

CITY OF SUMMERVILLE, GEORGIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

CITY OF SUMMERVILLE, GEORGIA
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Year Ended June 30, 2016

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CHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
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Trion, Georgia

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Summerville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Summerville, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund information of City of Summerville, Georgia as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Confiscated Drug, 2014 SPLOST, and Victorian Christmas Special Revenue Funds 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 Schedule of Funding Progress (page 39), Schedule of Changes in Net Pension Liability and Related Ratios (page 40) and Schedule of Required Contributions (page 41) 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Summerville, Georgia's basic financial statements. The Schedule of Special Purpose Local Option Sales and Use Tax Expenditures is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Summerville, Georgia. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Special Purpose Local Option Sales and Use Tax Expenditures and the schedule of expenditures of federal awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Special Purpose Local Option Sales and Use Tax Expenditures and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016 on our consideration of the City of Summerville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Summerville, Georgia's internal control over financial reporting and compliance.


CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
November 9, 2016

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government Financial Statements

Statement of Net Position

Statement of Activities

Fund Financial Statements

Governmental Funds

Proprietary (Enterprise) Funds

Notes to Basic Financial Statements

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,504,302	\$ 15,322	\$ 2,519,624
Receivables (net of allowance for doubtful accounts)	79,364	848,361	927,725
Sales tax deposit	-	5,401	5,401
Inventories	4,216	245,635	249,851
Due from other governments	102,933	-	102,933
Restricted cash	1,090,739	832,259	1,922,998
Capital Assets:			
Land and improvements	929,590	13,132	942,722
Construction in process	54,350	2,355,915	2,410,265
Other capital assets, net of depreciation	3,681,165	18,681,380	22,362,545
Total Assets	<u>8,446,659</u>	<u>22,997,405</u>	<u>31,444,064</u>
Deferred Outflows of Resources			
Pension contributions	470,840	346,590	817,430
Total Deferred Outflows of Resources	<u>470,840</u>	<u>346,590</u>	<u>817,430</u>
Liabilities			
Accounts payable	48,849	249,393	298,242
Accrued wages and withholdings payable	51,473	-	51,473
Retainage payable	-	120,038	120,038
Internal balances	1,745,733	(1,745,733)	-
Interest payable	-	129,082	129,082
Customer deposits	7,834	357,393	365,227
Bond discount - net of amortization	-	(11,296)	(11,296)
Current portion of long-term debt	32,859	801,080	833,939
Non-Current Liabilities			
Due in more than one year	325,222	10,699,922	11,025,144
Net pension liability	1,478,425	1,088,278	2,566,703
Total Liabilities	<u>3,690,395</u>	<u>11,688,157</u>	<u>15,378,552</u>
Deferred Inflows of Resources			
Pension Contributions	99,983	73,598	173,581
Total Deferred Inflows of Resources	<u>99,983</u>	<u>73,598</u>	<u>173,581</u>
Net Position			
Net investment in capital assets	4,492,871	9,742,376	14,235,247
Restricted for -			
Drug enforcement activities	20,568	-	20,568
Recreation	10,325	-	10,325
Capital acquisition and construction	-	87,515	87,515
Debt service	-	665,639	665,639
Committed			
Capital projects	440,774	-	440,774
Unrestricted	162,583	1,086,710	1,249,293
Total Net Position	<u>\$ 5,127,121</u>	<u>\$ 11,582,240</u>	<u>\$ 16,709,361</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 892,516	\$ 90,367	\$ 17,715	\$ 599,473	\$ (184,961)	\$ -	\$ (184,961)
Police	1,571,132	497,319	-	-	(1,073,813)	-	(1,073,813)
Fire	469,237	479,867	14,100	-	24,730	-	24,730
Animal control	28,967	-	-	-	(28,967)	-	(28,967)
Streets	748,345	851	-	45,623	(701,871)	-	(701,871)
Culture and recreation	857,073	21,812	80,000	100,000	(655,261)	-	(655,261)
Codes enforcement	40,575	6,300	-	-	(34,275)	-	(34,275)
Sanitation	220,501	236,984	-	-	16,483	-	16,483
Interest expense on long term debt	5,332	-	-	-	(5,332)	-	(5,332)
Total Governmental Activities	4,833,678	1,333,500	111,815	745,096	(2,643,267)	-	(2,643,267)
Business-type Activities:							
Water/Sewer	3,880,500	4,287,050	-	366,087	-	772,637	772,637
Gas	3,973,848	5,447,627	-	-	-	1,473,779	1,473,779
Total Business-type Activities	7,854,348	9,734,677	-	366,087	(2,643,267)	2,246,416	(396,851)
General Revenues:							
Property taxes, levies for general purposes					40,314	-	40,314
Franchise taxes					460,875	-	460,875
Insurance premium taxes					261,136	-	261,136
Malt beverage taxes					97,830	-	97,830
Investment income					4,769	970	5,739
Gain (Loss) on sale of capital assets					5,894	4,000	9,894
Miscellaneous					107,446	-	107,446
Transfers					1,725,350	(1,725,350)	-
Total General Revenues and Transfers					2,703,614	(1,720,380)	983,234
Change in net position					60,347	526,036	586,383
Beginning net position, restated					4,623,056	9,321,388	13,944,444
Prior Period Adjustment					443,718	1,734,816	2,178,534
Ending net position					\$ 5,127,121	\$ 11,582,240	\$ 16,709,361

