

**CITY OF FORT OGLETHORPE,
GEORGIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

Year Ended December 31, 2016

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii – xv, the general fund schedule of revenues, expenditures and changes in fund balances – budget and actual on pages 38-41 and the schedules related to pension information on pages 42-44 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 Schedule of Changes in Property Taxes Receivable, Schedule of Water and Sewer Rates, 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 May 17, 2017, 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 & Menckem, P.C.

May 17, 2017
Chattanooga, Tennessee

City of Fort Oglethorpe, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2016

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 14 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 xii. 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, 2016 and 2015, a summary of net position of the primary government is as follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	12,089,280	\$ 11,255,250	\$ 9,257,893	\$ 8,783,196	\$ 21,347,173	\$ 20,038,446
Capital Assets	9,913,398	10,161,224	21,169,730	20,818,224	31,083,128	30,979,448
Total Assets	<u>22,002,678</u>	<u>21,416,474</u>	<u>30,427,623</u>	<u>29,601,420</u>	<u>52,430,301</u>	<u>51,017,894</u>
Bond issue costs	-	-	586,026	612,970	586,026	612,970
Pension related items	743,271	230,276	189,081	66,969	932,352	297,245
Deferred loss on debt refunding	-	-	855,060	894,373	855,060	894,373
Total deferred outflows of resources	<u>743,271</u>	<u>230,276</u>	<u>1,630,167</u>	<u>1,574,312</u>	<u>2,373,438</u>	<u>1,804,588</u>
Current liabilities	454,296	503,797	1,027,549	1,191,435	1,481,845	1,695,232
Long-term liabilities	1,973,990	1,412,074	13,928,701	14,278,790	15,902,691	15,690,864
Total liabilities	<u>2,428,286</u>	<u>1,915,871</u>	<u>14,956,250</u>	<u>15,470,225</u>	<u>17,384,536</u>	<u>17,386,096</u>
Deferred inflows of resources:						
Pension related items	<u>93,322</u>	<u>149,996</u>	<u>23,739</u>	<u>43,622</u>	<u>117,061</u>	<u>193,618</u>
Net position:						
Net investment in						
capital assets	9,710,035	9,815,641	7,243,878	6,410,954	16,953,913	16,226,595
Restricted	145,671	156,338	222,297	223,442	367,968	379,780
Unrestricted	10,368,635	9,608,904	9,611,626	9,027,489	19,980,261	18,636,393
Total net position	<u>20,224,341</u>	<u>\$ 19,580,883</u>	<u>\$ 17,077,801</u>	<u>\$ 15,661,885</u>	<u>\$ 37,302,142</u>	<u>\$ 35,242,768</u>

The following table provides a summary of the primary government's operations and changes in net position for the year ended December 31, 2016 with comparative totals for the year ended December 31, 2015.

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	\$ 1,075,604	\$ 1,099,865	\$ 5,102,767	\$ 4,638,370	\$ 6,178,371	\$ 5,738,235
Operating Grants	65,708	65,929	-	-	65,708	65,929
Capital Grants	1,059,890	725,176	-	-	1,059,890	725,176
General revenues						
Taxes	6,501,567	6,535,914	-	-	6,501,567	6,535,914
Investment earnings	52,030	26,031	23,260	10,658	75,290	36,689
Other	233,462	215,175	69,769	141,992	303,231	357,167
Total revenues	<u>8,988,261</u>	<u>8,668,090</u>	<u>5,195,796</u>	<u>4,791,020</u>	<u>14,184,057</u>	<u>13,459,110</u>
Expenses						
Judicial	411,182	437,594	-	-	411,182	437,594
General government	1,559,937	1,229,252	-	-	1,559,937	1,229,252
Public safety	3,464,231	3,381,550	-	-	3,464,231	3,381,550
Public works	1,544,256	1,625,649	-	-	1,544,256	1,625,649
Housing and development	137,611	58,126	-	-	137,611	58,126
Public welfare	34,028	31,844	-	-	34,028	31,844
General operating expenses	-	-	4,128,465	3,888,492	4,128,465	3,888,492
Culture and recreation	420,982	433,209	-	-	420,982	433,209
Interest	12,624	17,319	411,367	414,836	423,991	432,155
Total expenses	<u>7,584,851</u>	<u>7,214,543</u>	<u>4,539,832</u>	<u>4,303,328</u>	<u>12,124,683</u>	<u>11,517,871</u>
Excess (deficiency) of revenues over expenses	1,403,410	1,453,547	655,964	487,692	2,059,374	1,941,239
Transfers	<u>(759,952)</u>	<u>(500,970)</u>	<u>759,952</u>	<u>500,970</u>	<u>-</u>	<u>-</u>
Change in net position	643,458	952,577	1,415,916	988,662	2,059,374	1,941,239
Net position Jan. 1	19,580,883	19,863,720	15,661,885	15,032,509	35,242,768	34,896,229
Prior period adjustment	-	(1,235,414)	-	(359,286)	-	(1,594,700)
Net position Jan.1 restated	<u>19,580,883</u>	<u>18,628,306</u>	<u>15,661,885</u>	<u>14,673,223</u>	<u>35,242,768</u>	<u>33,301,529</u>
Net position Dec. 31	<u>\$ 20,224,341</u>	<u>\$ 19,580,883</u>	<u>\$ 17,077,801</u>	<u>\$ 15,661,885</u>	<u>\$ 37,302,142</u>	<u>\$ 35,242,768</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 \$ 37.3 million as of December 31, 2016.

