

**CITY OF FORT OGLETHORPE,
GEORGIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

For the Year Ended December 31, 2014

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TABLE OF CONTENTS

	<u>P a g e</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	iv-vi
MANAGEMENT'S DISCUSSION AND ANALYSIS	vii-xiv
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS:	
Governmental Funds -	
Balance Sheet	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Proprietary Funds -	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8
Statement of Cash Flows	9
Fiduciary Funds -	
Statement of Fiduciary Assets and Liabilities	10
Component Units -	
Statement of Net Position	11
Statement of Activities	12
NOTES TO BASIC FINANCIAL STATEMENTS	13-37
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	40-42

TABLE OF CONTENTS

	<u>P a g e</u>
OTHER SUPPLEMENTARY INFORMATION:	
Combining Financial Statements - Nonmajor Governmental Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46
Financial Schedules -	
Schedule of Changes in Property Taxes Receivable	48
Schedule of Water and Sewer Rates	49
Schedule of Expenditures of Federal Awards	50
SEC RULE 15C2-12 CONTINUING DISCLOSURES	
ANNUAL OPERATING INFORMATION SECTION (Unaudited):	52-69
INTERNAL CONTROL AND COMPLIANCE SECTION:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71-72
SPECIAL LOCAL OPTION SALES TAX:	
Independent Auditors' Report on Special 1 Percent Sales and Use Tax	74
Schedule of Projects Constructed with Special Sales Tax Proceeds	75

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

**To the Mayor and City Council
City of Fort Oglethorpe, Georgia:**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Oglethorpe, Georgia, as of and for the year ended December 31, 2014, 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.

Auditors' 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 of 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 auditors' 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the City of Fort Oglethorpe, Georgia, as of December 31, 2014, 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.

Emphasis of a Matter – Financial Statement Revisions

Subsequent to the issuance of our report on these financial statements, we discovered that the information reported for the pension plan with the implementation of new Governmental Standards was pro forma information for illustrative purposes only and should not have been disclosed in the notes to the financial statements. Note disclosures on pages 35-37 have been removed.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii - xiv and the general fund schedule of revenues, expenditures and changes in fund balances – budget and actual on pages 43 - 45 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 Fort Oglethorpe, Georgia's basic financial statements. The combining nonmajor fund financial statements, financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial schedules and statistical section 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 dated June 26, 2015, on our consideration of the City of Fort Oglethorpe, 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 the City of Fort Oglethorpe, Georgia's internal control over financial reporting and compliance.

Johnson, Nicky & Meacham, P.C.

June 26, 2015

August 25, 2015, with respect to the “emphasis of a matter – financial statement revisions” on page v, above.

**City of Fort Oglethorpe, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2014**

Management's discussion and analysis provides an objective and easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City of Fort Oglethorpe and should be read in conjunction with the City's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components. The Statement of Net Position and the Statement of Activities (government-wide financial statements), on page 1 and 2, provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 3. For governmental activities, these statements tell how activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The financial statements also include notes which explain some of the information in the Government-wide and Fund financial statements, and which provide additional detail concerning the financial activities of the City. The information contained in these notes is essential to a full understanding of the Government-wide and Fund financial statements. The notes to the basic financial statements begin on page 13 of this report.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page ix. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here, including public safety, public works, recreation and general administration. Property taxes, license & permits, local option sales tax, business taxes and franchise fees finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City’s water and sewer activities are reported here.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) / Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Charges for bad checks, charges for copies
Public safety	Fines and forfeitures
Housing and development	Building, plumbing and electrical permits
Culture and recreation	Pool admissions and pavilion fees
Grants and Contributions	Predominantly grants from other governments for specific projects, also including proceeds from Special Local Option Sales Taxes, which are restricted for specific capital related activities

Other governmental revenues are reported as general. It is important to note that all taxes, with the exception of the Special Local Option Sales Taxes referred to above, are classified as general revenue even if restricted for a specific purpose.

Reporting the City’s Most Significant Funds

Fund Financial Statements

Our analysis of the City’s major funds begins on page xi. The fund financial statements begin on page 3 and provide detailed information about the most significant funds – not the City as a whole. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal

grants. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.
- **Proprietary funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the governmental-wide statements but provide more detail and additional information, such as cash flows.

FINANCIAL HIGHLIGHTS

For the years ended December 31, 2014 and 2013, a summary of net position of the primary government is as follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	10,709,458	\$ 10,309,515	\$ 10,630,213	\$ 6,591,803	\$ 21,339,671	\$ 16,901,318
Capital Assets	10,112,811	9,992,118	18,165,518	18,202,183	28,278,329	28,194,301
Total Assets	20,822,269	20,301,633	28,795,731	24,793,986	49,618,000	45,095,619
Bond Issue Costs	-	-	639,914	-	639,914	-
Deferred loss on debt refunding	-	-	933,686	-	933,686	-
Total deferred outflows of resources	-	-	1,573,600	-	1,573,600	-
Current liabilities	612,967	432,680	928,133	686,415	1,541,100	1,119,095
Long-term liabilities	345,382	417,068	14,408,689	9,970,000	14,754,071	10,387,068
Total liabilities	958,349	849,748	15,336,822	10,656,415	16,295,171	11,506,163
Net position:						
Net investment in capital assets	9,629,704	9,648,020	3,281,829	8,232,183	12,911,533	17,880,203
Restricted	165,336	156,029	222,548	-	387,884	156,029
Unrestricted	10,068,680	9,647,836	11,528,132	5,905,388	21,596,812	15,553,224
Total net position	19,863,720	\$ 19,451,885	\$ 15,032,509	\$ 14,137,571	\$ 34,896,229	\$ 33,589,456

The following table provides a summary of the primary government's operations and changes in net position for the year ended December 31, 2014 with comparative totals for the year ended December 31, 2013.

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues						
Charges for services	\$ 1,225,382	\$ 1,150,435	\$ 4,338,236	\$ 3,896,849	\$ 5,563,618	\$ 5,047,284
Operating Grants	70,607	86,077	-	-	70,607	86,077
Capital Grants	1,137,997	1,325,719	-	125,234	1,137,997	1,450,953
General revenues						
Taxes	6,104,714	5,817,607	-	-	6,104,714	5,817,607
Investment earnings	16,067	45,221	8,372	43,649	24,439	88,870
Other	262,663	311,932	100,935	58,231	363,598	370,163
Total revenues	<u>8,817,430</u>	<u>8,736,991</u>	<u>4,447,543</u>	<u>4,123,963</u>	<u>13,264,973</u>	<u>12,860,954</u>
Expenses						
Judicial	462,635	453,075	-	-	462,635	453,075
General government	1,409,157	1,273,949	-	-	1,409,157	1,273,949
Public safety	3,610,952	3,475,545	-	-	3,610,952	3,475,545
Public works	1,552,428	1,684,831	-	-	1,552,428	1,684,831
Housing and development	42,180	63,986	-	-	42,180	63,986
Public welfare	29,188	29,062	-	-	29,188	29,062
General operating expenses	-	-	4,134,770	3,769,854	4,134,770	3,769,854
Culture and recreation	460,202	413,787	-	-	460,202	413,787
Interest	12,987	15,767	243,701	438,339	256,688	454,106
Total expenses	<u>7,579,729</u>	<u>7,410,002</u>	<u>4,378,471</u>	<u>4,208,193</u>	<u>11,958,200</u>	<u>11,618,195</u>
Excess (deficiency) of revenues over expenses	1,237,701	1,326,989	69,072	(84,230)	1,306,773	1,242,759
Transfers	<u>(825,866)</u>	<u>(1,142,754)</u>	<u>825,866</u>	<u>1,142,754</u>	<u>-</u>	<u>-</u>
Change in net position	411,835	184,235	894,938	1,058,524	1,306,773	1,242,759
Net position Jan. 1	19,451,885	19,267,650	14,137,571	13,079,047	33,589,456	32,346,697
Net position Dec. 31	<u>\$ 19,863,720</u>	<u>\$ 19,451,885</u>	<u>\$ 15,032,509</u>	<u>\$ 14,137,571</u>	<u>\$ 34,896,229</u>	<u>\$ 33,589,456</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Oglethorpe, assets and deferred outflow of resources exceeded liabilities by \$ 34.9 million as of December 31, 2014.

Approximately 37% of the City's net position reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

Governmental Activities

Governmental activities increased the City's net position by \$411,835. Tax revenues greater than planned for and expenses planned for but not expended in the area of administration, general government buildings, public safety, public works and protective administration were the major contributors to the increase in net position.

Business-type Activities

Business-type activities increased the City's net position by \$894,938. SPLOST proceeds totaling \$821,200 were used to purchase equipment for the water and sewer fund, as well as to pay principal and interest payments on the defeased 2009 revenue bonds and the new 2014 revenue bonds whose proceeds are being used for improving and constructing new infrastructure.

FUND FINANCIAL INFORMATION

The city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as 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. As of December 31, 2014, unassigned fund balance was \$9.3 million. The revenue budget was amended by approximately \$692,218 to reflect an increase in income from grants, insurance recovery capital lease proceeds for the purchase of police vehicles and a transfer from fund balance. The expense budget was also amended to cover the following costs: \$74,184 to cover increased costs for health insurance, \$140,950 to cover additional costs of maintenance and repairs of city facilities, \$100,000 for a traffic light and intersection on Battlefield Parkway, \$8,208 for storm water professional fees, and \$368,876 for the purchase of police vehicles. Actual revenues and other sources were more than the amount budgeted by approximately \$453,278 and actual expenditures and other uses were approximately \$592,555 less than the amount budgeted, yielding a positive variance of approximately \$1,045,833.

Other Governmental Funds

The SPLOST capital projects fund assets were \$129,522, liabilities \$0 and restricted fund balance was \$129,522 for the year ended December 31, 2014.

Special Revenue Funds

The City uses special revenue funds to account for the collection and disbursement of revenues that are legally restricted to expenditures for specific purposes. Included in this

classification are hotel/motel tax, confiscated assets, and law enforcement funds. Combined total assets of the above funds were \$35,864 as of December 31, 2014, liabilities \$50 and committed fund balances were \$35,814.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements.

The City has one business-type activity, the water and sewer fund. Unrestricted net positions of the water and sewer operations at the end of the year were \$11,528,132.

GENERAL FUND BUDGETARY HIGHLIGHTS

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level. The most significant budget is that of the General Fund.

When comparing the final budget and the actual amounts, revenues for the general fund were \$453,278 more than projections, primarily due to actual motor vehicle tax, franchise tax, alcohol beverage tax, and business and occupation tax being more than was budgeted. Expenditures were \$592,555 less than the anticipated budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2014, the City had \$28.3 million invested in capital assets including equipment, buildings, and public improvements. This represents a net increase after depreciation of \$84,028 or .3 percent, compared to last year. This increase consisted of asset additions of approximately \$1,210,419, dispositions of approximately \$469,740 net of depreciation of \$656,651.

Asset additions for governmental activities were approximately \$628,808, and consisted of \$387,724 for equipment and vehicles, \$107,764 for buildings, \$129,570 for public improvements and \$3,750 for land. Dispositions were approximately \$364,109.

Asset additions of approximately \$581,611 for business activities were primarily for additions and improvements to sewer lines. Dispositions were \$105,631.

A summary of capital assets, net of depreciation, is as follows:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,039,018	\$ 1,035,268	\$ 89,156	\$ 89,156	\$ 1,128,174	\$ 1,124,424
Building	4,080,456	4,140,289	489,296	503,637	4,569,752	4,643,926
Public Improvements	3,901,561	4,031,324	17,339,155	16,304,917	21,240,716	20,336,241
Equipment, vehicles, furniture and fixtures	848,879	661,240	64,608	97,983	913,487	759,223
Construction in progress	242,897	123,997	183,303	1,206,490	426,200	1,330,487
Total	<u>\$ 10,112,811</u>	<u>\$ 9,992,118</u>	<u>\$ 18,165,518</u>	<u>\$ 18,202,183</u>	<u>\$ 28,278,329</u>	<u>\$ 28,194,301</u>

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-Term Debt

At year-end the City had \$15,490,946 in outstanding long-term debt compared to \$10,387,068 last year. The majority of the long-term debt is from the refinancing of the 2009 Water and Sewer Revenue Refunding and Improvement Bond Issue. The additional proceeds from the bonds are being used for the addition, extension and improvement of the city's water and sewerage system. Bonds payable at the end of 2014 are \$14,850,000.

A summary of long-term debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Lease Obligation	\$483,106	\$278,488	-	-	\$483,106	\$278,488
Compensated Absences	157,840	138,580	-	-	157,840	138,580
Revenue Bonds	-	-	14,850,000	9,970,000	14,850,000	9,970,000
Total	<u>\$640,946</u>	<u>\$417,068</u>	<u>\$14,850,000</u>	<u>\$ 9,970,000</u>	<u>\$15,490,946</u>	<u>\$10,387,068</u>

The long-term debt for the governmental activities consists of two capital lease obligations for a fire truck payable yearly through July, 2018 and police patrol cars payable yearly through July, 2017.