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Capital Project 2014 SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
Assets					
Cash and cash investments	\$ 2,158,274	\$ 346,028	\$ -	\$ -	\$ 2,504,302
Receivables (net of allowance for uncollectibles)	79,364	-	-	-	79,364
Inventory	4,216	-	-	-	4,216
Cash - restricted	1,070,171	-	20,568	-	1,090,739
Due from other funds	8,187	-	-	-	8,187
Due from other governments	-	102,933	-	-	102,933
Total Assets	\$ 3,320,212	\$ 448,961	\$ 20,568	\$ -	\$ 3,789,741
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 48,849	\$ -	\$ -	\$ -	\$ 48,849
Accrued wages payable and withholdings	51,473	-	-	-	51,473
Due to other funds	1,745,733	8,187	-	-	1,753,920
Customer deposits	7,834	-	-	-	7,834
Total Liabilities	1,853,889	8,187	-	-	1,862,076
Fund Balances					
Nonspendable:					
Inventory	4,216	-	-	-	4,216
Restricted for:					
Drug enforcement activities	-	-	20,568	-	20,568
Acquisition and construction of capital assets	-	440,774	-	-	440,774
Recreation	10,325	-	-	-	10,325
Clean and lien	37,585	-	-	-	37,585
Unassigned	1,414,197	-	-	-	1,414,197
Total Fund Balance	1,466,323	440,774	20,568	-	1,927,665
Total Liabilities and Fund Balances	\$ 3,320,212	\$ 448,961	\$ 20,568	\$ -	\$ 3,789,741

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2016

Total Governmental Fund Balances	\$	1,927,665
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		4,665,105
A portion of pension plan contributions are for future use and are considered deferred outflows of resources.		470,840
Differences between expected and actual returns on pension plan investments are not recognized at the fund level, yet are presented as a deferred inflow of resources in the Statement of Net Position		(99,983)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Due within one year	\$ (32,859)	
Due after one year	(325,222)	
Net pension liability	<u>(1,478,425)</u>	
		<u>(1,836,506)</u>
Net Position of Governmental Activities	\$	<u>5,127,121</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Capital Project 2014 SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
Revenues					
Taxes	\$ 819,945	\$ -	\$ -	\$ -	\$ 819,945
Licenses and permits	38,798	-	-	-	38,798
Intergovernmental	90,333	699,473	-	-	789,806
Charges for services	758,936	-	-	-	758,936
Fines and forfeitures	497,319	-	-	-	497,319
Contributions	113,236	-	-	-	113,236
Investment earnings	4,743	-	26	-	4,769
Miscellaneous	129,415	115,138	-	-	244,553
Total Revenues	2,452,725	814,611	26	-	3,267,362
Expenditures					
Current					
General government	854,777	-	-	-	854,777
Police	1,532,191	-	4,198	-	1,536,389
Fire	398,357	-	-	-	398,357
Animal control	27,300	-	-	-	27,300
Streets	708,059	-	-	-	708,059
Culture and recreation	692,275	-	-	21	692,296
Codes enforcement	40,575	-	-	-	40,575
Sanitation	220,501	-	-	-	220,501
Debt Service					
Principal	32,027	86,957	-	-	118,984
Interest	5,332	58,297	-	-	63,629
Capital Outlay					
General government	87,723	-	-	-	87,723
Police	-	11,388	-	-	11,388
Fire	-	35,160	-	-	35,160
Streets	77,707	7,168	-	-	84,875
Culture and recreation	49,580	41,374	-	-	90,954
Water/Sewer and Gas	-	501,761	-	-	501,761
Total Expenditures	4,726,404	742,105	4,198	21	5,472,728
Excess (Deficiency) of Revenues Over Expenditures	(2,273,679)	72,506	(4,172)	(21)	(2,205,366)
Other Financing Sources (Uses)					
Transfers In	2,267,785	-	-	-	2,267,785
Sale of assets	5,894	-	-	-	5,894
Total Other Financing Sources (Uses)	2,273,679	-	-	-	2,273,679
Net Changes in Fund Balance	-	72,506	(4,172)	(21)	68,313
Fund Balances - Beginning as previously reported	1,615,765	(10,200)	24,740	21	1,630,326
Prior Period Adjustment	(149,442)	378,468	-	-	229,026
Fund Balances, Beginning as restated	1,466,323	368,268	24,740	21	1,859,352
Fund Balances - End of Year	\$ 1,466,323	\$ 440,774	\$ 20,568	\$ -	\$ 1,927,665