Approximately 45.5% 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 \$643,458. An increase in capital grants and investment earnings increased revenue. Expenses decreased in public works and recreation.

Business-type Activities

Business-type activities increased the City's net position by \$1,415,916. SPLOST proceeds and capital grants totaling \$759,952 were used to purchase equipment for the water and sewer fund, as well as to pay a portion of the principal and interest payments on the 2014 revenue bonds whose proceeds are being used for improving and constructing new infrastructure. Operating revenues increased \$464,397.

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, 2016, unassigned fund balance was \$11.5 million. The revenue budget was amended by approximately \$373,327 to reflect a donation of property and a transfer from fund balance. The expense budget was also amended to cover the following costs: \$400,810 for a new roof for City Hall and the 6th Cavalry Museum, a reduction in expenditures of \$75,000 that was not spent for the ARC grant and \$47,517 to cover additional costs of maintenance and repairs of city facilities. Actual revenues and other sources were more than the amount budgeted by approximately \$143,323 and actual expenditures and other uses were approximately \$1,102,578 less than the amount budgeted, yielding a positive variance of approximately \$1,245,901.

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Other Governmental Funds

The SPLOST capital projects fund assets were \$120,583, liabilities \$0 and restricted fund balance was \$120,583 for the year ended December 31, 2016.

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 \$25,138 as of December 31, 2016 liabilities \$50 and committed fund balances were \$25,088.

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 \$9,611,626.

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 \$143,323 more than projections, primarily due to actual business and occupation tax and property tax being more than was budgeted. Expenditures were \$1,102,578 less than the anticipated budget mainly due to vacant positions in police, public works, recreation and executive.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2016, the City had \$31.1 million invested in capital assets including equipment, buildings, and public improvements. This represents a net increase after depreciation of \$103,680 or .3 percent, compared to last year. This increase consisted of asset additions of approximately \$1,277,820 net depreciation of \$1,174,140.

Asset additions for governmental activities were approximately \$240,083, and consisted of \$194,258 for equipment and vehicles and \$45,825 for public improvements. There were no dispositions.

Asset additions of approximately \$1,037,737 for business activities were primarily for additions and improvements to sewer lines. There were no dispositions.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,029,268	\$ 1,029,268	\$ 89,156	\$ 89,156	\$ 1,118,424	\$ 1,118,424
Building	3,748,636	3,910,453	462,238	475,781	4,210,874	4,386,234
Public Improvements	4,255,166	4,211,256	20,232,781	17,182,277	24,487,947	21,393,533
Equipment, vehicles, furniture and fixtures	763,225	742,884	86,095	109,391	849,320	852,275
Construction in progress	117,103	267,363	299,460	2,961,619	416,563	3,228,982
Total	<u>\$ 9,913,398</u>	<u>\$ 10,161,224</u>	<u>\$ 21,169,730</u>	<u>\$ 20,818,224</u>	<u>\$ 31,083,128</u>	<u>\$ 30,979,448</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 \$16,718,347 in outstanding long-term debt compared to \$16,507,949 last year. The majority of the long-term debt is from the 2014 Water and Sewer Revenue Refunding and Improvement Bond Issue. The 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 2016 are \$13,895,000.