The primary note payable for the business-type activity consists of Series 2014 Water Sewer Revenue Bonds payable semi-annually in varying amounts through October, 2038.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In adopting the budget for the ensuing fiscal year 2015, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic services to the citizens while attempting to keep the property tax rate low.

The City budgeted a 5.9% increase in general fund revenues and expenses for 2015. The revenue increase is due to an increase in the amount collected from taxes, building permits, ARC Grant and court fines. The expense increase is due to increased employee health insurance premiums.

The city budgeted a .04% increase in revenues in the proprietary fund (water and sewer fund) and also a .04% increase in expenditures. These increases are due to the City increasing water and sewer rates to be in compliance with the 2014 Water and Sewer Revenue Bond covenants and the completion of sewer projects that will expand the city's sewer service area.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report was prepared by the Finance Department of the City of Fort Oglethorpe and is designed to present a general overview of the City's accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City of Fort Oglethorpe at 500 City Hall Drive, Fort Oglethorpe, Georgia. Phone # 706-866-2544.

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	\$ 8,533,981	\$ 3,411,383	\$ 11,945,364	\$ 1,761
Restricted cash and cash equivalents	-	6,730,044	6,730,044	-
Due from other governmental entities	1,066,575	-	1,066,575	-
Property taxes receivable	192,060	-	192,060	-
Other taxes receivable	347,010	-	347,010	-
Other receivables	229,930	411,901	641,831	-
Due from (to) other fund	934	(934)	-	-
Prepaid supplies	14,031	-	14,031	-
Prepaid insurance	324,937	62,232	387,169	-
Prepaid bond insurance	-	15,587	15,587	-
Land and other nondepreciable assets	1,281,915	272,459	1,554,374	-
Other capital assets, net of accumulated depreciation	8,830,896	17,893,059	26,723,955	-
Total assets	20,822,269	28,795,731	49,618,000	1,761
DEFERRED OUTFLOWS OF RESOURCES:				
Bond issue costs	-	639,914	639,914	-
Deferred loss on debt refunding	-	933,686	933,686	-
Total deferred outflows of resources	-	1,573,600	1,573,600	-
LIABILITIES:				
Accounts payable	151,081	132,806	283,887	-
Payroll withholdings and accruals	165,502	10,408	175,910	-
Other	1,020	-	1,020	-
Accrued interest payable	-	103,798	103,798	-
Compensated absences payable	-	44,597	44,597	-
Customer deposits	-	161,524	161,524	-
Long-term liabilities -				
Due within one year	295,364	475,000	770,364	-
Due in more than one year	345,582	14,408,689	14,754,271	-
Total liabilities	958,549	15,336,822	16,295,371	-
NET POSITION:				
Net investment in capital assets	9,629,704	3,281,829	12,911,533	-
Restricted for -				
SPLOST projects	129,522	-	129,522	-
Public safety	35,814	-	35,814	-
Debt service	-	222,548	222,548	-
Unrestricted	10,068,680	11,528,132	21,596,812	1,761
Total net position	\$ 19,863,720	\$ 15,032,509	\$ 34,896,229	\$ 1,761

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
Judicial	\$ 462,635	\$ -	\$ -	\$ -	\$ (462,635)	\$ -	\$ (462,635)	\$ -
General government	1,409,157	6,779	-	1,032,551	(369,827)	-	(369,827)	-
Public safety	3,610,952	965,136	1,446	780	(2,643,590)	-	(2,643,590)	-
Public works	1,552,428	-	69,161	4,666	(1,478,601)	-	(1,478,601)	-
Housing and development	42,180	142,390	-	-	100,210	-	100,210	-
Public welfare	29,188	-	-	-	(29,188)	-	(29,188)	-
Culture and recreation	460,202	111,077	-	100,000	(249,125)	-	(249,125)	-
Interest	12,987	-	-	-	(12,987)	-	(12,987)	-
Total governmental activities	7,579,729	1,225,382	70,607	1,137,997	(5,145,743)	-	(5,145,743)	-
Business-type activities:								
Water and sewer management	4,378,471	4,338,236	-	-	-	(40,235)	(40,235)	-
Total business-type activities	4,378,471	4,338,236	-	-	-	(40,235)	(40,235)	-
Total primary government	11,958,200	5,563,618	70,607	1,137,997	(5,145,743)	(40,235)	(5,185,978)	-
COMPONENT UNITS:								
Recreation Commission	10	-	-	-	-	-	-	(10)
Downtown Development Authority	-	-	-	-	-	-	-	-
Total component units	\$ 10	\$ -	\$ -	\$ -	-	-	-	(10)
GENERAL REVENUES:								
					1,452,232	-	1,452,232	-
					1,916,829	-	1,916,829	-
					293,033	-	293,033	-
					915,476	-	915,476	-
					1,070,309	-	1,070,309	-
					456,835	-	456,835	-
					160,730	-	160,730	-
					16,067	8,372	24,439	1
					101,933	100,935	202,868	-
Total general revenues					6,383,444	109,307	6,492,751	1
TRANSFERS					(825,866)	825,866	-	-
Change in net position					411,835	894,938	1,306,773	(9)
NET POSITION:								
Beginning					19,451,885	14,137,571	33,589,456	1,770
Ending					\$ 19,863,720	\$ 15,032,509	\$ 34,896,229	\$ 1,761

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 8,368,595	\$ 129,522	\$ 35,864	\$ 8,533,981
Due from other				
governmental entities	1,066,575	-	-	1,066,575
Due from other funds	1,395	-	-	1,395
Property taxes receivable	192,060	-	-	192,060
Other taxes receivable	347,010	-	-	347,010
Other receivables	229,930	-	-	229,930
Prepaid insurance	324,937	-	-	324,937
Prepaid supplies	14,031	-	-	14,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,544,533</u>	<u>\$ 129,522</u>	<u>\$ 35,864</u>	<u>\$ 10,709,919</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 151,081	\$ -	\$ -	\$ 151,081
Payroll withholdings and accruals	165,502	-	-	165,502
Due to other funds	411	-	50	461
Other	1,020	-	-	1,020
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>318,014</u>	<u>-</u>	<u>50</u>	<u>318,064</u>
 Deferred inflows of resources:				
Deferred property taxes	131,844	-	-	131,844
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>131,844</u>	<u>-</u>	<u>-</u>	<u>131,844</u>
 Fund balances:				
Nonspendable -				
Prepaid items	338,968	-	-	338,968
Restricted for -				
SPLOST projects	-	129,522	-	129,522
Capital projects	100,815	-	-	100,815
Tourism	29,598	-	-	29,598
Committed for -				
Public safety	-	-	35,814	35,814
Assigned -				
Next fiscal year's budget	320,700	-	-	320,700
Unassigned	9,304,594	-	-	9,304,594
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>10,094,675</u>	<u>129,522</u>	<u>35,814</u>	<u>10,260,011</u>
 Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 10,544,533</u>	<u>\$ 129,522</u>	<u>\$ 35,864</u>	<u>\$ 10,709,919</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Differences in amounts reported for governmental activities in the statement of net position on page 1:

Fund balances - total governmental funds	\$10,260,011
--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	131,844
--	---------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,112,811
---	------------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(640,946)</u>
--	------------------

	<u>\$19,863,720</u>
--	---------------------

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General Fund</u>	<u>SPLOST Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 6,041,167	\$ -	\$ 59,195	\$ 6,100,362
Licenses and permits	180,540	-	-	180,540
Charges for services	299,230	-	-	299,230
Intergovernmental	182,383	1,032,332	6,112	1,220,827
Fines, fees and forfeitures	741,185	-	4,427	745,612
Investment earnings	16,041	219	26	16,286
Other	262,663	-	-	262,663
	<u>7,723,209</u>	<u>1,032,551</u>	<u>69,760</u>	<u>8,825,520</u>
Total revenues				
EXPENDITURES:				
Current				
Judicial	462,635	-	-	462,635
General government	1,238,396	-	-	1,238,396
Public safety	3,796,376	11,196	7,299	3,814,871
Public works	1,504,621	-	-	1,504,621
Housing and development	42,180	-	-	42,180
Public welfare	29,188	-	-	29,188
Culture and recreation	572,583	-	-	572,583
Capital outlay	-	-	3,700	3,700
Debt service -				
Principal	-	164,259	-	164,259
Interest	-	12,987	-	12,987
	<u>7,645,979</u>	<u>188,442</u>	<u>10,999</u>	<u>7,845,420</u>
Total expenditures				
EXCESS OF REVENUES OVER EXPENDITURES	77,230	844,109	58,761	980,100
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease obligations	368,876	-	-	368,876
Transfers from other funds	69,143	-	1,446	70,589
Transfers to other funds	(1,446)	(821,200)	(73,809)	(896,455)
	<u>513,803</u>	<u>22,909</u>	<u>(13,602)</u>	<u>523,110</u>
NET CHANGE IN FUND BALANCE				
FUND BALANCES:				
Beginning	9,580,872	106,613	49,416	9,736,901
Ending	<u>\$ 10,094,675</u>	<u>\$ 129,522</u>	<u>\$ 35,814</u>	<u>\$ 10,260,011</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Differences in amounts reported for governmental activities
in the statement of activities on page 2:

Net change in fund balances - total governmental funds	\$ 523,110
--	------------

Amounts reported for governmental activities in
the statement of activities are different
because:

Capital outlay reported as expenditures in the governmental funds are shown as capital assets in the statement of activities.	628,808
---	---------

Depreciation expense on governmental capital assets is included in the statement of activities.	(508,115)
---	-----------

Long-term liabilities in the statement of net position include an estimated liability for compensated absences. These are planned to be liquidated with future resources; therefore, the increase or decrease in the liability does not affect expenditures in the governmental funds.	(19,261)
--	----------

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(368,876)
--	-----------

Repayment of long-term debt and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	164,259
---	---------

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	(8,090)
--	---------

	<u>\$ 411,835</u>
--	-------------------

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
BUSINESS-TYPE ACTIVITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents	\$ 3,411,383
Accounts receivable, net of allowance for uncollectibles of \$35,000	411,901
Due from other funds	461
Prepaid insurance	<u>62,232</u>
Total current assets	<u>3,885,977</u>

LONG-TERM ASSETS:

Restricted Assets -

Investments in money market account, restricted by bond covenants	2,079,231
Bond construction account	4,428,265
Bond interest and sinking funds	<u>222,548</u>
	<u>6,730,044</u>

Capital Assets -

Land and other nondepreciable assets	272,459
Property, plant, and equipment	<u>25,165,159</u>
	25,437,618
Less accumulated depreciation	<u>7,272,100</u>
Net capital assets	<u>18,165,518</u>

Other Assets -

Prepaid bond insurance	<u>15,587</u>
Total long-term assets	<u>24,911,149</u>
Total assets	<u>28,797,126</u>

DEFERRED OUTFLOWS OF RESOURCES:

Bond issue costs	639,914
Deferred loss on debt refunding	<u>933,686</u>
Total deferred outflows of resources	<u>1,573,600</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Current maturities of bonds payable	475,000
Accounts payable	132,806
Due to other funds	1,395
Payroll withholdings and accruals	10,408
Accrued interest	103,798
Compensated absences payable	44,597
Customer deposits	<u>161,524</u>
Total current liabilities	<u>929,528</u>

LONG-TERM LIABILITIES, net of current portion shown above:

Bonds payable	<u>14,408,689</u>
Total liabilities	<u>15,338,217</u>

NET POSITION:

Net investment in capital assets	3,281,829
Restricted for debt service	222,548
Unrestricted	<u>11,528,132</u>
Total net position	<u>\$ 15,032,509</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

OPERATING REVENUES:

Water sales	\$ 1,305,264
Sewer charges	2,929,795
Water and sewer taps	73,000
Meter and reconnect fees	30,177
Other	<u>100,935</u>
 Total revenues	 <u>4,439,171</u>

OPERATING EXPENSES:

Depreciation and amortization	852,259
General operating expenses	<u>3,282,511</u>
 Total expenses	 <u>4,134,770</u>

OPERATING INCOME	304,401
-------------------------	---------

NONOPERATING REVENUE (EXPENSE):

Interest revenue	8,372
Interest expense	<u>(243,701)</u>
 Income before transfers	 69,072

TRANSFERS:

Transfer from other funds	<u>825,866</u>
---------------------------	----------------

CHANGE IN NET POSITION	894,938
-------------------------------	---------

NET POSITION:

Beginning	<u>14,137,571</u>
 Ending	 <u>\$15,032,509</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
PROPRIETARY FUND - WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from user fees	\$ 4,459,901
Payments to employees	(722,063)
Payments for goods and other services	(2,793,173)
Other receipts	<u>100,935</u>

Net cash provided by operating activities	<u>1,045,600</u>
---	------------------

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES:

Cash paid for capital assets	(581,611)
Payments on long-term debt	(520,000)
Payments on bond refunding	(600,000)
Proceeds from bond refunding	4,422,198
Interest paid	<u>(248,588)</u>

Net cash provided by capital and related financing activities	<u>2,471,999</u>
---	------------------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers in from other funds	825,866
Payments on loans to other fund	<u>(1,760,846)</u>