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$	68,313
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay expenditures recorded in the governmental funds	\$ 294,893	
Depreciation expense recorded in the Statement of Activities	<u>(294,623)</u>	270
The book value of capital assets sold or disposed of are reported in the government-wide statements of activities but not reported in the governmental funds.		
		(1,107)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		32,859
Governmental funds report monthly pension plan premiums as current period expenditures, while governmental activities recorded a portion of those payments as a deferred outflow of resources.		
		222,188
Changes in the value of the pension plan are not reflected in the governmental funds. However, they are accounted for in the governmental activities.		
		187,071
Governmental funds do not report changes in long-term liabilities, while governmental activities report such liabilities and the changes in them:		
Compensated absences	7472	
Net pension liability	<u>(456,719)</u>	<u>(449,247)</u>
Changes In Net Position of Governmental Activities	\$	<u>60,347</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 772,850	\$ 783,464	\$ 819,945	\$ 36,481
Licenses and permits	43,000	38,798	38,798	-
Intergovernmental	80,000	85,123	90,333	5,210
Charges for services	680,888	691,057	758,936	67,879
Fines and forfeitures	413,600	458,600	497,319	38,719
Contributions	99,325	108,539	113,236	4,697
Investment earnings	2,600	2,769	4,743	1,974
Miscellaneous	78,500	89,109	129,415	40,306
Total Revenues	<u>2,170,763</u>	<u>2,257,459</u>	<u>2,452,725</u>	<u>195,266</u>
Expenditures				
Current:				
General government	782,198	1,052,410	942,500	109,910
Police	1,598,251	1,590,765	1,532,191	58,574
Fire	504,321	483,898	398,357	85,541
Animal control	25,200	27,300	27,300	-
Streets	885,665	917,934	785,766	132,168
Culture and recreation	681,502	774,052	741,855	32,197
Codes enforcement	41,350	41,550	40,575	975
Sanitation	218,500	220,501	220,501	-
Debt service:				
Principal	-	32,027	32,027	-
Interest	-	5,332	5,332	-
Total Expenditures	<u>4,736,987</u>	<u>5,145,769</u>	<u>4,726,404</u>	<u>419,365</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,566,224)</u>	<u>(2,888,310)</u>	<u>(2,273,679)</u>	<u>614,631</u>
Other Financing Sources (Uses)				
Transfers In	-	2,267,785	2,267,785	-
Sale of assets	10,000	5,894	5,894	-
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>2,273,679</u>	<u>2,273,679</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>(2,556,224)</u>	<u>(614,631)</u>	<u>-</u>	<u>614,631</u>
Fund Balances - Beginning as previously reported	1,615,765	1,615,765	1,615,765	-
Prior Period Adjustment	-	-	(149,442)	(149,442)
Fund Balances-Beginning as restated	<u>1,615,765</u>	<u>1,615,765</u>	<u>1,466,323</u>	<u>(149,442)</u>
Fund Balances - End of Year	<u>\$ (940,459)</u>	<u>\$ 1,001,134</u>	<u>\$ 1,466,323</u>	<u>\$ 465,189</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - CONFISCATED ASSETS
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Forfeitures	\$ 4,850	\$ -	\$ -	\$ -
Investment earnings	<u>20</u>	<u>26</u>	<u>26</u>	<u>-</u>
Total Revenues	<u>4,870</u>	<u>26</u>	<u>26</u>	<u>-</u>
Expenditures				
Police	<u>4,870</u>	<u>4,198</u>	<u>4,198</u>	<u>-</u>
Total Expenditures	<u>4,870</u>	<u>4,198</u>	<u>4,198</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>(4,172)</u>	<u>(4,172)</u>	<u>-</u>
Net Change in Fund Balance	-	(4,172)	(4,172)	-
Fund Balance - Beginning of Year	<u>24,740</u>	<u>24,740</u>	<u>24,740</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 24,740</u>	<u>\$ 20,568</u>	<u>\$ 20,568</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - 2014 SPLOST
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Taxes	\$ 645,806	\$ 743,000	\$ 699,473	\$ (43,527)
Miscellaneous	-	-	115,138	115,138
Total Revenues	<u>645,806</u>	<u>743,000</u>	<u>814,611</u>	<u>71,611</u>
Expenditures				
Capital outlays	<u>645,806</u>	<u>743,000</u>	<u>742,105</u>	<u>895</u>
Total Expenditures	<u>645,806</u>	<u>743,000</u>	<u>742,105</u>	<u>895</u>
Net Change in Fund Balance	-	-	72,506	72,506
Fund Balances - Beginning as previously reported				
Prior Period Adjustment	(10,200)	(10,200)	(10,200)	-
Fund Balances, Beginning as restated	<u>(10,200)</u>	<u>(10,200)</u>	<u>368,268</u>	<u>378,468</u>
Fund Balances - End of Year	<u>\$ (10,200)</u>	<u>\$ (10,200)</u>	<u>\$ 440,774</u>	<u>\$ (450,974)</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - VICTORIAN CHRISTMAS FUND
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Grant revenues	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Supplies and promotions	-	-	21	(21)
Total Expenditures	<u>-</u>	<u>-</u>	<u>21</u>	<u>(21)</u>
Net Change in Fund Balance	-	-	(21)	(21)
Fund Balance - Beginning of Year	<u>21</u>	<u>21</u>	<u>21</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 21</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ (21)</u>

See accompanying notes to basic financial statements.