A summary of long-term debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Lease Obligation	\$ 203,363	\$ 345,583	-	-	\$ 203,363	\$ 345,583
Compensated Absences	137,718	148,759	45,848	46,107	183,566	194,866
Net Pension Liability	1,917,717	1,208,710	487,849	351,520	2,405,566	1,560,230
Premium on Bond Refunding	-	-	30,852	32,270	30,852	32,270
Revenue Bonds	-	-	13,895,000	14,375,000	13,895,000	14,375,000
Total	<u>\$ 2,258,798</u>	<u>\$ 1,703,052</u>	<u>\$14,459,549</u>	<u>\$14,804,897</u>	<u>\$16,718,347</u>	<u>\$16,507,949</u>

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

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 2017, 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 4.8% increase in general fund revenues and expenses for 2017. The revenue increase is due to an increase in the amount to be collected from court fines, sales tax, business tax and insurance premium tax. The expense increase is due to an increase in workers compensation insurance, new roof for the fire department buildings and park improvements.

The city budgeted a 10.6% increase in revenues in the proprietary fund (water and sewer fund) and also a 10.6% increase in expenditures. These increases are due to the expected mandated requirements that will be imposed by the City of Chattanooga for sewer system updates and repairs.

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, 2016

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 5,194,431	\$ 3,537,896	\$ 8,732,327	\$ 1,636
Certificates of deposit	5,021,494	2,004,299	7,025,793	-
Restricted cash and cash equivalents	-	3,158,123	3,158,123	-
Due from other governmental entities	1,106,518	-	1,106,518	-
Property taxes receivable	166,840	-	166,840	-
Other taxes receivable	349,211	-	349,211	-
Other receivables	169,863	506,115	675,978	-
Due from (to) other fund	(20,297)	20,297	-	-
Prepaid supplies	12,618	-	12,618	-
Prepaid insurance	88,602	16,889	105,491	-
Prepaid bond insurance	-	14,274	14,274	-
Land and other nondepreciable assets	1,146,371	388,616	1,534,987	-
Other capital assets, net of accumulated depreciation	8,767,027	20,781,114	29,548,141	-
Total assets	22,002,678	30,427,623	52,430,301	1,636
DEFERRED OUTFLOWS OF RESOURCES				
Bond issue costs	-	586,026	586,026	-
Pension related items	743,271	189,081	932,352	-
Deferred loss on debt refunding	-	855,060	855,060	-
Total deferred outflows of resources	743,271	1,630,167	2,373,438	-
LIABILITIES				
Accounts payable	105,914	213,272	319,186	-
Payroll withholdings and accruals	62,554	10,002	72,556	-
Other	1,020	-	1,020	-
Accrued interest payable	-	101,042	101,042	-
Customer deposits	-	172,385	172,385	-
Long-term liabilities				
Due within one year				
Bonds payable	-	485,000	485,000	-
Capital leases	147,090	-	147,090	-
Compensated absences	137,718	45,848	183,566	-
Due in more than one year				
Bonds payable	-	13,440,852	13,440,852	-
Capital leases	56,273	-	56,273	-
Net pension liability	1,917,717	487,849	2,405,566	-
Total liabilities	2,428,286	14,956,250	17,384,536	-
DEFERRED INFLOWS OF RESOURCES				
Pension related items	93,322	23,739	117,061	-
NET POSITION				
Net investment in capital assets	9,710,035	7,243,878	16,953,913	-
Restricted for				
SPLOST projects	120,583	-	120,583	-
Public safety	25,088	-	25,088	-
Debt service	-	222,297	222,297	-
Unrestricted	10,368,635	9,611,626	19,980,261	1,636
Total net position	\$ 20,224,341	\$ 17,077,801	\$ 37,302,142	\$ 1,636

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

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

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	\$ 411,182	\$ -	\$ -	\$ -	\$ (411,182)	\$ -	\$ (411,182)	\$ -
General government	1,559,937	804	-	779,990	(779,143)	-	(779,143)	-
Public safety	3,464,231	867,768	-	1,198	(2,595,265)	-	(2,595,265)	-
Public works	1,544,256	-	65,708	278,702	(1,199,846)	-	(1,199,846)	-
Housing and development	137,611	106,044	-	-	(31,567)	-	(31,567)	-
Public welfare	34,028	-	-	-	(34,028)	-	(34,028)	-
Culture and recreation	420,982	100,988	-	-	(319,994)	-	(319,994)	-
Interest	12,624	-	-	-	(12,624)	-	(12,624)	-
Total governmental activities	7,584,851	1,075,604	65,708	1,059,890	(5,383,649)	-	(5,383,649)	-
Business-type activities								
Water and sewer management	4,539,832	5,102,767	-	-	-	562,935	562,935	-
Total business-type activities	4,539,832	5,102,767	-	-	-	562,935	562,935	-
Total primary government	12,124,683	6,178,371	65,708	1,059,890	(5,383,649)	562,935	(4,820,714)	-
COMPONENT UNITS								
Recreation Commission	-	-	-	-	-	-	-	-
Downtown Development Authority	-	-	-	-	-	-	-	-
Total component units	\$ -	\$ -	\$ -	\$ -	-	-	-	-
GENERAL REVENUES								
Property taxes					1,583,819	-	1,583,819	-
Local option sales tax					1,970,269	-	1,970,269	-
Alcoholic beverage tax					400,285	-	400,285	-
Business and occupation tax					1,051,876	-	1,051,876	-
Franchise taxes and fees					1,069,306	-	1,069,306	-
Other taxes					426,012	-	426,012	-
Property rental					157,040	-	157,040	-
Interest					52,030	23,260	75,290	-
Other					76,422	69,769	146,191	-
Total general revenues					6,787,059	93,029	6,880,088	-
TRANSFERS					(759,952)	759,952	-	-
Change in net position					643,458	1,415,916	2,059,374	-
NET POSITION								
Beginning					19,580,883	15,661,885	35,242,768	1,636
Ending					\$ 20,224,341	\$ 17,077,801	\$ 37,302,142	\$ 1,636