Net cash used by other financing activities	<u>(934,980)</u>
---	------------------

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>8,372</u>
-------------------	--------------

Net cash provided by investing activities	<u>8,372</u>
---	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS

2,590,991

CASH AND CASH EQUIVALENTS:

Beginning	<u>7,550,436</u>
-----------	------------------

Ending	<u>\$ 10,141,427</u>
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RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 304,401
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation and amortization	852,259
Net change in operating assets	117,337
Net change in operating liabilities	<u>(228,397)</u>

Net cash provided by operating activities	<u>\$ 1,045,600</u>
---	---------------------

RECONCILIATION OF CASH AND CASH EQUIVALENTS:

Cash and cash equivalents	\$ 3,411,383
Restricted cash and cash equivalents	<u>6,730,044</u>

\$ 10,141,427

SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL

AND RELATED FINANCING ACTIVITIES:

Net original issue premium	\$ 34,162
Debt issuance costs paid during debt refunding	\$ 403,445
Bond insurance premium	\$ 15,806

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
AGENCY FUNDS
STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
DECEMBER 31, 2014

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash and cash equivalents	\$ <u> -</u>	\$ <u>741,185</u>	\$ <u>741,185</u>	\$ <u> -</u>
LIABILITIES:				
Due to general fund	\$ <u> -</u>	\$ <u>741,185</u>	\$ <u>741,185</u>	\$ <u> -</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2014

	Recreation Commission <u>December 31, 2014</u>	Downtown Development Authority <u>September 30, 2014</u>	<u>Totals</u>
ASSETS:			
Cash and cash equivalents	\$ 246	\$ 1,515	\$ 1,761
 Total assets	 <u>\$ 246</u>	 <u>\$ 1,515</u>	 <u>\$ 1,761</u>
 NET POSITION:			
Unrestricted	\$ 246	\$ 1,515	\$ 1,761
 Total net position	 <u>\$ 246</u>	 <u>\$ 1,515</u>	 <u>\$ 1,761</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Recreation Commission	Downtown Development Authority	Total
Recreation Commission:						
Recreation Commission operations	\$ 10	\$ -	\$ -	\$ (10)	\$ -	\$ (10)
Downtown Development Authority:						
Downtown Development Authority operations	-	-	-	-	-	-
Total component units	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(10)</u>	<u>-</u>	<u>(10)</u>
GENERAL REVENUES:						
				1	-	1
				1	-	1
				(9)	-	(9)
NET POSITION:						
				255	1,515	1,770
				<u>\$ 246</u>	<u>\$ 1,515</u>	<u>\$ 1,761</u>

(The accompanying notes are an integral part of these statements.)

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

The City of Fort Oglethorpe, Georgia operates under the Council-City Manager form of government, in which the City is governed by a mayor and five council members, with day to day operations vested in the appointed city manager.

The accounting policies of the City conform to generally accepted accounting principles applicable to local governments. The more significant policies of the City are summarized below.

Reporting Entity -

The accompanying financial statements include all funds of the City of Fort Oglethorpe, Georgia (the primary government).

For purposes of these financial statements, management has considered the existence of any potential component units, using the criteria set forth by accounting principles generally accepted in the United States of America and by statements from the Governmental Accounting Standards Board.

Component units include organizations which are legally separate from the primary government. They are considered component units because their boards are appointed by the City or because there is a financial benefit/burden relationship with the City.

Component units are determined to be presented blended or discretely, based upon the services provided and the amount of accountability to the governing authority.

The City's financial statements include the financial statements (the only ones available) of The Downtown Development Authority of the City of Fort Oglethorpe, Georgia, which was established to develop the downtown area of the City. This discretely presented component unit operates as a special revenue fund.

The City's financial statements include the financial statements (the only ones available) of the Fort Oglethorpe Recreation Commission, which was established to support a citywide recreation program. This discretely presented component unit operates as a special revenue fund.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Reporting Entity (continued) -

The Housing Authority of the City of Fort Oglethorpe, Georgia is a legally separate entity not considered a component unit under the criteria referred to above, but a related organization. Although its board was originally appointed by the City governing authority, the City is not able to impose its will upon the Housing Authority, and a financial benefit/burden relationship does not exist between the two governmental entities.

Basis of Presentation -

In accordance with current accounting standards, the basic financial statements include government-wide, based on the City as a whole, and fund financial statements, with emphasis on major funds. Both the government-wide and fund statements categorize activities as either governmental or business-type. The government-wide statements of net position and activities have eliminated internal balances and transfers between the activities of the governmental funds, which were presented separately in the fund financial statements. Transfers between governmental activities and business-type activities of the primary government are separately stated on the government-wide statement of net position. Cash balances held by agency funds for governmental activities of the primary government are eliminated in the government-wide statement of net position and in the fund financial statements.

The government-wide statement of activities reflects both the gross and net cost of functional categories which are otherwise supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues are those directly associated with the function and include revenues from fines and forfeitures, licenses and permit fees, and charges for services. Operating and capital grants and contributions are limited to the funding of a specific operating expense or capital acquisition.

At the fund level, major funds are presented separately while nonmajor funds are combined into a single column. Major funds are determined based on their percentage of assets, liabilities, revenues or expenditures compared to the total of the same for all governmental funds, and on their percentage of the same for the total of all governmental and

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation (continued) -

proprietary funds, as applicable. The general fund and SPLOST capital projects funds are the only funds reported as major governmental funds. The major enterprise fund is the Water and Sewer Fund.

Basis of Accounting -

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred. The government-wide financial statements report information on all of the nonfiduciary activities of the City as a whole.

The fund level financial statements of the governmental funds, consisting of the general fund, special revenue funds, debt service funds, and capital projects funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they are susceptible to accrual, which is defined as being both measurable, meaning that the amount of the transaction can be determined, and available, meaning collectible within the current period or soon enough thereafter (generally defined as within 60 days) to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property and other taxes, federal and state grants, other state funds, interest income and charges for services. Expenditures are generally recognized when the liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay and other employee amounts which are expected to be liquidated with future resources.

Since the governmental funds statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following the applicable fund statement which reconciles the adjustments necessary to convert the fund financial statements to the governmental activities column of the government-wide presentation.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting (continued) -

All business-type activities, including the primary government proprietary fund, use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the liability is incurred. For its proprietary funds and business-type activities, the City applies all GASB pronouncements. Operating revenues of proprietary funds are those revenues that result from the activities of the fund, such as user fees and charges for services. All other revenue is considered nonoperating revenue and includes grants, investment earnings, and gain on the sale of capital assets. Likewise, operating expenses are those expenses related to the principal activity of the fund, including salaries and related costs, other services, operating supplies and depreciation. Nonoperating expenses include all other expenses not considered operating, such as interest expense.

Agency funds are custodial in nature, as they receive and disburse receipts for other funds and other entities. The City's agency fund is recorded using the economic resources measurement focus basis of accounting.

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

Fund Accounting -

The accounts of the City are organized on the basis of funds, which are considered separate accounting entities. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Amounts reported in the fund financial statements as due to or due from other funds are eliminated upon preparation of the government-wide statement of net position. The various funds are grouped into fund types as follows:

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Accounting (continued) -

Governmental Funds:

General Fund -

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund, or those for which it is considered fiscally responsible to be accounted for in a separate fund.

Special Revenue Funds -

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted to expenditures for specified purposes.

Capital Projects Funds -

Capital projects funds are used to account for the acquisition and construction of major capital facilities not financed by proprietary or trust funds.

Proprietary Funds:

Enterprise Funds -

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise and therefore funded primarily through user charges.

Fiduciary Funds:

Trust and Agency Funds -

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Non-current governmental assets/liabilities:

Governmental activities capital assets and long-term debt are not presented in the fund level statements, but these records are maintained and incorporated into the governmental activities section of the government-wide financial statements.

The City maintains the following funds:

General fund

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Accounting (continued) -

Special revenue funds -

Confiscated Assets Fund, which accounts for revenues and expenditures associated with currency forfeitures and drug fines and restitution.

Law Enforcement Fund, which accounts for grants and other specific revenues, and related expenditures, associated with the operation of law enforcement.

Hotel/Motel Tax Fund, which accounts for tax revenues from hotels and motels located in the City.

Recreation Commission Fund (a discretely presented component unit), which accounts for revenues and expenditures associated with the recreational activities of the Commission.

Downtown Development Authority (a discretely presented component unit), which accounts for certain revenues and expenditures associated with development of the City's downtown area.

Capital projects funds -

SPLOST Capital Projects Fund, which accounts for the acquisition of assets with proceeds from the special local option sales tax.

CDBG Grant Fund, which accounts for acquisition of assets with proceeds from state or federal Community Development Block Grants.

Proprietary funds -

The Water and Sewer Fund is an enterprise fund, which accounts for the City's water and sewer operations.

Fiduciary funds -

Municipal Court Fund, an agency fund, which accounts for receipts and disbursements of the Clerk's office, primarily fines and forfeitures. This fund collects only for the City's general fund, which then disburses, as required, to other governmental entities. As there are no receipts for or disbursements to other entities, and no funds are held for other entities, no "Statement of Fiduciary Assets and Liabilities" is presented in these financial statements.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Equity -

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

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

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The Council also may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are intended to be used for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates authority through the passing of a resolution.

Unassigned - Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Equity (continued) -

Net position - Net position represents the residual of all elements presented in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balances section above. All other net position is reported as unrestricted.

Budget and budgetary control -

Although no budget to actual statements are presented in the basic financial statements, the City provides, for information purposes, its budget requirements and process. Annual revenue estimates and expenditure appropriations, on the modified accrual basis of accounting, are prepared for all governmental funds, with the exception of the capital projects funds, for which no annual appropriation is required and none is adopted. The projects accounted for in the capital projects funds are subject to budgetary control on a project basis. Providing budgetary information on an annual basis does not provide meaningful information because projects extend over more than one reporting period. A budget is not required for proprietary fund types. The City, however, adopts a budget on the accrual basis of accounting for its proprietary fund.

The budget is prepared by the City Manager and presented to the City Council for review and questions. A public hearing is held to obtain taxpayer comments, after which the budget is adopted by resolution.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgetary integration is employed as a management tool during the fiscal year, and the budget is amended, as necessary, to meet changing needs. Management may transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department and/or fund must be approved by the City Council. All annual budgetary appropriations lapse at the end of the fiscal year.

Receivables -

Receivables are reported at the outstanding principal amount, and are recorded net of an allowance for amounts considered uncollectible.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates -

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

Capital Assets -

For the fund financial statements, capital assets of governmental funds are recorded as expenditures at the time of purchase. For its proprietary funds and for governmental funds at the government-wide presentation, the City capitalizes long-lived assets with an original cost of \$5,000 or more. Such assets are recorded at cost.

For its proprietary funds and for its governmental funds at the government-wide presentation, depreciation of property and equipment, public improvements, and water and sewer systems are provided over periods of 3 to 40 years, based upon the estimated useful lives of the individual assets, by the straight-line method.

Public Domain Assets -

Public domain (infrastructure) assets, which include roads, streets, curbs, gutters, sidewalks, etc., are recorded in governmental funds as expenditures at the time of purchase. Under current accounting standards, governments are required to report public domain assets acquired after December 31, 2003 as capital assets. Because the City is a phase 3 government for implementation of GASB Statement No. 34, it is not required to report infrastructure acquired in years prior to December 31, 2003.

Property Taxes -

Property tax levies for the current year are based on \$6.753 per thousand of assessed valuation of property located in the City. Property is assessed by the Assessors of Property in Catoosa and Walker Counties. Property taxes are levied by the City and collected by the respective Counties, which remit to the City on a monthly basis. Property taxes are levied for a calendar year on October 20 and are delinquent after December 20 of each year. Property taxes attach as an enforceable lien on property as of the levy date.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Notes payable -

Notes payable reported in governmental funds are expected to be liquidated with future, expendable, available resources.

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.

Discounts/premiums/issuance costs -

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method.

In proprietary funds, with regards to bond issuance costs, the City has chosen to follow the guidance set forth in GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Under this guidance, a regulated business-type activity should capitalize all or part of an incurred cost that otherwise would be charged to expense if both of the following criteria are met:

- 1) It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- 2) Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

As a result, bond issuance costs are deferred and amortized over the benefit or payment period.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash equivalents -

For purposes of these financial statements, the City considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments -

The City is restricted to investments of cash and certificates of deposit with financial institutions and in the State of Georgia Local Government Investment Pool.

Restricted Assets -

Certain assets of the proprietary fund are classified as restricted because their use is limited by applicable bond covenants. These restricted assets consist of cash and cash equivalents.

Prepaid expenses -

Prepaid expenses consist of certain payments which reflect costs applicable to future periods. In governmental funds, these types of costs are recorded as expenditures during the term of the benefit period, rather than when paid.

Compensated Absences -

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave; however, accumulated sick pay is not paid. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. None of the liability is recorded in the governmental funds, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources. The liability for compensated absences of the proprietary fund is recorded as a liability of that fund.

Deferred Outflows/Inflows of Resources -

The City has adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources - a consumption of net assets by the government that is applicable to a future reporting period.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Outflows/Inflows of Resources (continued) -

Deferred inflows of resources - an acquisition of net assets by the government that is applicable to a future reporting period.

