment	20,000	30,830	(10,830)	20,000	10,560	9,440
Vehicles	5,000	1,288	3,712	3,000	3,129	(129)
Supplies	17,000	58,919	(41,919)	65,000	48,572	16,428
Telephone	10,000	9,318	682	10,000	10,748	(748)
Utilities	4,000	4,316	(316)	4,000	2,590	1,410
Total Other Operating Expenses	673,100	666,085	7,015	676,500	649,318	27,182
Total Expenses	1,141,300	1,447,919	(306,619)	1,136,325	1,422,332	(286,007)
Operating Income (Loss)	973,700	287,735	(685,965)	978,675	395,936	(582,739)
Nonoperating Revenues (Expenses):						
Bond Interest	(159,754)	(191,318)	(31,564)	(215,000)	(213,445)	1,555
Amortization	-	-	-	-	-	-
Contribution from MEAG	-	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-	-
Transferred from Electric Fund	-	450,000	450,000	-	400,000	400,000
Transferred to General Fund	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	(159,754)	258,682	418,436	(215,000)	186,555	401,555
Change in Net Position	813,946	546,417	(267,529)	763,675	582,491	(181,184)
Net Position at Beginning of Year	9,912,709	9,912,709	-	9,330,218	9,330,218	-
Net Position at End of Year	\$ 10,726,655	\$ 10,459,126	\$ (267,529)	\$ 10,093,893	\$ 9,912,709	\$ (181,184)

CITY OF PALMETTO, GEORGIA

SANITATION FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL

For the Fiscal Years Ended June 30, 2016 and 2015

	2017			2016		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
Operating Revenues:						
Sanitation Charges	\$ 310,000	\$ 309,987	(13)	\$ 310,000	\$ 300,284	\$ (9,716)
Penalties	20,000	17,454	(2,546)	20,000	18,348	(1,652)
Miscellaneous	2,000	1,805	(195)	2,000	1,165	(835)
Total Operating Revenue	<u>332,000</u>	<u>329,246</u>	<u>(2,754)</u>	<u>332,000</u>	<u>319,797</u>	<u>(12,203)</u>
Operating Expenses:						
Contracted Services - Garbage	307,000	228,329	78,671	240,000	227,751	12,249
Other Operating Expenses	2,000	-	2,000	2,500	-	2,500
Total Operating Expenses	<u>309,000</u>	<u>228,329</u>	<u>80,671</u>	<u>242,500</u>	<u>227,751</u>	<u>14,749</u>
Transfers in (out)			-	(300,000)	(300,000)	-
Change in Net Position	23,000	100,917	77,917	(210,500)	(207,954)	2,546
Net Position at Beginning of Year	<u>285,029</u>	<u>285,029</u>	<u>-</u>	<u>492,983</u>	<u>492,983</u>	<u>-</u>
Net Position at End of Year	<u>\$ 308,029</u>	<u>\$ 385,946</u>	<u>\$ 77,917</u>	<u>\$ 282,483</u>	<u>\$ 285,029</u>	<u>\$ 2,546</u>

CITY OF PALMETTO, GEORGIA

NON-MAJOR GOVERNMENTAL FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BASIS) AND ACTUAL

Year Ended June 30, 2017
 With Comparative Actual Amounts for Year Ended June 30, 2016

	T SPLOST		Variance- Positive (Negative)	2016 Actual	SPLOST Fund		Variance- Positive (Negative)	2016 Actual	Total Non-Major Governmental
	Budgeted	2017 Actual			Budgeted	2017 Actual			
Revenues:									
Intergovernmental S.P.L.O.S.T.	\$ -	\$ 111,835	\$ 111,835	\$ -	\$ 50,000	\$ 50,861	\$ 861	\$ 49,560	\$ 162,696
State and Federal Confiscations	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Total Revenues	-	111,835	111,835	-	50,000	50,861	861	49,560	162,696
Expenditures:									
Current									
Administrative	-	-	-	-	-	-	-	5,891	-
Debt Service									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Capital Outlays	-	-	-	-	-	15,833	(15,833)	249,299	15,833
Administrative	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	15,833	(15,833)	255,190	15,833
Excess (Deficiency) of Revenues over Expenditures	-	111,835	111,835	-	50,000	35,028	16,694	(205,630)	31,666
Other Financing (Uses)									
Transfers Out	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	50,000	35,028	(14,972)	(205,630)	35,028
Fund Balance at Beginning of Year	-	-	-	-	-	32,769	-	238,399	32,769
Fund Balance at End of Year	\$ -	\$ 111,835	\$ 111,835	\$ -	\$ 50,000	\$ 67,797	\$ 16,694	\$ 32,769	\$ 67,797

CITY OF PALMETTO, GEORGIA

Capital Assets Used in the Operation of Governmental Funds Schedule by Source

June 30, 2017

Governmental Funds Capital Assets:

Land	\$	291,180
Buildings and Improvements		3,117,813
Furniture and Fixtures		96,469
Vehicles and Equipment		1,938,484
Infrastructure		<u>2,213,983</u>
	\$	<u>7,657,929</u>

Investment in Governmental Funds Capital Assets by Source:

General Fund	\$	7,475,554
Special Revenue Fund		<u>182,375</u>
Total Investment in Capital Assets	\$	<u>7,657,929</u>

CITY OF PALMETTO, GEORGIA

Capital Assets Used in the Operation of Governmental Funds

Schedule by Function and Activity

June 30, 2017

Function and Activity	Total June 30, 2016	Land	Buildings & Improvements	Furniture & Fixtures	Vehicles & Equipment	Infrastructure
Administrative	\$ 607,659	\$ 26,681	\$ 348,798	\$ 44,736	\$ 187,444	\$ -
Police Department	1,253,351	60,000	606,178	11,343	575,830	-
Fire Department	1,286,772	135,633	180,408	21,045	949,686	-
Street Department	2,438,188	39,466	-	7,475	177,264	2,213,983
Special Services	<u>2,071,959</u>	<u>29,400</u>	<u>1,982,429</u>	<u>11,870</u>	<u>48,260</u>	<u>-</u>
Total Capital Assets Allocated to Functions	<u>\$ 7,657,929</u>	<u>\$ 291,180</u>	<u>\$ 3,117,813</u>	<u>\$ 96,469</u>	<u>\$ 1,938,484</u>	<u>\$ 2,213,983</u>

CITY OF PALMETTO, GEORGIA

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity

For The Fiscal Year Ended June 30, 2017

Function and Activity	Governmental Funds Capital Assets 7/1/2016	Additions	Deductions	Governmental Funds Capital Assets 6/30/2017
Administrative	\$ 603,947	\$ 3,712	\$ -	\$ 607,659
Police Department	1,274,184	33,483	54,316	1,253,351
Fire Department	1,272,764	14,008	-	1,286,772
Street Department	2,415,643	22,545	-	2,438,188
Special Services	2,071,959	-	-	2,071,959
Total Capital Assets	\$ 7,638,497	\$ 73,748	\$ 54,316	\$ 7,657,929