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

CITY OF FORT OGLETHORPE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,048,710	\$ 120,583	\$ 25,138	\$ 5,194,431
Certificates of deposit	5,021,494	-	-	5,021,494
Due from other governmental entities	1,106,518	-	-	1,106,518
Due from other funds	909	-	-	909
Property taxes receivable	166,840	-	-	166,840
Other taxes receivable	349,211	-	-	349,211
Other receivables	169,863	-	-	169,863
Prepaid insurance	88,602	-	-	88,602
Prepaid supplies	12,618	-	-	12,618
	<u>11,964,765</u>	<u>120,583</u>	<u>25,138</u>	<u>12,110,486</u>
Total assets	<u>\$ 11,964,765</u>	<u>\$ 120,583</u>	<u>\$ 25,138</u>	<u>\$ 12,110,486</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 105,914	\$ -	\$ -	\$ 105,914
Payroll withholdings and accruals	62,554	-	-	62,554
Due to other funds	21,156	-	50	21,206
Other	1,020	-	-	1,020
	<u>190,644</u>	<u>-</u>	<u>50</u>	<u>190,694</u>
Total liabilities	<u>190,644</u>	<u>-</u>	<u>50</u>	<u>190,694</u>
Deferred inflows of resources				
Deferred property taxes	99,815	-	-	99,815
	<u>99,815</u>	<u>-</u>	<u>-</u>	<u>99,815</u>
Total deferred inflows of resources	<u>99,815</u>	<u>-</u>	<u>-</u>	<u>99,815</u>
Fund balances				
Nonspendable - prepaid items	101,220	-	-	101,220
Restricted for				
SPLOST projects	-	120,583	-	120,583
Tourism	34,129	-	-	34,129
Public safety	-	-	25,088	25,088
Unassigned	11,538,957	-	-	11,538,957
	<u>11,674,306</u>	<u>120,583</u>	<u>25,088</u>	<u>11,819,977</u>
Total fund balances	<u>11,674,306</u>	<u>120,583</u>	<u>25,088</u>	<u>11,819,977</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,964,765</u>	<u>\$ 120,583</u>	<u>\$ 25,138</u>	<u>\$ 12,110,486</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, 2016

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

Fund balances – total governmental funds	\$ 11,819,977
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.	99,815
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,913,398
Deferred outflows, such as deferred outflows from pensions, are not paid in the current period and, therefore, are not reported in the funds.	743,271
Net pension liability created by governmental activities are not financial resources and, therefore, not reported in the funds.	(1,917,717)
Deferred inflows, such as deferred inflows from pensions, are not received in the current period and, therefore, are not reported in the funds.	(93,322)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(341,081)</u>
	<u><u>\$ 20,224,341</u></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
YEAR ENDED DECEMBER 31, 2016