As of December 31, 2014, in the proprietary fund, the City had deferred outflows of resources of \$639,914 related to bond issue costs and \$933,686 related to a deferred loss on debt refunding. In governmental funds, the City had \$131,844 of deferred inflows of resources from deferred property taxes.

(2) CASH AND INVESTMENTS:

The City reports its cash and other investments under GASB Statement Number 40, "Deposit and Investment Risk Disclosures." This statement eliminated or modified portions of the disclosures previously required by GASB Statement Number 3. GASB Statement Number 40 is designed to improve financial reporting of deposit and investment risks.

At December 31, 2014, the primary government's cash and investments consist of the following -

	Weighted Average Maturity (Years)	Fair Value
Savings and money market accounts	<u>0.00</u>	<u>\$18,673,488</u>

Interest Rate Risk - As a means of limiting its exposure to losses resulting from rising interest rates, the City's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The City's investments experienced no significant fluctuations in fair value during the year.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(2) CASH AND INVESTMENTS (Continued):

Custodial Credit Risk - The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance, by collateral held by the City's agent in the City's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the City may participate. The City limits its investments to certificates of deposit and savings and money market accounts with local banks and Georgia Fund 1, a combined state and local government investment pool (in which the City had no funds at December 31, 2014).

Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool that follows Standard & Poors criteria for AAA rated money market funds. The State of Georgia Office of State Treasury is the oversight agency for the Fund, which is operated in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940, and is considered to be a 2a-7-like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity, and diversification while maintaining principal. Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share.

Credit Risk - The City's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(3) INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS:

Most interfund receivable and payable balances are attributable to unsettled balances for charges between funds, and are expected to be paid within one year. The interfund payable of \$1,395 for the water and sewer fund results from the general fund paying expenses on behalf of the water and sewer fund. The interfund payable of \$50 for the CDBG grant fund results from the general fund paying to open an initial cash account for the CDBG grant fund. It is anticipated that these balances will be settled in the next fiscal year. The interfund payable of \$411 for the general fund results from the water and sewer fund paying expenses on behalf of the general fund.

Interfund receivables and payables at December 31, 2014, are as follows -

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 1,395	\$ 411
CDBG grant	-	50
Water and sewer fund	<u>461</u>	<u>1,395</u>
	<u>\$ 1,856</u>	<u>\$ 1,856</u>

The purpose of transfers are to allocate revenues from the fund that collects them to the fund that expends the resources based on the budgetary operations of the City.

Transfers for the year ended December 31, 2014, were as follows -

From hotel/motel tax fund to general fund	\$ 59,195
From law enforcement fund to general fund	\$ 9,948
From general fund to law enforcement fund	\$ 1,446
From SPLOST Capital projects fund to water and sewer fund	\$ 821,200
From CDBG grant fund to water and sewer fund	\$ 4,666

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(4) CAPITAL ASSETS:

Governmental activities

A summary of changes in capital assets and accumulated depreciation for governmental activities is as follows -

	<u>Beginning</u>	<u>Additions and Adjustments</u>	<u>Dispositions and Adjustments</u>	<u>Ending</u>
Nondepreciable capital assets -				
Land	\$ 1,035,268	\$ 3,750	\$ -	\$ 1,039,018
Construction in progress	<u>123,997</u>	<u>118,900</u>	<u>-</u>	<u>242,897</u>
	<u>\$ 1,159,265</u>	<u>\$ 122,650</u>	<u>\$ -</u>	<u>\$ 1,281,915</u>
Depreciable capital assets -				
Public improvements	\$ 4,989,829	\$ 10,670	\$ -	\$ 5,000,499
Buildings	6,451,415	107,764	(55,656)	6,503,523
Equipment, vehicles, furniture and fixtures	<u>4,105,982</u>	<u>387,724</u>	<u>(308,453)</u>	<u>4,185,253</u>
	<u>15,547,226</u>	<u>506,158</u>	<u>(364,109)</u>	<u>15,689,275</u>
Less accumulated depreciation -				
Public improvements	958,505	140,433	-	1,098,938
Buildings	2,311,126	167,597	(55,656)	2,423,067
Equipment, vehicles, furniture and fixtures	<u>3,444,742</u>	<u>200,085</u>	<u>(308,453)</u>	<u>3,336,374</u>
	<u>6,714,373</u>	<u>508,115</u>	<u>(364,109)</u>	<u>6,858,379</u>
Depreciable capital assets, net	<u>\$ 8,832,853</u>	<u>\$ (1,957)</u>	<u>\$ -</u>	<u>\$ 8,830,896</u>

Depreciation charged to expense totaled \$508,115, and is charged to functions as follows -

General government	\$ 194,214
Judicial	-
Public safety	141,996
Public works	53,507
Culture and recreation	<u>118,398</u>
Total	<u>\$ 508,115</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(4) CAPITAL ASSETS (Continued):

Business-type activities

Capital assets of the proprietary fund are recorded at cost, including capitalized interest incurred during the construction phase, as applicable. Depreciation is provided on the cost of individual items of property by the straight-line method, over the estimated useful lives of 3 to 10 years for furniture, equipment and vehicles; 10 to 40 years for buildings and plants; 5 to 40 years for water and sewer system; 5 to 39 years for public improvements; and 20 to 40 years for transmission lines. Depreciation charged to expense totaled \$618,276.

A summary of proprietary fund changes in capital assets and accumulated depreciation is as follows -

	<u>Beginning</u>	<u>Additions and Adjustments</u>	<u>Dispositions and Adjustments</u>	<u>Ending</u>
Nondepreciable capital assets -				
Land	\$ 89,156	\$ -	\$ -	\$ 89,156
Construction in progress	<u>1,206,490</u>	<u>576,121</u>	<u>(1,599,308)</u>	<u>183,303</u>
	<u>\$ 1,295,646</u>	<u>\$ 576,121</u>	<u>\$ (1,599,308)</u>	<u>\$ 272,459</u>
Depreciable capital assets -				
Buildings	\$ 565,435	\$ -	\$ -	\$ 565,435
Water/sewer system	22,109,723	-	1,599,308	23,709,031
Equipment and vehicles	<u>990,834</u>	<u>5,490</u>	<u>(105,631)</u>	<u>890,693</u>
	<u>23,665,992</u>	<u>5,490</u>	<u>1,493,677</u>	<u>25,165,159</u>
Less accumulated depreciation -				
Buildings	61,798	14,341	-	76,139
Water/sewer system	5,804,806	565,070	-	6,369,876
Equipment and vehicles	<u>892,851</u>	<u>38,865</u>	<u>(105,631)</u>	<u>826,085</u>
	<u>6,759,455</u>	<u>618,276</u>	<u>(105,631)</u>	<u>7,272,100</u>
Depreciable capital assets, net	<u>\$16,906,537</u>	<u>\$ (612,786)</u>	<u>\$ 1,599,308</u>	<u>\$17,893,059</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(5) LONG-TERM DEBT:

Governmental activities

Debt for governmental activities reported in the government-wide statement of net position represents amounts not expected to be paid with expendable, available resources, and consists of the following -

Capital lease obligations recorded in the government-wide statement of net position consist of the following -

Lease financed with Federal Signal Leasing, for acquisition of a fire truck in the amount of \$459,846 under a lease purchase agreement, payable in yearly payments of \$58,975 including interest at 4.8%, through 2018	\$ 210,098
Lease financed with Regions Equipment Finance Corporation, for acquisition of patrol vehicles in the amount of \$368,876 under a lease purchase agreement, payable in yearly payments of \$95,868 including interest at 1.47%, through 2017	<u>273,008</u>
	<u>\$ 483,106</u>

Maturities of lease obligations are as follows -

	<u>Gross Payments</u>	<u>Imputed Interest</u>	<u>Net Present Value</u>
For the year ending:			
December 31, 2015	\$ 154,843	\$ 17,319	\$ 137,524
2016	154,843	12,624	142,219
2017	154,843	7,753	147,090
2018	<u>58,974</u>	<u>2,701</u>	<u>56,273</u>
	<u>\$ 523,503</u>	<u>\$ 40,397</u>	<u>\$ 483,106</u>

The gross amount of governmental activities assets recorded under existing capital leases in the government-wide statement of net position is \$828,722 for an equipment lease. Accumulated amortization of assets acquired under capital leases is recorded at \$235,216.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(5) LONG-TERM DEBT (Continued):

Governmental activities (continued)

A summary of changes in long-term debt for governmental activities is as follows -

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Capital lease obligations	\$ 278,489	\$ 368,876	\$ (164,259)	\$ 483,106
Compensated absences	<u>138,580</u>	<u>19,260</u>	<u>-</u>	<u>157,840</u>
	<u>\$ 417,069</u>	<u>\$ 388,136</u>	<u>\$ (164,259)</u>	<u>\$ 640,946</u>

Presentation of long-term debt of governmental activities in the government-wide statement of net position is as follows -

Due within one year -

Capital lease obligations	\$ 137,524
Compensated absences	<u>157,840</u>

295,364

Due in more than one year

345,582

\$ 640,946

The resources of the general fund have been used in prior years to liquidate the balance of the compensated absences relative to governmental activities.

Business-type activities

Bonds payable of the water and sewer fund consist of the following -

Series 2014 Water and Sewer Revenue Refunding and improvement bonds, total original borrowings \$15,370,000, to provide for refinancing of a portion of the 2009 Water and Sewer bonds, interest not to exceed 3.65%, payable semi-annually in varying amounts through October, 2038

\$14,850,000

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(5) LONG-TERM DEBT (Continued):

Business-type activities (continued)

Maturities of proprietary fund bonds payable are as follows -

	<u>Gross Payments</u>	<u>Interest</u>	<u>Principal</u>
For the year ending:			
December 31, 2015	\$ 890,193	\$ 415,193	\$ 475,000
2016	893,768	413,768	480,000
2017	889,168	404,168	485,000
2018	890,530	400,530	490,000
2019	890,730	390,730	500,000
2020-2024	4,464,840	1,809,840	2,655,000
2025-2029	4,452,660	1,457,660	2,995,000
2030-2034	4,457,525	957,525	3,500,000
2035-2038	3,571,665	301,665	3,270,000
	<u>\$21,401,079</u>	<u>\$6,551,079</u>	<u>\$14,850,000</u>

A summary of changes in long-term debt for business-type activities is as follows -

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Revenue bonds	<u>\$ 9,970,000</u>	<u>\$15,370,000</u>	<u>\$(10,490,000)</u>	\$14,850,000
Premium on bond refunding				<u>33,689</u>
				<u>\$14,883,689</u>

Presentation of long-term debt of business-type activities in the government-wide statement of net position is as follows for the revenue bonds -

Due within one year	\$ 475,000
Due within more than one year	<u>14,408,689</u>
	<u>\$14,883,689</u>

During 2014, the City defeased its Series 2009 Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds and to provide for construction funds to do sewer projects. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2014 \$9,970,000 of bonds outstanding are considered defeased.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(6) OPERATING LEASES:

The City leases equipment under operating leases expiring at various times from May 15, 2017 through April 25, 2018 at various amounts totaling \$894 per month. Minimum obligations relative to these leases are as follows -

For the year ending December 31, 2015	\$ 10,733
2016	10,733
2017	7,136
2018	<u>2,276</u>
	<u>\$ 30,878</u>

Rent expense relative to the above leases was \$10,733 for the year ended December 31, 2014.

(7) PENSION PLAN:

DEFINED BENEFIT PLAN:

Plan Description -

Employees of the City of Fort Oglethorpe, Georgia, are members of the Georgia Municipal Employees Benefit System (GMEBS), an agent, multiple-employer, defined benefit, public employee retirement system that acts as a common investment and administrative agent for cities. GMEBS provides retirement benefits as well as death and disability benefits. All full-time City employees are eligible to participate in the system after one year of continuous service. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 65 with five years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after five years of service. Benefit provisions are established in state statute and city ordinance. Political subdivisions such as the City of Fort Oglethorpe participate in the GMEBS as individual entities and are liable for all costs associated with the operation and administration of their plan.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(7) PENSION PLAN (Continued):

DEFINED BENEFIT PLAN (Continued):

Plan Description (continued) -

The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, SW, Atlanta, GA 30303.