PROPRIETARY (ENTERPRISE) FUNDS

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Water & Sewer	Gas	Total
Assets			
Current Assets			
Cash and cash investments	\$ -	\$ 15,322	\$ 15,322
Receivables, Net	574,182	274,179	848,361
Due from other funds	1,344	1,744,389	1,745,733
Sales tax deposit	-	5,401	5,401
Inventories	204,392	41,243	245,635
Total Current Assets	779,918	2,080,534	2,860,452
Noncurrent Assets			
Restricted Assets			
Cash	704,343	127,916	832,259
Capital Assets			
Land and improvements	13,132	-	13,132
Construction in progress	1,678,055	677,860	2,355,915
Distribution and collection systems	46,254,286	4,618,929	50,873,215
Buildings	195,110	59,416	254,526
Equipment	1,125,627	425,694	1,551,321
Less accumulated depreciation	(29,389,505)	(4,608,177)	(33,997,682)
Total Noncurrent Assets	20,581,048	1,301,638	21,882,686
Total Assets	21,360,966	3,382,172	24,743,138
Deferred Outflows of Resources			
Deferred resources related to pension	183,104	163,486	346,590
Liabilities			
Current Liabilities			
Accounts payable	44,851	204,542	249,393
Interest payable	127,680	1,402	129,082
Retainage payable	85,000	35,038	120,038
Customer deposits	131,530	225,863	357,393
Bonds, Notes, and Loans Payable	767,260	33,820	801,080
Total Current Liabilities	1,156,321	500,665	1,656,986
Noncurrent Liabilities			
Compensated absences	53,115	41,207	94,322
Net pension liability	574,927	513,351	1,088,278
Bonds, Notes and Loans Payable	9,831,432	762,872	10,594,304
Total Noncurrent Liabilities	10,459,474	1,317,430	11,776,904
Total Liabilities	11,615,795	1,818,095	13,433,890
Deferred Inflows of Resources			
Deferred resources related to pension	38,882	34,716	73,598
Total Deferred Inflows	38,882	34,716	73,598
Net Position			
Net investment in capital assets	9,278,013	464,363	9,742,376
Restricted			
Acquisition and construction of capital assets	183	87,332	87,515
Debt service	665,639	-	665,639
Unrestricted	(54,442)	1,141,152	1,086,710
Total Net Position	\$ 9,889,393	\$ 1,692,847	\$ 11,582,240

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	<u>Water & Sewer</u>	<u>Gas</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 4,287,050	\$ 5,447,627	\$ 9,734,677
Other	-	-	-
Total operating revenues	<u>4,287,050</u>	<u>5,447,627</u>	<u>9,734,677</u>
Operating Expenses			
Salaries, wages and employee benefits	1,460,217	844,587	2,304,804
Cost of gas for resale	-	2,818,367	2,818,367
Services and supplies	1,320,185	170,641	1,490,826
Administrative expense	76,574	96,453	173,027
Depreciation	654,006	33,850	687,856
Amortization	1,614	-	1,614
Total Operating Expenses	<u>3,512,596</u>	<u>3,963,898</u>	<u>7,476,494</u>
Operating Income (Loss)	<u>774,454</u>	<u>1,483,729</u>	<u>2,258,183</u>
Nonoperating Revenues (Expenses)			
Investment income	772	198	970
Interest expense	(367,904)	(9,950)	(377,854)
Grant revenue	366,087	-	366,087
Gain on disposal of capital assets	-	4,000	4,000
Total Nonoperating Revenues (Expenses)	<u>(1,045)</u>	<u>(5,752)</u>	<u>(6,797)</u>
Income (Loss) before other revenues	773,409	1,477,977	2,251,386
Capital contributions	450,326	92,108	542,434
Transfers out	<u>(1,133,892)</u>	<u>(1,133,892)</u>	<u>(2,267,784)</u>
Change in Net Position	<u>89,843</u>	<u>436,193</u>	<u>526,036</u>
Net Position - Beginning of Year, restated	8,657,359	664,029	9,321,388
Prior Period Adjustment	<u>1,142,191</u>	<u>592,625</u>	<u>1,734,816</u>
Net Position - Beginning of Year, restated	<u>9,799,550</u>	<u>1,256,654</u>	<u>11,056,204</u>
Net Position - End of Year	<u>\$ 9,889,393</u>	<u>\$ 1,692,847</u>	<u>\$ 11,582,240</u>