Funding Policy and Annual Contributions -

The funding policy for the plan is to contribute an amount equal to the recommended contribution by the plan each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in current accounting standards, and estimated minimum annual contributions under Public Retirement Systems Standard law (Georgia Code Section 47-20-10). These contributions are determined under the projected unit credit actuarial cost method, and the asset valuation method for developing the actuarial value of assets by rolling forward prior years actuarial value with contributions, disbursements, and expected return on investments, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of the year. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

The City of Fort Oglethorpe requires no employee contributions, and the employer contribution is based on an actuarially determined rate established annually by GMEBS. The required contribution amount for the year ended December 31, 2014 was \$378,098, based on 13% of estimated, annual covered payroll. The actual contribution was \$378,098.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(7) PENSION PLAN (Continued):

DEFINED BENEFIT PLAN (Continued):

Significant Actuarial Assumptions -

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

The GMEBS has changed the reporting period for actuarial valuations from January 1 to July 1; therefore, the most recent actuarial valuation is July 1, 2014. The significant actuarial assumptions used in this valuation are as follows -

Rate of return on investments	7.75% per year
Projected salary increases	3.50% per year
Cost of living adjustment	0.0% per year
Inflation rate assumption	0.0% per year
Post retirement benefit increases	Not applicable

Trend Information -

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2014	\$378,098	100.00%	\$ -
12/31/2013	\$365,499	100.00%	\$ -
12/31/2012	\$297,545	100.00%	\$ -

Schedule of Funding Progress -
(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2014	\$5,405	\$6,822	\$1,417	79.23%	\$2,924	48.45%
7/1/2013	\$4,978	\$6,480	\$1,502	76.82%	\$2,858	52.57%
7/1/2012	\$4,596	\$6,039	\$1,443	76.11%	\$2,729	52.87%

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(7) PENSION PLAN (Continued):

DEFINED CONTRIBUTION PLAN:

Plan Description -

The City maintains a defined contribution plan through the Georgia Municipal Employees Benefit System (GMEBS) covering all full-time employees with at least one year of service. The plan is a 457(b) plan for the contributions of all eligible employees combined with a 401(a) plan that allows the City to match contributions on behalf of the employees. Employees may elect to contribute a percentage of their salary up to the limits set forth by the Internal Revenue Service. The City then matches those contributions 100% up to 4%. In addition, employees become 100% vested after 5 years of service. Employer and employee contributions during the year ended December 31, 2014 were approximately \$66,066 and \$94,628, respectively.

(8) 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; natural disasters; and injuries to employees. The City's policy is to purchase commercial insurance for its risk related to the above losses. The risks covered by commercial insurance include general liability, errors and omissions, and property and casualty losses, with a minor deductible payable by the City. Settled claims have not exceeded coverage for the three years ended December 31, 2014, 2013, and 2012. Deductibles for which the City was responsible amounted to \$7,251, \$16,448, and \$13,010, for the same three years, respectively.

The City also manages its risk of loss related to injuries to employees through the purchase of commercial workers' compensation insurance. Payment of eligible claims is based on statutory requirements, and the City has no deductible in connection with claims paid.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(9) LITIGATION:

The City is also the defendant in certain other legal actions which are being vigorously defended.

It is the opinion of management and legal counsel that none of the aforementioned proceedings will have a material effect on the financial position of the City.

(10) COMMITMENTS:

At December 31, 2014, the City has construction commitments in the amount of \$2,143,030, with \$295,827 unpaid on these contracts.

(11) HOTEL/MOTEL LODGING TAX:

The City of Fort Oglethorpe, Georgia, levies a 6% lodging tax, of which 3% is required to be spent for tourism and development, as authorized in Georgia code OCGA 48-13-51. A summary of the transactions for the year ended December 31, 2014, is as follows:

Lodging tax - 6%	\$ 59,195
Disbursements for tourism and development	\$ 29,598

(12) JOINT VENTURE:

Under Georgia law, the City, in conjunction with other cities and counties in the eleven City northwest Georgia area, is a member of the Northwest Regional Commission and is required to pay annual dues thereto. During the year ended December 31, 2014, the City paid \$9,513 in such dues. Membership in a regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34. Each regional commission board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of its applicable regional commission. Separate financial statements may be obtained from -

Northwest Regional Commission
P.O. Box 1793
Rome, Georgia 30162-1793

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

(13) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through June 26, 2015, the date which this financial statement was available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES:				
Property taxes	\$1,434,088	\$1,434,088	\$ 1,460,322	\$ 26,234
Motor vehicle tax	237,000	237,000	341,157	104,157
Business and occupation tax	871,000	871,000	915,476	44,476
General sales and use tax	1,800,000	1,800,000	1,916,829	116,829
Franchise tax	974,300	974,300	1,070,309	96,009
Real estate transfer tax	5,000	5,000	9,163	4,163
Intangible tax	25,000	25,000	21,163	(3,837)
Alcoholic beverage tax	250,000	250,000	293,033	43,033
Other taxes	<u>17,500</u>	<u>17,500</u>	<u>13,715</u>	<u>(3,785)</u>
Total taxes	<u>5,613,888</u>	<u>5,613,888</u>	<u>6,041,167</u>	<u>427,279</u>
LICENSES AND PERMITS:				
Alcoholic beverage license	39,000	39,000	38,150	(850)
Other licenses and permits	<u>83,800</u>	<u>83,800</u>	<u>142,390</u>	<u>58,590</u>
Total licenses and permits	<u>122,800</u>	<u>122,800</u>	<u>180,540</u>	<u>57,740</u>
INTERGOVERNMENTAL:				
Federal financial assistance	101,000	101,000	100,780	(220)
DOT revenue	-	69,161	69,161	-
Federal government in lieu of taxes	<u>11,900</u>	<u>11,900</u>	<u>12,442</u>	<u>542</u>
Total intergovernmental	<u>112,900</u>	<u>182,061</u>	<u>182,383</u>	<u>322</u>
CHARGES FOR SERVICES:				
Public safety	176,800	176,800	177,209	409
Background checks	3,500	3,500	4,165	665
Culture and recreation	102,150	112,150	111,077	(1,073)
Other services	<u>300</u>	<u>300</u>	<u>6,779</u>	<u>6,479</u>
Total charges for services	<u>282,750</u>	<u>292,750</u>	<u>299,230</u>	<u>6,480</u>
FINES AND FORFEITURES:				
Police and courts	<u>750,000</u>	<u>750,000</u>	<u>741,185</u>	<u>(8,815)</u>
Total fines and forfeitures	<u>750,000</u>	<u>750,000</u>	<u>741,185</u>	<u>(8,815)</u>

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
MISCELLANEOUS:				
Investment Income	\$ 40,000	\$ 40,000	\$ 16,041	\$ (23,959)
Property rental	196,063	196,063	160,730	(35,333)
Insurance recovery	-	42,182	43,850	1,668
Other	<u>10,000</u>	<u>36,330</u>	<u>58,083</u>	<u>21,753</u>
Total miscellaneous	<u>246,063</u>	<u>314,575</u>	<u>278,704</u>	<u>(35,871)</u>
 Total revenues	<u>7,128,401</u>	<u>7,276,074</u>	<u>7,723,209</u>	<u>447,135</u>
EXPENDITURES:				
Judicial -				
Municipal Court	<u>490,667</u>	<u>494,306</u>	<u>462,635</u>	<u>31,671</u>
Total judicial	<u>490,667</u>	<u>494,306</u>	<u>462,635</u>	<u>31,671</u>
 General Government -				
Legislative	102,104	129,000	125,620	3,380
Executive	219,987	220,865	198,584	22,281
Administration	572,636	564,489	526,653	37,836
General government buildings	<u>420,662</u>	<u>430,692</u>	<u>387,539</u>	<u>43,153</u>
Total general government	<u>1,315,389</u>	<u>1,345,046</u>	<u>1,238,396</u>	<u>106,650</u>
 Public Safety -				
Police	2,392,389	2,810,279	2,701,426	108,853
Fire	<u>1,231,917</u>	<u>1,163,303</u>	<u>1,094,950</u>	<u>68,353</u>
Total public safety	<u>3,624,306</u>	<u>3,973,582</u>	<u>3,796,376</u>	<u>177,206</u>
 Public works -				
Public works administration	124,793	146,440	144,360	2,080
Highways and streets	692,390	823,835	623,459	200,376
Traffic engineering	129,086	129,556	112,989	16,567
Solid waste collection	555,280	574,230	563,337	10,893
Maintenance and shop	<u>68,606</u>	<u>68,606</u>	<u>60,476</u>	<u>8,130</u>
Total public works	<u>1,570,155</u>	<u>1,742,667</u>	<u>1,504,621</u>	<u>238,046</u>

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Culture and Recreation -				
Parks administration	\$ 95,508	\$ 115,548	\$ 112,372	\$ 3,176
Parks operation	243,654	342,496	348,515	(6,019)
Swimming pools	75,432	108,432	102,361	6,071
Senior center	11,350	11,700	9,335	2,365
Total culture and recreation	425,944	578,176	572,583	5,593
Public welfare -				
Tourism	25,500	25,500	29,188	(3,688)
Total public welfare	25,500	25,500	29,188	(3,688)
Housing and development -				
Protective inspection	95,801	80,703	42,180	38,523
Total housing and development	95,801	80,703	42,180	38,523
Total expenditures	7,547,762	8,239,980	7,645,979	594,001
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(419,361)	(963,906)	77,230	1,041,136
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease obligation	-	368,876	368,876	-
Transfers from other funds	63,000	63,000	69,143	6,143
Transfers to other funds	-	-	(1,446)	(1,446)
Total	63,000	431,876	436,573	4,697
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(356,361)	(532,030)	513,803	1,045,833
FUND BALANCES:				
Beginning	9,580,872	9,580,872	9,580,872	-
Ending	<u>\$9,224,511</u>	<u>\$9,048,842</u>	<u>\$ 10,094,675</u>	<u>\$ 1,045,833</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

The budget is prepared on the same basis as the expenditures are presented, therefore no reconciliation between the budget basis and the basis under generally accepted accounting principles is required.

OTHER SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF FORT OGLETHORPE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscated Assets</u>	<u>Law Enforcement</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>	<u>CDBG Grant</u>	
ASSETS:						
Cash and cash equivalents	\$ 35,814	\$ -	\$ -	\$ 35,814	\$ 50	\$ 35,864
Total assets	\$ 35,814	\$ -	\$ -	\$ 35,814	\$ 50	\$ 35,864
LIABILITIES AND FUND BALANCES:						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 50
Fund balances:						
Unreserved, designated for specific purposes	35,814	-	-	35,814	-	35,814
Total fund balances	35,814	-	-	35,814	-	35,814
Total liabilities and fund balances	\$ 35,814	\$ -	\$ -	\$ 35,814	\$ 50	\$ 35,864

CITY OF FORT OGLETHORPE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Confiscated Assets	Law Enforcement	Hotel/Motel Tax	Total	CDBG Grant	
REVENUES:						
Taxes	\$ -	\$ -	\$ 59,195	\$ 59,195	\$ -	\$ 59,195
Intergovernmental	-	1,446	-	1,446	4,666	6,112
Fines, fees and forfeitures	4,427	-	-	4,427	-	4,427
Interest	26	-	-	26	-	26
Total revenues	4,453	1,446	59,195	65,094	4,666	69,760
EXPENDITURES:						
Current -						
Public safety	5,313	1,986	-	7,299	-	7,299
Capital outlay	3,700	-	-	3,700	-	3,700
Total expenditures	9,013	1,986	-	10,999	-	10,999
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,560)	(540)	59,195	54,095	4,666	58,761
OTHER FINANCING SOURCES (USES):						
Transfer from other funds	-	1,446	-	1,446	-	1,446
Transfer to other funds	-	(9,948)	(59,195)	(69,143)	(4,666)	(73,809)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(4,560)	(9,042)	-	(13,602)	-	(13,602)
FUND BALANCES:						
Beginning	40,374	9,042	-	49,416	-	49,416
Ending	\$ 35,814	\$ -	\$ -	\$ 35,814	\$ -	\$ 35,814

FINANCIAL SCHEDULES

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Total</u>
TAXES RECEIVABLE,					
Beginning	\$ -	\$ 158,723	\$ 34,240	\$ 971	\$ 193,934
TAX LEVY	1,426,749	-	-	-	1,426,749
ADJUSTMENTS:					
Releases, net of pickups	1,523	1,544	(652)	(140)	2,275
COLLECTIONS	<u>(1,263,837)</u>	<u>(129,398)</u>	<u>(33,447)</u>	<u>(432)</u>	<u>(1,427,114)</u>
TAXES RECEIVABLE,					
Ending	<u>164,435</u>	<u>30,869</u>	<u>141</u>	<u>399</u>	<u>195,844</u>
Less allowance for uncollectible taxes	<u>(2,502)</u>	<u>(468)</u>	<u>(88)</u>	<u>(726)</u>	<u>(3,784)</u>
TAXES RECEIVABLE,					
Net	<u>\$ 161,933</u>	<u>\$ 30,401</u>	<u>\$ 53</u>	<u>\$ (327)</u>	<u>\$ 192,060</u>

**CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF WATER AND SEWER RATES
DECEMBER 31, 2014**

The water and sewer rates for the City of Fort Oglethorpe, Georgia at December 31, 2014, are as follows -

	<u>Water Rates</u>	<u>Sewer Rates</u>
Residential:		
First 2,000 gallons	\$15.28/minimum	\$16.59/minimum
All over 2,000 gallons	\$4.04/1,000 gallons	\$4.37/1,000 gallons

Commercial:		
First 2,000 gallons	\$20.06/minimum	\$21.23/minimum
All over 2,000 gallons	\$7.75/1,000 gallons	\$8.31/1,000 gallons

As of December 31, 2014, the City had approximately 2,752 water customers and 3,432 sewer customers.

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Pass-Through Number</u>	<u>Beginning Accrued (Deferred)</u>	<u>Cash Receipts (Refunds)</u>	<u>Expenditures</u>	<u>Ending Accrued (Deferred)</u>
National Highway Traffic						
Safety Administration:						
Pass-through from Governor's Office of Highway Safety - State and Community Highway Safety	20.600	GA-2014-216-00249	\$ 9,042	\$ 10,488	\$ 1,446	\$ -
Total Highway Safety Administration			9,042	10,488	1,446	-
U.S. Department of Justice:						
Justice Assistance Grant Byrne Vest Program	16.580		848	848	780	780
Total Department of Justice			848	848	780	780
U.S. Department of Transportation:						
Pass-through from Georgia Department of Natural Resources - Recreational Trails Program	20.219	NRT-11(12)	-	8,000	100,000	92,000
Total Department of Transportation			-	8,000	100,000	92,000
Appalachian Regional Commission:						
Appalachian Area Development Project	11.300	GA-17027	214,435	214,435	-	-
Total Appalachian Regional Commission			214,435	214,435	-	-
Total Federal Awards			<u>\$ 224,325</u>	<u>\$ 233,771</u>	<u>\$ 102,226</u>	<u>\$ 92,780</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**SEC RULE 15C2-12 CONTINUING DISCLOSURES
ANNUAL OPERATING INFORMATION SECTION
(Unaudited)**

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

General -

The water and sewer system is composed of a water storage and distribution system and a wastewater collection and disposal system. The City does not own or operate any water treatment facility or wastewater treatment facility but instead contracts with third party providers for those services. The Mayor and City council have ultimate authority and control over the policy and rate setting of the System. Water and sewer service is available to all residents and businesses with the City. The water system does not serve customers outside the corporate limits of the City. As of May, 1, 2014, the water system provides water to 2,838 customers in the City. The Sewer system serves approximately 5,593 customers, 2,838 of whom are in the City and 2,755 of whom are outside the City limits.

Water System -

The City's water system consists of a retail water distribution system with one ground water storage tank that has a two million gallon storage capacity. The City purchases virtually all of its treated water from the Tennessee-American Water Company (Tennessee American), a Tennessee Corporation and public utility that owns and operates a water utility system in and around the City of Chattanooga, Tennessee. In addition, the City can purchase water from the Catoosa Utility District on an as-needed basis at the then prevailing rate for water purchases from the Catoosa Utility District. The City has two connections to the Tennessee-American system and three connections to the Catoosa Utility District water system. Tennessee-American's water source is the Tennessee River and the Catoosa Utility District's water source is Yates Springs.

Sewer System -

The City's sewer system is available to all areas within the corporate limits of the City. The Sewer system transports sewage through the Northwest Georgia Interceptor Sewer System to Chattanooga's Moccasin Bend Wastewater Treatment Facility for treatment. Rates for collection and treatment of wastewater are established each year based on projected costs and revenues. The City Council of Chattanooga has ultimate authority regarding operations of its sewer system and rate setting for wastewater treatment services. Uniform rates for operations and maintenance and debt service are established yearly for all regional users of the Moccasin Bend Wastewater Treatment Facility.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Sewer System (continued)-

The aggregate rate is required by the Environmental Protections Division to be uniform system-wide. The aggregate regional rates for the last six years per thousand gallons of wastewater treated at the Moccasin Bend Wastewater Treatment Facility are as follows:

<u>Effective Date</u>	<u>Rate Per 1,000 Gallons</u>
July 1, 2009	0.8518
July 1, 2010	0.8584
July 1, 2011	0.9337
July 1, 2012	0.9397
July 1, 2013	1.0387
July 1, 2014	1.0369

Capital Improvements to Water and Sewer System from Current Funds

Over the years, the City has enlarged and extended its water and sewer system with funds derived from revenues of the System, City funding, GEFA Loans, and Federal grants. The following table shows the amounts from such sources spent on capital improvements to the System during the last six fiscal years.

<u>Fiscal Year Ended December 31</u>	<u>SPLOST Funds</u>	<u>System Revenues</u>	<u>GEFA Loans</u>	<u>Federal Grants</u>	<u>Series 2009 Bonds</u>	<u>Total</u>
2009	\$ -	\$ -	\$ -	\$ -	\$ 113,548	\$ 113,548
2010	-	-	-	-	1,650,749	1,650,749
2011	-	-	-	-	2,671,440	2,671,440
2012	-	-	-	-	955,623	955,623
2013	-	-	-	1,100,000	1,256,072	2,356,072
2014	-	-	-	-	639,690	639,690

The following table shows historical numbers of active water and sewer customers of the System for the last seven fiscal years who are billed directly by the City. There are approximately 2,048 customers of the System who are billed by the Catoosa Utility District. This table does not include inactive meters.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Sewer System (continued) -

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013²</u>	<u>2014</u>
Water -							
Residential ¹	2,305	2,296	2,347	2,355	2,385	2,389	2,426
Commercial	<u>314</u>	<u>313</u>	<u>320</u>	<u>321</u>	<u>325</u>	<u>324</u>	<u>326</u>
Total	<u>2,619</u>	<u>2,609</u>	<u>2,667</u>	<u>2,676</u>	<u>2,710</u>	<u>2,713</u>	<u>2,752</u>
Sewer -							
Residential ¹	2,263	2,256	2,304	2,311	2,340	3,000	3,066
Commercial	<u>309</u>	<u>308</u>	<u>314</u>	<u>315</u>	<u>319</u>	<u>364</u>	<u>366</u>
Total	<u>2,572</u>	<u>2,564</u>	<u>2,618</u>	<u>2,626</u>	<u>2,659</u>	<u>3,364</u>	<u>3,432</u>

¹ Includes apartment complexes, which are served by a single connection.

² In 2013, the City began billing Tennessee-American customers for sewer charges. In prior years, Tennessee-American billed the customers directly and then remitted payment to the City.

The following table shows historical data of water and sewer demand for the last six fiscal years.

<u>Fiscal Year</u>	<u>Daily Water Consumption</u>		<u>Daily Sewer Consumption</u>	
	<u>Peak (MGD)</u>	<u>Average (MGD)</u>	<u>Peak (MGD)</u>	<u>Average (MGD)</u>
2008	1.20	0.97	3.78	2.51
2009	1.24	0.99	2.50	2.06
2010	1.10	0.90	3.25	2.26
2011	1.12	0.95	3.13	2.23
2012	1.10	0.98	3.20	2.24
2013	1.12	0.97	3.93	2.71

The following table shows the ten largest water and sewer customers of the System for the fiscal year ended December 31, 2013. No independent investigation has been made of, and consequently no representation can be made as to, the stability or financial condition of any of the customers listed below or that such customers will continue to maintain their status as major customers of the water system.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Sewer System (continued) -

<u>Customer</u>	<u>Type of Business</u>	<u>Gallons Metered (000s)</u>	<u>Annual Water and Sewer Revenue</u>	<u>Revenues as a Percent of Total System Revenues¹</u>
Hutcheson Med. Center ²	Healthcare	27,085	\$ 328,716	8.60%
Oglethorpe Ridge Apts.	Apartments	9,334	84,463	2.21%
Lakeshore Apts.	Apartments	5,734	65,722	1.72%
Battlewood Apts.	Apartments	3,264	50,325	1.32%
Fort Oglethorpe Nursing Home	Healthcare	3,038	43,150	1.13%
Battlefield Plz. Apts.	Apartments	3,342	28,130	0.74%
Golden Coral	Restaurant	1,953	27,295	0.71%
Lakeview High	School	1,370	19,176	0.50%
Dwight Waterhouse	Apartments	1,674	17,492	0.46%
Wash Daze Coin Laundry	Svc.-Laundry	1,092	15,306	0.40%
Battlefield Primary	School	<u>1,084</u>	<u>15,192</u>	<u>0.40%</u>
Total		<u>58,970</u>	<u>\$ 694,967</u>	<u>18.19%</u>

1 Based on total water and sewer revenues of \$3,785,963 for the fiscal year ended December 31, 2013.

2 Hutcheson Medical Center is one of the largest employers in Catoosa County and is the largest customer of the System. Hutcheson Medical Center is currently involved in litigation with Erlanger Health System of Chattanooga regarding its management agreement and certain outstanding debt obligations. The City makes no observation or renders no opinion regarding the litigation or its potential outcome and the City is not a party to any associated litigation or proceedings. The City has taken action to mitigate concentration risk for any material user of the System by adopting the July 18, 2014, System rate resolution (See Rates, Fees and Charges, herein). Effective July 1, 2014, material users of the System are now subject to mandatory annual review of usage and payments. The rate resolution authorizes System rate increases to offset decreased usage or payments of material System users if such usage or payments deviate downward by a factor of two percent.

Comparison of Monthly Bills for Water and Sewer Services -

Set forth below is a comparison of average equivalent monthly residential water and sewer bills of customers of the System and customers of the City of Ringgold and the Catoosa Utility District. The rates shown are for service within City limits for 2,000 gallons of water used.

	<u>Fort Oglethorpe</u>	<u>Ringgold</u>	<u>Catoosa Utility District</u>
Water	\$16.59	\$12.75	\$10.00
Sewer	<u>15.28</u>	<u>13.90</u>	<u>19.79</u>
Total	<u>\$31.87</u>	<u>\$26.65</u>	<u>\$29.79</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Comparison of Monthly Bills for Water and Sewer Services (continued)-

The city has adjusted its water and sewer rate schedules annually. A summary of the general rate schedule in effect since January 1, 2009, to present is set forth below.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Inside City Water Rate -</u>						
Residential:						
First 2,000 gal. (min.)	\$ 9.00	\$11.17	\$11.74	\$12.71	\$13.35	\$16.59
Each additional 1,000 gal.	2.25	2.87	3.02	3.36	3.53	4.37
Commercial:						
First 2,000 gal. (min.)	12.00	14.78	15.53	16.69	17.52	21.23
Each additional 1,000 gal.	4.57	5.66	5.95	6.44	6.77	8.31
<u>Inside City Sewer Rate -</u>						
Residential:						
First 2,000 gal. (min.)	10.00	12.09	12.71	13.49	14.30	15.28
Each additional 1,000 gal.	2.45	3.11	3.27	3.51	3.72	4.04
Commercial:						
First 2,000 gal. (min.)	13.00	15.56	16.35	17.32	18.36	20.06
Each additional 1,000 gal.	4.99	6.04	6.35	6.75	7.16	7.75
<u>Outside City Sewer Rate (Catoosa Utility Water) -</u>						
Residential:						
First 2,000 gal. (min.)	13.00	15.72	16.52	17.54	18.59	21.57
Each additional 1,000 gal.	3.19	4.04	4.25	4.56	4.83	5.68
Commercial:						
First 2,000 gal. (min.)	16.90	20.23	21.25	22.52	23.87	27.60
Each additional 1,000 gal.	0.00	7.85	8.25	8.78	9.31	10.80
<u>Outside City Sewer Rate (TN American Water) -</u>						
Residential:						
First 2,000 gal. (min.)	13.00	15.72	16.52	17.54	19.00	21.98
Each additional 1,000 gal.	3.19	4.04	4.25	4.56	4.83	5.68
Commercial:						
First 2,000 gal. (min.)	16.90	20.23	21.25	22.52	24.28	28.01
Each additional 1,000 gal.	0.00	7.85	8.25	8.78	9.31	10.80

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Comparison of Monthly Bills for Water and Sewer Services (continued)-

On July 17, 2014, the City Council unanimously adopted a resolution, dated as of July 18, 2014, providing for new rates for the water and sewer system. The resolution authorizes a three year annual staged increase of water and sewer rates of 9.0% per annum commencing on July 1, 2014. The resolution additionally provides for additional annual rate increases to (1) compensate for any increase of water or sewer system expense resulting from rate increases by the Tennessee American and Chattanooga; (2) provide for compliance with the bond covenants in the Resolution for the issuance of the Bonds; (3) make provision for the stabilization of annual water and sewer system revenues in the event certain material users of the System experience reductions to annual system usage or payment amounts; (4) make provision for the maintenance and upgrade of the City's underlying credit ratings as assigned by Standard & Poor's Corporation, Moody's Investors Service, or Fitch Rating Services; and (5) provide for the efficient operations of the System by authorizing the periodic adjustment of rates to achieve the referenced objectives, comply with existing bond covenants, and comply with State law.

Five year net assets history -

The table below sets forth a historical statement of net assets for the past five fiscal years of the system.