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water & Sewer	Gas	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 4,208,751	\$ 5,322,494	\$ 9,531,245
Cash payments to suppliers	(2,176,007)	(3,180,617)	(5,356,624)
Cash payments to employees for services	(1,391,173)	(789,020)	(2,180,193)
Net Cash Provided (Used) by Operating Activities	<u>641,571</u>	<u>1,352,857</u>	<u>1,994,428</u>
Cash Flows from Noncapital Financing Activities			
Transfer to other funds	(559,626)	(1,310,396)	(1,870,022)
Net Cash Provided(Used) by noncapital financing activities	<u>(559,626)</u>	<u>(1,310,396)</u>	<u>(1,870,022)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from capital debt	1,061,355	-	1,061,355
Capital contributions	450,326	92,108	542,434
Grant revenue	366,087	-	366,087
Purchase of capital assets	(906,095)	(613,974)	(1,520,069)
Principal paid on capital debt	(741,756)	(252,086)	(993,842)
Interest paid on capital debt	(379,575)	(10,867)	(390,442)
Proceeds from sale of capital assets	-	4,000	4,000
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(149,658)</u>	<u>(780,819)</u>	<u>(930,477)</u>
Cash Flows from Investing Activities			
Interest on cash and cash investments	772	198	970
Increase (Decrease) in Cash and Cash Investments	(66,941)	(738,160)	(805,101)
Cash and Cash Investments - Beginning of Year	<u>771,284</u>	<u>881,398</u>	<u>1,652,682</u>
Cash and Cash Investments - End of Year	<u>\$ 704,343</u>	<u>\$ 143,238</u>	<u>\$ 847,581</u>
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities			
Operating Income (Loss)	\$ 774,454	\$ 1,483,729	\$ 2,258,183
Depreciation	655,620	33,850	689,470
Change in operating assets and liabilities:			
(Increase) Decrease in accounts receivable	(87,411)	(134,922)	(222,333)
(Increase) Decrease in deferred outflows	(62,739)	(54,589)	(117,328)
(Increase) Decrease in inventory	10,781	17,352	28,133
(Increase) Decrease in deposits	-	3,774	3,774
Increase (Decrease) in accounts payable	(773,720)	(109,325)	(883,045)
Increase (Decrease) in customer deposits	9,112	9,789	18,901
Increase (Decrease) in deferred inflows	(70,419)	(62,858)	(133,277)
Increase (Decrease) in net pension liability	185,893	166,057	351,950
Net Cash Provided (Used) by Operating Activities	<u>\$ 641,571</u>	<u>\$ 1,352,857</u>	<u>\$ 1,994,428</u>

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies

The City of Summerville was incorporated January 1, 1891, and operates under a Council-Manager form of government. The City provides the following services: Animal Control, Culture and Recreation, Public Works (which includes streets and sanitation), Public Utilities (gas and water), Public Safety (police and fire), and General and Administrative Services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the reporting entity because of the significance of their operational or financial relationships with the City. At June 30, 2016, the City of Summerville had no component units.

Related Organization

The City Council is responsible for appointing all board members of the Summerville Housing Authority. However, the City has no further accountability for the Authority, nor does it have any financial interest or control over the Authority. At year-end, there were no receivables or payables between the City and this organization. Financial statements are available at the Housing Authority's office.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds are not included in the government-wide statements.

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. The effects of interfund activity, within the governmental and business-type activities columns, have been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide statement of net assets, governmental and business type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies - continued

Government-wide and Fund Financial Statements – continued

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

Fund financial statements emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. 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. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, non-exchange transactions are recognized in accordance with GASB Statement 33.

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. **Summary of Significant Accounting Policies** - continued

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** - continued

The City has presented the following major governmental funds:

General Fund – 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.

2014 SPLOST Capital Projects Fund - The 2014 SPLOST Capital Projects Fund accounts for the receipt and disbursements of Special Local Option Sales Tax assessments that are to be used to finance the acquisition and/or construction of capital assets.

Confiscated Drug Fund – The Confiscated Drug Fund accounts for law enforcement confiscations of cash and property seized in the case of illegal narcotics-related arrests.

Victorian Christmas Fund – The Victorian Christmas Fund accounts for the receipt and disbursements of private donations for Victorian-era Christmas displays in downtown storefronts each year, designed to boost tourism.

The City has presented the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund accounts for those operations of the City which involve water distribution, sewage pumping stations, collection systems, and the sewage treatment plant. Fees are charged to external users for goods or services, and the activity is intended to be self-supporting.

Gas Fund – The Gas Fund accounts for those operations of the City that involve natural gas distribution, to include gas line maintenance and additions, meter maintenance and additions/replacement. Fees are charged to external users for goods or services and the activity is intended to be self-supporting.

Both the water/sewer and gas funds are reported as major funds. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer and gas enterprise funds are charges to customers for sales and services. Both funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary 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.

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

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Annual appropriations lapse at fiscal year-end.

Encumbrance or commitments related to the unperformed contract for goods or services (if any) were for immaterial amounts and therefore are not reported as reservations of fund balances.

E. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the City, and must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities and stated at fair value.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances, which represent receivables and payables between governmental and business-type activities, are reported as internal balances. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the general fund and the water/sewer and gas funds. Elimination of these charges would distort the direct costs and revenues reported for the two funds.

G. Restricted Cash

Demand and time deposits set aside for repayment of water and sewer revenue bonds are classified as restricted on the balance sheet because their use is limited by applicable bond covenants.

H. Capital Assets

Capital assets that cost more than \$5000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, which include property, plant, vehicles, equipment, and infrastructure (streets, bridges, curbs and gutters, sidewalks, drainage and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. **Summary of Significant Accounting Policies** - continued

H. Capital Assets – continued

All purchased capital assets are valued at cost or estimated historical cost if actual historical is not available. Donated assets are valued at their estimated fair value on the date donated. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

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

Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Compensated Absences

Vested or accumulated vacation leave and sick leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements.

J. Long-term Obligations

Long-term debt and other obligations are reported as a liability in the government-wide financial statements and the proprietary fund financial statements.

K. Bond Discounts

Bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable.

L. Fund Equity

At the governmental fund financial reporting level, fund equity is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable - fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (for example, items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- Restricted - fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. Summary of Significant Accounting Policies - continued

L. Fund Equity - continued

- Committed - fund balances are reported as committed when they can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the council may modify or rescind the commitment.
- Assigned - fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. Intent would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.
- Unassigned - fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balance may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted fund balance, it is the City's policy to use fund balance in the following order: committed, assigned and unassigned.

Net Position - represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining balance of net position is reported as unrestricted.

M. Deferred Outflows/Inflows of Resources –

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City of Summerville has only one type of item that qualifies for reporting in the category: deferred expense related to pensions reported in the government-wide and proprietary funds statement of net position.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City of Summerville has only one type of item which qualifies for reporting in this category: deferred expense related to pensions reported in the government-wide and proprietary funds statement of net position.

N. Inventory

Inventory is valued at lower of cost (first-in, first-out) or market. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. The Street, Water/Sewer Fund, and Gas Fund inventories are valued at lower of cost or market using the first-in, first-out method.

**CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

1. Summary of Significant Accounting Policies - continued

O. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year.

The City did not levy a property tax for the fiscal year ended June 30, 2016.

2. Legal Compliance – Budgets

Georgia law requires an annual balanced budget for the general fund and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Clerk so that a budget may be prepared. The budget is prepared by fund, function and department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the Mayor and Council for review. The Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. Transfers of appropriations between departments must be approved by an affirmative vote of a majority of the Council, except for emergencies as defined by the charter and unanimously voted by the Council.

3. Deposits and Investments

Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities. As of June 30, 2016, all of the City's deposits were insured or collateralized.

The City has no other investments other than cash.

4. Receivables

As of June 30, 2016, receivables for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
<u>Receivables:</u>			
Accounts	\$ 131,646	\$ 1,566,325	\$ 1,697,971
Less: Allowance for Uncollectibles	<u>(52,282)</u>	<u>(717,964)</u>	<u>(770,246)</u>
Net Total Receivables	<u>\$ 79,364</u>	<u>\$ 848,361</u>	<u>\$ 927,725</u>

CITY OF SUMMERVILLE, GEORGIA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

5. **Interfund Receivables, Payables, and Transfers**

Due to/from other Funds

Outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services, short-term non-operating subsidies and other miscellaneous transactions between funds. This activity is similar to lending/borrowing arrangements and outstanding balances at year-end are presented as “due to/from other funds”. Balances between governmental or proprietary funds are netted when presented in the government-wide statements and reported as “internal balances”. As of June 30, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Gas Fund	General Fund	\$ 1,744,389
Water and Sewer Fund	General Fund	1,344
General Fund	Capital Projects	<u>8,187</u>
		<u>\$ 1,753,920</u>

Transfers and Payments

Routine transfers and payments between funds are to subsidize operations and capital acquisitions. Interfund transfers for the year ending June 30, 2016 are as follows:

<u>Source Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
Gas Fund	General Fund	\$ 1,133,892
Water Fund	General Fund	<u>1,133,892</u>
		<u>\$ 2,267,784</u>

CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

6. Capital Assets

<u>Governmental Activities:</u>				
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital Assets not being Depreciated:				
Land	\$ 929,590	\$ -	\$ -	\$ 929,590
Construction in Progress	145,572	46,252	(137,474)	54,350
Total	<u>1,075,162</u>	<u>46,252</u>	<u>(137,474)</u>	<u>983,940</u>
Capital Assets being Depreciated:				
Infrastructure	158,797	73,207	-	232,004
Buildings	2,949,680	121,978	(110,972)	2,960,686
Improvements	158,991	152,799	-	311,790
Equipment	5,742,629	38,130	(113,647)	5,667,112
Total	<u>9,010,097</u>	<u>386,114</u>	<u>(224,619)</u>	<u>9,171,592</u>
Less Accumulated Depreciation:				
Buildings	(2,313,505)	(44,264)	110,972	(2,246,797)
Improvements	(56,084)	(6,802)	-	(62,886)
Equipment	(3,049,728)	(243,557)	112,541	(3,180,744)
Total	<u>(5,419,317)</u>	<u>(294,623)</u>	<u>223,513</u>	<u>(5,490,427)</u>
Total Capital Assets being Depreciated, Net	<u>3,590,780</u>	<u>91,491</u>	<u>(1,106)</u>	<u>3,681,165</u>
Total Governmental Activities, Capital Assets, Net	<u>\$ 4,665,942</u>	<u>\$ 137,743</u>	<u>(138,580)</u>	<u>\$ 4,665,105</u>
<u>Business-type Activities:</u>				
	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31</u>
Capital Assets not being Depreciated:				
Land	\$ 13,132	\$ -	\$ -	\$ 13,132
Construction in Progress	255,330	2,246,008	(145,423)	2,355,915
Total	<u>268,462</u>	<u>2,246,008</u>	<u>(145,423)</u>	<u>2,369,047</u>
Capital Assets being Depreciated:				
Buildings	221,331	33,196	-	254,527
Systems	50,676,145	200,443	(3,373)	50,873,215
Equipment	1,431,665	202,142	(82,485)	1,551,322
Total	<u>52,329,141</u>	<u>435,781</u>	<u>(85,858)</u>	<u>52,679,064</u>
Less Accumulated Depreciation:				
Buildings	(74,478)	(6,560)	-	(81,038)
Systems	(32,477,667)	(590,948)	80,943	(32,987,672)
Equipment	(843,540)	(88,807)	3,373	(928,974)
Total	<u>(33,395,685)</u>	<u>(686,315)</u>	<u>84,316</u>	<u>(33,997,684)</u>
Total Capital Assets being Depreciated, Net	<u>18,933,456</u>	<u>(250,534)</u>	<u>(1,542)</u>	<u>18,681,380</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 19,201,918</u>	<u>\$ 1,995,474</u>	<u>\$ (146,965)</u>	<u>\$ 21,050,427</u>

**CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

6. Capital Assets - continued

Depreciation for the year by functions was as follows:

General Government	\$	37,739		
Public Safety		23,355		
Fire		50,363		
Streets		33,118		
Recreation		148,381		
Animal Control		<u>1,667</u>		
Total Government Activities			\$	<u>294,623</u>
Water/Sewer				652,464
Gas				<u>33,850</u>
Total Business Activities				686,314
Total Depreciation			\$	<u>980,937</u>

The following estimated useful lives are used to compute depreciation (straight-line method):

Buildings	20-50 years
Equipment	3-10 years
Infrastructure	50 years
Park Improvements	5-40 years
System	20-75 years

7. Long Term Debt

The following is a summary of the City's long-term debt activity for the year ended June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Capital Leases	\$ 205,092	\$ -	\$ 32,859	\$ 172,233	\$ 32,859
Compensated Absences	<u>408,013</u>	<u>79,238</u>	<u>301,403</u>	<u>185,848</u>	<u>-</u>
Total Governmental Activities	<u>\$ 613,105</u>	<u>\$ 79,238</u>	<u>\$ 334,262</u>	<u>\$ 358,081</u>	<u>\$ 32,859</u>
Business-Type Activities:					
Capital Leases	\$ 1,048,777	\$ -	\$ 252,085	\$ 796,692	\$ 33,820
Loans Payable	3,305,389	1,061,355	156,756	4,209,988	162,260
Revenue Bonds	6,985,000	-	585,000	6,400,000	605,000
Compensated Absences	<u>177,709</u>	<u>61,468</u>	<u>144,855</u>	<u>94,322</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 11,516,875</u>	<u>\$ 1,122,823</u>	<u>\$ 1,138,696</u>	<u>\$ 11,501,002</u>	<u>\$ 801,080</u>

**CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

7. Long Term Debt - continued

Advance Refundings

In 2005 the City issued \$9,695,000 of Combined Public Utility Revenue and Refunding Bonds ("2005 Bonds") for the advance refunding of the City's 2002 Combined Public Utility Revenue and Refunding Bonds ("2002 Bonds") and for related capital improvements to the City's water system. As a result of this issuance, \$7,749,047 was used to purchase United States Government State and Local Government Series securities that were placed into an escrow account for the purpose of generating resources for payment of principal, interest, and redemption premium on the 2002 Bonds beginning in fiscal year 2013 and continuing through maturity in fiscal year 2026. The portion of the 2002 Bonds being refunded is considered defeased and has been removed from the government-wide Statement of Net Position and the proprietary fund Balance Sheet. As of June 30, 2016, \$6,920,000 was considered defeased.

Compensated absences in governmental activities are liquidated by the general fund and compensated absences in the business-type activities are liquidated by the water and gas funds.