City of Fort Oglethorpe
Proprietary Fund - Water and Sewer Fund
Historical Statements of Net Assets

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Current assets:					
Cash and cash equivalents	\$ 7,001,026	\$ 5,437,520	\$ 5,354,353	\$ 4,940,422	\$ 7,839,648
Receivables, net of allowance for uncollectibles	250,369	260,534	384,193	529,360	411,901
Interest receivable	18,705	-	-	-	-
Due from other funds	10,384	1,942	-	-	461
Prepaid insurance	34,985	35,782	38,789	62,110	62,232
Total current assets	<u>7,315,469</u>	<u>5,735,778</u>	<u>5,777,335</u>	<u>5,531,892</u>	<u>8,314,242</u>
Long-term assets:					
Restricted assets -					
Inv. in CDs or MM, restricted by bond covenants	1,691,738	1,730,754	1,750,875	1,760,340	2,079,231
Bond interest and sinking funds	849,446	849,549	849,624	849,674	222,548

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Five year net assets history (continued)-

City of Fort Oglethorpe Proprietary Fund - Water and Sewer Fund Historical Statements of Net Assets					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital assets -					
Land and other non-depreciable assets	\$ 2,166,774	\$ 2,715,377	\$ 615,906	\$ 1,295,646	\$ 272,459
Property, plant and equipment	16,911,813	18,898,125	22,549,705	23,665,992	25,165,159
Accumulated depr.	(5,203,607)	(5,661,519)	(6,176,126)	(6,759,455)	(7,272,100)
Other assets -					
Unamortized bond issue costs	671,264	647,147	-	-	-
Prepaid bond ins.	<u>-</u>	<u>-</u>	<u>220,200</u>	<u>211,677</u>	<u>15,587</u>
Total long-term assets	<u>17,087,428</u>	<u>19,179,575</u>	<u>19,810,184</u>	<u>21,023,874</u>	<u>20,482,884</u>
Total assets	<u>24,402,897</u>	<u>24,915,353</u>	<u>25,587,519</u>	<u>26,555,766</u>	<u>28,797,126</u>
Deferred outflows of resources:					
Bond issue costs	\$ -	\$ -	\$ -	\$ -	\$ 639,914
Deferred loss on debt refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>933,686</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,573,600</u>
Current liabilities:					
Current maturities of notes and bonds	\$ 230,000	\$ 235,000	\$ 240,000	\$ 245,000	\$ 475,000
Accounts payable	279,654	194,645	212,948	353,200	132,806
Accrued int. payable	112,210	111,060	109,885	108,685	103,798
Due to other funds	1,680,513	1,737,106	1,752,583	1,761,780	1,395
Payroll withholdings and accruals	26,248	26,912	30,207	31,999	10,408
Compensated absences	41,332	40,397	40,033	35,215	44,597
Customer deposits	144,936	151,096	152,816	157,316	161,524
Other deferred revenue	<u>4,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	2,519,031	2,496,216	2,538,472	2,693,195	929,528
Long-term liabilities:					
Bonds payable	<u>10,445,000</u>	<u>10,210,000</u>	<u>9,970,000</u>	<u>9,725,000</u>	<u>14,408,689</u>
Total liabilities	<u>12,964,031</u>	<u>12,706,216</u>	<u>12,508,472</u>	<u>12,418,195</u>	<u>15,338,217</u>
Net position:					
Invested in capital assets, net of related debt	3,199,980	5,507,125	6,779,485	8,232,183	3,281,829
Unrestricted	<u>8,238,886</u>	<u>6,702,012</u>	<u>6,299,562</u>	<u>5,905,388</u>	<u>11,750,680</u>
Total net position	<u>11,438,866</u>	<u>12,209,137</u>	<u>13,079,047</u>	<u>14,137,571</u>	<u>15,032,509</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Five Year Operating History -

The table below sets forth a historical, comparative summary of revenues and expenses for the past five fiscal years of the System. Information in the table for fiscal years 2010 to 2014 has been extracted from the "City of Fort Oglethorpe, Georgia, Proprietary Fund - Water and Sewer Fund, Statement of Revenues, Expenses and Changes in Net Position," contained within the financial statements of the City for the fiscal years ended December 31, 2010, to December 31, 2014. Although taken from audited financial statements for fiscal years 2010 through 2014, no representation is made that the information is comparable from year to year, or that the information as shown, taken by itself, presents fairly the results of operation of the individual systems or the System for the fiscal years shown. For more complete information, reference is made to the audited financial statement of the City for fiscal year 2014, and to the audited financial statements of the City for fiscal years 2010 through 2013, copies of which are available from the City upon request.

City of Fort Oglethorpe
Water and Sewer Fund
Historical Statement of Revenues,
Expenses, and Changes in Net Assets

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating revenues:					
Water sales	\$ 1,021,572	\$ 1,082,069	\$ 1,187,592	\$ 1,201,607	\$ 1,305,264
Sewer charges	2,195,068	2,337,692	2,489,321	2,620,587	2,929,795
Water and sewer taps	48,900	21,000	45,950	25,998	73,000
Meter and reconnect fees	18,020	14,739	18,105	30,655	30,177
Federal financial asst.	335	242,168	89,201	125,234	-
Local government grants	49,656	41,380	-	-	-
Other	77,203	81,157	76,233	76,233	100,935
Total revenues	<u>3,410,754</u>	<u>3,820,205</u>	<u>3,906,402</u>	<u>4,080,314</u>	<u>4,439,171</u>
Operating expenses:					
Depreciation and amort.	417,063	482,030	532,955	591,853	852,259
General operating exp.	<u>2,802,495</u>	<u>2,958,587</u>	<u>3,089,447</u>	<u>3,178,001</u>	<u>3,282,511</u>
Total expenses	<u>3,219,558</u>	<u>3,440,617</u>	<u>3,622,402</u>	<u>3,769,854</u>	<u>4,134,770</u>
Operating income	<u>191,196</u>	<u>379,588</u>	<u>284,000</u>	<u>310,460</u>	<u>304,401</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Five Year Operating History (continued)-

City of Fort Oglethorpe
Water and Sewer Fund
Historical Statement of Revenues,
Expenses, and Changes in Net Assets

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Non-operating revenue					
(expense):					
Interest revenue	\$ 152,294	\$ 112,343	\$ 93,800	\$ 43,649	\$ 8,372
Interest expense	<u>(465,097)</u>	<u>(447,689)</u>	<u>(443,064)</u>	<u>(438,339)</u>	<u>(243,701)</u>
Total non-operating revenue (expense)	<u>(312,803)</u>	<u>(335,346)</u>	<u>(349,264)</u>	<u>(394,690)</u>	<u>(235,329)</u>
Income (loss) before operating transfers	(121,607)	44,242	(65,264)	(84,230)	69,072
Transfers from other funds	<u>1,594,582</u>	<u>726,029</u>	<u>1,353,597</u>	<u>1,142,754</u>	<u>825,866</u>
Change in net position	<u>1,472,975</u>	<u>770,271</u>	<u>1,288,333</u>	<u>1,058,524</u>	<u>894,938</u>
Net position:					
Beginning	9,965,891	11,438,866	12,209,137	13,079,047	14,137,571
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(418,423)</u>	<u>-</u>	<u>-</u>
Beginning as restated	<u>9,965,891</u>	<u>11,438,866</u>	<u>11,790,714</u>	<u>13,079,047</u>	<u>14,137,571</u>
Ending	<u>\$11,438,866</u>	<u>\$12,209,137</u>	<u>\$13,079,047</u>	<u>\$14,137,571</u>	<u>\$15,032,509</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Debt service schedule -

Set forth below are the principal and interest payment requirements of the City with respect to the Bonds.

FYE (December 31)	Principal of the Bonds	Interest on the Bonds	Total Debt Service
2014	\$ 520,000.00	\$ 31,217.44	\$ 551,217.44
2015	475,000.00	415,192.50	890,192.50
2016	480,000.00	413,767.50	893,767.50
2017	485,000.00	404,167.50	889,167.50
2018	490,000.00	400,530.00	890,530.00
2019	500,000.00	390,730.00	890,730.00
2020	510,000.00	383,730.00	893,730.00
2021	520,000.00	373,530.00	893,530.00
2022	530,000.00	363,130.00	893,130.00
2023	540,000.00	351,205.00	891,205.00
2024	555,000.00	338,245.00	893,245.00
2025	565,000.00	324,370.00	889,370.00
2026	580,000.00	309,115.00	889,115.00
2027	600,000.00	292,875.00	892,875.00
2028	615,000.00	274,875.00	889,875.00
2029	635,000.00	256,425.00	891,425.00
2030	655,000.00	236,422.50	891,422.50
2031	675,000.00	215,135.00	890,135.00
2032	700,000.00	192,860.00	892,860.00
2033	725,000.00	169,060.00	894,060.00
2034	745,000.00	144,047.50	889,047.50
2035	775,000.00	117,972.50	892,972.50
2036	800,000.00	90,460.00	890,460.00
2037	830,000.00	61,660.00	891,660.00
2038	865,000.00	31,572.50	896,572.50
Totals	<u>\$15,370,000.00</u>	<u>\$6,582,294.94</u>	<u>\$21,952,294.94</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Historical and Pro-forma Debt Service Coverage Ratios -

The Net Revenues of the System will be pledged to the payment of the Bonds. Set forth below are historical and pro-forma debt service coverage ratios. The historical figures are based upon Net Revenues of the System available for Debt Service that occurred during fiscal year 2009 through fiscal year 2014. The pro-forma figures are based upon the financial forecast of the System's net revenues for fiscal year 2015 through fiscal year 2018.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating revenues	\$ 2,919,305	\$ 3,410,754	\$ 3,820,205	\$ 3,906,402	\$ 4,080,314
Operating expenses	(2,744,693)	(2,802,495)	(2,958,587)	(3,089,447)	(3,178,001)
Interest earnings	32,799	152,294	112,343	93,800	43,649
Transfer revenues	<u>2,765,852</u>	<u>1,594,582</u>	<u>726,029</u>	<u>1,353,597</u>	<u>1,142,754</u>
RADS with transfers	<u>\$ 2,973,263</u>	<u>\$ 2,355,135</u>	<u>\$ 1,699,990</u>	<u>\$ 2,264,352</u>	<u>\$ 2,088,716</u>
RADS without transfers	<u>\$ 207,411</u>	<u>\$ 760,553</u>	<u>\$ 973,961</u>	<u>\$ 910,755</u>	<u>\$ 945,962</u>
Annual debt service	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000
DSCR with transfers	7.62	3.49	2.52	3.35	3.09
DSCR without transfers	0.53	1.13	1.44	1.35	1.40
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating revenues	\$ 4,439,171	\$ 4,825,726	\$ 5,248,658	\$ 5,511,091	\$5,786,646
Operating expenses	(4,134,770)	(3,371,541)	(3,472,687)	(3,576,868)	(3,684,174)
Interest earnings	8,372	44,526	44,972	45,421	45,876
Transfer Revenues	<u>825,866</u>	<u>1,156,494</u>	<u>1,156,494</u>	<u>1,156,494</u>	<u>1,156,494</u>
RADS with transfers	<u>\$ 1,138,639</u>	<u>\$ 2,655,205</u>	<u>\$ 2,977,437</u>	<u>\$ 3,136,138</u>	<u>\$ 3,304,842</u>
RADS without transfers	<u>\$ 312,773</u>	<u>\$ 1,498,711</u>	<u>\$ 1,820,942</u>	<u>\$ 1,979,644</u>	<u>\$ 2,148,347</u>
Annual debt service	\$ 551,217	\$ 890,193	\$ 893,768	\$ 899,168	\$ 890,530
DSCR with transfers	2.07	2.98	3.33	3.53	3.71
DSCR without transfers	0.57	1.68	2.04	2.23	2.41

Note: Current State law does not permit the pledging of one percent special purpose county sales and use tax ("SPLOST") transfers to the repayment of revenue bonds. However, the 2013 SPLOST Agreement, hereinafter defined, provides for certain improvements to the System and the retirement of certain debt of the System to be paid from proceeds of the SPLOST. See "THE CITY OF FORT OGLETHORPE - County Special Purpose Local Option Sales Tax," herein. The City has set user rates to provide for the repayment of debt service assuming the receipt of zero SPLOST transfers. The Debt Service Coverage calculations contained in this Official Statement demonstrate debt service coverage which correctly demonstrates operating revenues plus transfers in the calculation of revenues available for debt service and historical and pro forma debt service coverage ratios. The table above contains historical and pro forma debt service coverage calculations which assume the receipt of zero SPLOST transfers. See also "Management Comments Concerning Material Trends in Revenues and Expenditures" herein.

The financial forecast set forth above is based solely upon assumptions made by the City, including, without limitation, assumptions as to rates for the services provided by the system, stability and growth of the customer base, and operating expenses. There is no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions, or that the forecasted results will be achieved by economic conditions and other uncontrollable factors and is dependent upon the occurrence of future events which cannot.

Be assured, thus, the actual results achieved may vary from those forecasted above, and such variations could have an adverse effect upon the system's net revenues available for debt service.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Operating Budget of the System -

The staff of the System prepares an annual operating budget for the System for management control purposes. The staff of the System uses the cash basis of accounting in its annual operating budget for the System, which is not consistent with the basis of accounting used in the System's financial statements and which is not consistent with generally accepted accounting principles. The System's operating budget does provide for actual anticipated depreciation results for the year budgeted.

Set forth below is a summary of the City's operating budget for its Water and Sewer Revenue Fund for the fiscal year ending December 31, 2014. The budget is based upon certain assumptions and estimates of the City's management regarding future events, transactions, and circumstances. Realizations of the results projected in this budget will depend upon implementation by management of policies and procedures consistent with the assumptions. Accordingly, the actual results achieved could materially vary from those projected in the budget shown.

City of Fort Oglethorpe
Water and Sewer Fund
Fiscal Year Ending December 31, 2014

Operating revenues:

Customer charges	\$4,011,430
Tap fees	60,000
Meter installations	3,500
Penalties	55,200
Interest income	40,000
Lift station maintenance contract	1,800
Transfer in (SPLOST)	433,208
Miscellaneous	<u>100</u>
Total operating revenues	<u>\$4,605,238</u>

Operating expenses:

Water/sewer administration	\$1,181,682
Sewer operations	2,351,612
Sewer lift station maintenance	95,249
Water operations	894,437
Contingencies	42
Maintenance and shop	<u>82,216</u>
Total operating expenses	<u>\$4,605,238</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Government Format and Principal Officials -

The City is governed by a City Council composed of a Mayor and five council members. Members of the City Council are elected from five numbered posts in the City's single election district. Candidates for City Council must have been a City resident for 12 months prior to the date of election and must designate the post from which election is sought. The members of the City Council serve staggered four-year terms. The Mayor is the chief elected officer of the City. The Mayor presides at all City Council meetings and has the right to take part in deliberations, but cannot vote on any question except in case of a tie. Information regarding the Mayor and current City Council members as of December 31, 2014, is as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>	<u>Years on Council</u>
Lynn Long, <i>Mayor</i>	December 31, 2015	Retired	3.5 years
Craig Crawford	December 31, 2017	Plumber	6 months
Earl Gray	December 31, 2017	Retail	4.5 years
Derek Rogers	December 31, 2015	Web Design	1 month
Johnnie Smith	December 31, 2015	Retired	6.5 years
Paula Stinnett	December 31, 2017	Teacher	6 months

The City Council appoints a City Manager. The City Manager is the chief executive and administrative officer of the City and has the responsibilities and duties, among other things, to (i) generally appoint and remove all City employees and administrative officers, (ii) direct and supervise all departments and divisions of the City, (iii) enforce all laws and ordinances of the City, and (iv) prepare and submit an annual operating budget to the City Council. The current City Manager is Ronald C. Goulart. Mr. Goulart has served as City Manager since 2007 and prior to his appointment was an attorney in private practice. Mr. Goulart graduated in 1980 with a JD from the Woodrow Wilson College of Law in Atlanta, Georgia and received a BS (cum laude) from the University of Tennessee in 1976.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Employee Benefits -

The City's pension plan (the "**Plan**") is a noncontributory defined benefit pension plan covering all full-time employees. The Plan is administered by the Georgia Municipal Employees Benefits System ("**GMEBS**"), a statewide, agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the Plan. Benefits are fully vested after five years of service. Participants become eligible to retire at age 55, with 10 years of participation in the Plan or at age 65, with five years of participation in the Plan. Participating employees are not required to contribute to the Plan. The City is required to contribute 100% of the amounts necessary to fund the Plan at an actuarially determined rate. The current rate is 13.0% of annual covered payroll. Benefit provisions are established and amended by the authority of the City's governing body. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Georgia Municipal Association, Risk Management and Employees Benefit Services, 201 Prior Street, SW, Atlanta, Georgia 30303.

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The board of trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual recommended contribution is the sum of (i) the normal cost; (ii) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1981 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise); and (iii) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

For the fiscal year ended December 31, 2014, the City's annual pension cost was \$378,098, which was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions include (a) 7.75% investment rate of return, (b) 3.50% projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Employee Benefits (continued)-

30 years from 1982 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the 2014 Plan year.

The chart below shows the annual pension cost for the current year and the prior four years along with the percentage actually contributed by the City:

<u>Fiscal Year Ended December 31</u>	<u>Annual of Pension Cost ("APC")</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$340,109	100%	\$ -
2011	\$298,097	100%	\$ -
2012	\$297,545	100%	\$ -
2013	\$365,499	100%	\$ -
2014	\$378,098	100%	\$ -

As of July 1, 2014, the most recent actuarial valuation date, the funded status of the Plan for the last four years was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Actuarial Unfunded/ (Surplus) AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
July 1, 2014	\$5,405,000	\$6,822,000	\$1,417,000	\$2,924,000	48.45%
July 1, 2013	\$4,978,000	\$6,480,000	\$1,502,000	\$2,858,000	52.57%
July 1, 2012	\$4,596,000	\$6,039,000	\$1,443,000	\$2,729,000	52.87%
July 1, 2011	\$4,333,000	\$5,051,000	\$ 718,000	\$2,698,000	26.21%

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Insurance coverage -

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance from Travelers for its risk related to the above losses. The risks covered by commercial insurance include general liability, errors and omissions, and property and casualty losses, with a minor deductible payable by the City.

Type	Amount in Force	
Property:		
Buildings & Business Personal Property	\$19,440,403	
Electronic Data Processing Equipment	\$ 250,000	
Business Income and Extra Expense	\$ 100,000	
Electronic Data Processing Media	\$ 250,000	
Contractor's Equipment	\$ 769,942	
Automobile ACV	111 Units/\$1,000 ded.	
	Limits of Liability	
	Each	Annual
Type	Occurrence	Aggregate
Casualty:		
Commercial General Liability	\$1,000,000	\$2,000,000
Law Enforcement	\$1,000,000	1,000,000
Public Entity Employment Related	\$1,000,000	1,000,000
Public Entity Management Liability	\$1,000,000	1,000,000
Automobile Liability		1,000,000
Employee Benefits Liability	\$1,000,000	3,000,000
Crime:		
Employee Theft	\$500,000 blanket	

Settled claims have not exceeded coverage for the past three fiscal years. Deductibles for which the City was responsible amounted to \$1,000 per year for the same three years, respectively. The City pays unemployment claims to the Georgia Department of Labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

The City also manages its risk of loss related to injuries to employees through the purchase of GMA commercial workers' compensation insurance. Payment of eligible claims is based on statutory requirements and the City has no deductible in connection with claims paid.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Chattanooga, TN-GA Metro Statistical Area - Largest Employers -

Set forth below are the largest employers located in the MSA, their type of service, and their approximate number of employees. There can be no assurance that any employer listed below will continue employment at the level stated. No independent investigation has been made of, and no representation can be made as to, the stability or financial condition of the companies listed.

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
Hamilton County Dept. of Edu.	Public Schools	4,480
BlueCross BlueShield of TN	Health Care Financing	4,238
Tennessee Valley Authority	Utility-Electric Service	4,126
Erlanger Health System	Hospital	3,468
Erlanger Health Care Systems	Health Care	2,832
Unum	Insurance	2,800
McKee Foods Corporation	Snack Cakes	2,750
City of Chattanooga	Government	2,685
Volkswagen	Vehicles	2,107

Source: Chattanooga Chamber of Commerce website, www.chattanooga-chamber.com, as of August 20, 2014.

Civilian employment statistics of Catoosa County -

Employment includes nonagricultural wage and salary employment, self-employed, unpaid family and private household workers, and agricultural workers. Persons in labor disputes are counted as employed. The use of rounded data does not imply that the numbers are exact. U.S. estimates are unadjusted.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Employment	31,093	31,562	32,349	32,029	29,124
Unemployment	2,748	2,654	2,282	2,079	1,932
Total	<u>33,841</u>	<u>34,216</u>	<u>34,631</u>	<u>34,108</u>	<u>31,056</u>
County Unemployment Rate	8.1%	7.8%	6.6%	6.1%	6.2%
State Unemployment Rate	10.2%	10.0%	9.0%	8.2%	7.2%
U.S. Unemployment Rate	9.6%	9.0%	8.1%	7.4%	6.2%

Source: State of Georgia, Department of Labor, Labor Information Systems, and U.S. Department of Labor, Bureau of Labor Statistics.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2014

Special local option sales tax -

Although SPLOST proceeds are not directly pledged for the payment of the Bonds, the City intends to utilize SPLOST revenues collected pursuant to the 2013 SPLOST Agreement, together with revenues of the System to pay the principal and interest associated with the Bonds. The following table shows the history of SPLOST revenue collected by the City:

City of Fort Oglethorpe, Georgia
Special Local Option Sales Tax Monthly Collection History
Fiscal Years Ended December 31

<u>Month</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
January	\$ 87,641	\$ 103,902	\$ 113,969	\$ 109,431	\$ 105,343
February	84,033	85,340	96,478	78,396	86,933
March	91,610	92,745	94,486	105,900	90,790
April	89,430	97,893	110,833	104,980	98,137
May	81,967	94,597	98,915	91,426	94,002
June	99,301	103,504	101,309	95,073	97,558
July	90,653	105,766	104,560	91,783	97,290
August	92,178	105,313	102,565	88,335	95,862
September	96,987	104,618	99,500	97,554	92,091
October	91,415	100,387	97,365	92,182	93,910
November	85,659	86,338	101,266	91,439	88,320
December	91,538	95,947	97,432	92,927	100,162
	<u>\$1,082,412</u>	<u>\$1,176,350</u>	<u>\$ 1,218,678</u>	<u>\$1,139,426</u>	<u>\$1,140,398</u>

INTERNAL CONTROL AND COMPLIANCE SECTION

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

**To the Mayor and City Council
City of Fort Oglethorpe, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Oglethorpe, Georgia as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Fort Oglethorpe, Georgia's basic financial statements, and have issued our report thereon dated June 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fort Oglethorpe, 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 Fort Oglethorpe, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Oglethorpe, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 Fort Oglethorpe, 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*.

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. The 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.

Johnson, Nicky & Menckem, P.C.

June 26, 2015

**SPECIAL LOCAL OPTION
SALES TAX**



INDEPENDENT AUDITORS' REPORT ON SPECIAL 1 PERCENT SALES AND USE TAX

**To the Mayor and City Council
City of Fort Oglethorpe, Georgia:**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Fort Oglethorpe, Georgia for the year ended December 31, 2014, and have issued our report thereon dated June 26, 2015. We have also audited the accompanying schedule of the City's projects constructed with special local option sales tax funds, for the year ended December 31, 2014. This schedule is the responsibility of the management of the City. Our responsibility is to express an opinion on the schedule based on our audit.

Specific projects allowed to be expended with Catoosa County funds have been identified in resolutions dated June 17, 2008 and January 15, 2013, which approved the intergovernmental agreements allowing the imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. Specific projects allowed to be expended with Walker County funds have been identified in intergovernmental agreements dated January 1, 1998, October 1, 2008, and August 1, 2013 which approved the imposition of the special sales and use tax authorized by Section 48-8-110 OCGA.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of the City's projects constructed with special local option sales tax funds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of the City's projects constructed with special local option sales tax funds, as referred to above, presents fairly, in all material respects, the amounts of projects constructed with proceeds from the City's allocation of special local option sales tax for the year ended December 31, 2014, on the modified accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the organization, and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Hickey & Murchison, P.C.

June 26, 2015

**CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

PROJECT	ORIGINAL	REALLOCATIONS	REVISED	EXPENDITURES			PERCENTAGE
	ESTIMATED COST		ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	OF COMPLETION
Catoosa County Special							
Local Option Sales Tax -							
2009 Cycle							
Debt reduction for sewer bonds	3,395,245	-	3,395,245	2,660,248	527,846	3,188,094	94%
Lease payments on public safety vehicles	516,011	-	516,011	442,867	136,261	579,128	112%
Streets and trails	700,000	322,402	1,022,402	1,022,402	-	1,022,402	100%
Building renovations and improvements	2,000,000	(322,402)	1,677,598	884,436	-	884,436	53%
GIS and IT projects	350,000	-	350,000	19,813	-	19,813	6%
Vehicles and equipment	150,744	-	150,744	106,689	-	106,689	71%
2014 Cycle							
Debt reduction for sewer bonds	1,993,355	-	1,993,355	-	293,354	293,354	15%
Lease payments on public safety vehicles	523,505	-	523,505	-	-	-	0%
Streets and trails	50,000	-	50,000	-	-	-	0%
Recreation projects	250,000	-	250,000	-	-	-	0%
Building renovations and improvements	1,000,000	-	1,000,000	-	-	-	0%
Water and sewer projects	2,533,140	-	2,533,140	-	-	-	0%
Vehicles and equipment	800,000	-	800,000	-	-	-	0%
Walker County Special							
Local Option Sales Tax -							
1998 Cycle							
Bike/pedestrian trail	97,500	(9,167)	88,333	28,005	-	28,005	32%
2008 Cycle							
Street, bridge, and sidewalk improvements, capital equipment, and other capital projects	148,500	(20,748)	127,752	65,018	-	65,018	51%
Public safety equipment	-	20,748	20,748	20,748	-	20,748	100%
2013 Cycle							
Street, bridge, and sidewalk improvements, capital equipment, and other capital projects	74,871	-	74,871	-	52,181	52,181	70%
	<u>\$14,582,871</u>	<u>\$ (9,167)</u>	<u>\$14,573,704</u>	<u>\$ 5,250,226</u>	<u>\$1,009,642</u>	<u>\$ 6,259,868</u>	
Reconciliation of current year expenditures -							
Total capital projects expenditures					188,442		
Capital projects for water and sewer fund					<u>821,200</u>		
					<u>\$1,009,642</u>		