Long-term debt payable at June 30, 2016 is composed of the following issues:

Loans Payable

GEFA Loan - \$1,481,839: With total approved loan amount of \$1,489,839, and fully drawn down as of June 30, 2009; due in monthly installments of \$9,089, bearing interest at 4.14%, with a maturity date of May 1, 2029.

GEFA Loan - \$201,600: With total approved loan amount of \$201,600 and \$172,800 drawn down. This loan entered repayment phase as of April 1, 2011; due in monthly installments of \$958, bearing interest at 3.00%, with a maturity date of April 1, 2031.

GEFA Loan - \$2,484,448: With total approved loan amount of \$2,484,448 and fully drawn down. This loan entered repayment phase as of January 1, 2013; due in monthly installments of \$12,104, bearing interest at 3.00%, with a maturity date of January 1, 2033.

GEFA Loan - \$1,320,000: With total approved loan amount of \$1,320,000 and \$1,086,755 drawn down; payment terms to be finalized upon project completion.

The annual requirements to amortize the long-term debt as of June 30, 2016, including interest payments, are as follows:

<u>YEAR</u>	<u>REVENUE BONDS</u>		<u>GEFA LOAN</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$ 605,000	\$ 255,360	\$ 162,260	\$ -
2018	630,000	231,221	167,963	-
2019	660,000	206,084	173,873	-
2020	685,000	179,750	179,994	-
2021	710,000	152,418	186,338	-
2022-2026	3,110,000	316,008	1,035,191	-
2027-2031	-	-	993,296	-
2032-2033	-	-	224,336	-
TOTAL	\$ 6,400,000	\$ 1,340,841	\$ 3,123,251	\$ -

**CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

8. Lease Obligations

Capital Leases

The City entered into a lease agreement with Branch Banking & Trust as lessee for financing the acquisition of a pumper fire truck for \$304,055. The equipment has a cost of \$304,055 and accumulated depreciation of \$152,028 as of June 30, 2016. The effective interest rate is 2.6%.

The City entered into a lease agreement with Branch Banking & Trust for financing the installation of natural gas line extensions for \$248,000. The City's gas lines under lease have a final cost of \$199,338 and accumulated depreciation of \$4,983 as of June 30, 2016. The effective interest rate is 2.75%.

The City entered into a second lease agreement with Branch Banking & Trust as lessee for financing the installation of additional natural gas line extensions for \$95,000. The additional gas lines are currently under construction and have a cost of \$118,689 and accumulated depreciation of \$0 as of June 30, 2016. The effective interest rate is 3.29%.

The City entered into a lease agreement with Georgia Municipal Association as lessee for financing the replacement of standard manual-read gas meters with radio-read meters for \$805,715. The gas meter swap project is currently in progress and has a cost of \$559,171 as of June 30, 2016. The effective interest rate at June 30, 2016 is .96%.

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

Year Ending June 30	Governmental Activities	Business-type Activities
2017	\$ 37,359	\$ 626,150
2018	37,359	39,761
2019	37,359	39,761
2020	37,359	39,761
2021	37,359	39,761
2022-2024	-	32,452
Total Minimum Lease Payments	186,795	817,646
Less Amounts Representing Interest	(14,562)	(20,954)
Present Value of Future Minimum Lease Payments	\$ 172,233	\$ 796,692

9. Restricted Assets

The City is required to establish and maintain cash accounts to comply with bond covenants and external legal requirements. The debt service and capital acquisition/improvements cash accounts are restricted for payment of bond principal and interest and certain construction funds are restricted for specified capital projects or improvements. Customer deposit accounts are restricted to application against outstanding balances or are subject to being refunded. The Drug Enforcement account is restricted for monies used in law enforcement activities. The Recreation cash account is for monies designated for the maintenance and improvement of recreational facilities and small equipment.

**CITY OF SUMMERVILLE, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

9. Restricted Assets - continued

As of June 30, 2016, restricted assets consist of the following:

Governmental Activities:

Cash – Council Restricted	\$ 874,184
Cash – Drug Enforcement	20,568
Cash – Clean & Lien	37,585
Cash – Recreation Dept.	10,325
Cash – Debt Forgiveness	6
Cash – Capital Acquisitions/Improvements	<u>148,071</u>
Total	<u>\$ 1,090,739</u>

Business-type Activities:

Cash – Customer Deposits	\$ 79,105
Cash – Capital Acquisition/Improvements	87,516
Cash – Debt Service	<u>665,638</u>
Total	<u>\$ 832,259</u>

10. Pension Plan

Plan Description

The City has a non-contributory defined benefit plan covering all full time employees. The City of Summerville Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15-member board comprised of elected and appointed officials from the fund's membership. GMEBS handles administrative and investment functions relative to the plan. The City established the plan effective April 1, 1985, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 62 years of age with 5 years of service. Early retirement is possible at age 50 with 10 years of service. Benefits are calculated at 1.75% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, c/o Georgia Municipal Association – Risk Management and Employee Benefit Systems, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for changes to plan provisions and 30 years for actuarial assumptions and cost methods. These amortization periods, if applicable, are close for this plan year.