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,430,637	\$ -	\$ 68,257	\$ 6,498,894
Licenses and permits	157,544	-	-	157,544
Charges for services	284,165	-	-	284,165
Intergovernmental	80,225	779,771	278,702	1,138,698
Fines, fees and forfeitures	633,555	-	340	633,895
Investment earnings	52,013	219	17	52,249
Other	233,462	-	-	233,462
Total revenues	<u>7,871,601</u>	<u>779,990</u>	<u>347,316</u>	<u>8,998,907</u>
EXPENDITURES				
Current				
Judicial	403,758	-	-	403,758
General government	1,387,882	-	-	1,387,882
Public safety	3,281,347	-	1,243	3,282,590
Public works	1,503,956	-	-	1,503,956
Housing and development	134,643	-	-	134,643
Public welfare	34,028	-	-	34,028
Culture and recreation	305,570	-	-	305,570
Capital outlay	-	143,678	-	143,678
Debt service				
Principal	-	142,219	-	142,219
Interest	-	12,624	-	12,624
Total expenditures	<u>7,051,184</u>	<u>298,521</u>	<u>1,243</u>	<u>7,350,948</u>
EXCESS OF REVENUES OVER EXPENDITURES	820,417	481,469	346,073	1,647,959
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	78,257	-	-	78,257
Transfers to other funds	-	(481,250)	(356,959)	(838,209)
NET CHANGE IN FUND BALANCE	898,674	219	(10,886)	888,007
FUND BALANCES				
Beginning	<u>10,775,632</u>	<u>120,364</u>	<u>35,974</u>	<u>10,931,970</u>
Ending	<u>\$ 11,674,306</u>	<u>\$ 120,583</u>	<u>\$ 25,088</u>	<u>\$ 11,819,977</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
YEAR ENDED DECEMBER 31, 2016

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

Net change in fund balances – total governmental funds	\$	888,007
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay reported as expenditures in the governmental funds are reported as capital assets in the statement of activities.		240,083
--	--	---------

Depreciation expense on governmental capital assets are included in the statement of activities.		(487,909)
--	--	-----------

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.		11,040
--	--	--------

Net pension liability in the statement of net position includes an estimated liability for participation in the GMEBS. The increase or decrease in the liability does not affect expenditures in the governmental funds.		(139,338)
--	--	-----------

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.		142,219
---	--	---------

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.		(10,644)
--	--	----------

	\$	643,458
--	----	---------

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, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 3,537,896
Certificates of deposit	2,004,299
Accounts receivable, net of allowance for uncollectibles of \$35,000	489,081
Interest receivable	17,034
Due from other funds	21,206
Prepaid insurance	<u>16,889</u>
Total current assets	<u>6,086,405</u>

LONG-TERM ASSETS

Restricted Assets

Investments in money market account, restricted by bond covenants	1,083,816
Bond construction account	1,852,010
Bond interest and sinking funds	<u>222,297</u>
	<u>3,158,123</u>

Capital Assets

Land and other nondepreciable assets	388,616
Property, plant, and equipment	<u>29,367,974</u>
	29,756,590
Less accumulated depreciation	<u>8,586,860</u>
Net capital assets	<u>21,169,730</u>

Other Assets

Prepaid bond insurance	<u>14,274</u>
Total long-term assets	<u>24,342,127</u>
Total assets	<u>30,428,532</u>

DEFERRED OUTFLOWS OF RESOURCES

Bond issue costs	586,026
Pension related items	189,081
Deferred loss on debt refunding	<u>855,060</u>
Total deferred outflows of resources	<u>1,630,167</u>

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

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND NET POSITION**

CURRENT LIABILITIES

Current maturities of bonds payable	485,000
Accounts payable	213,272
Due to other funds	909
Payroll withholdings and accruals	10,002
Accrued interest	101,042
Compensated absences payable	45,848
Customer deposits	<u>172,385</u>
 Total current liabilities	 <u>1,028,458</u>

LONG-TERM LIABILITIES

Bonds payable, net of current portion	13,440,852
Net pension liability	<u>487,849</u>
 Total long-term liabilities	 <u>13,928,701</u>
 Total liabilities	 <u>14,957,159</u>

DEFERRED INFLOWS OF RESOURCES

Pension related items	<u>23,739</u>
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NET POSITION

Net investment in capital assets	7,243,878
Restricted for debt service	222,297
Unrestricted	<u>9,611,626</u>
 Total net position	 <u><u>\$ 17,077,801</u></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
YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUES

Water sales	\$ 1,500,849
Sewer charges	3,464,498
Water and sewer taps	99,955
Meter and reconnect fees	37,465
Other	<u>69,769</u>

Total revenues	<u>5,172,536</u>
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OPERATING EXPENSES

Depreciation and amortization	753,144
General operating expenses	<u>3,375,321</u>

Total expenses	<u>4,128,465</u>
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OPERATING INCOME	1,044,071
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NONOPERATING REVENUE (EXPENSE)

Interest revenue	23,260
Interest expense	<u>(411,367)</u>

Income before transfers	655,964
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TRANSFERS

Transfer from other funds	<u>759,952</u>
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CHANGE IN NET POSITION	<u>1,415,916</u>
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NET POSITION

Beginning	<u>15,661,885</u>
Ending	<u><u>\$ 17,077,801</u></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
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from user fees	\$ 5,010,748
Payments to employees	(685,622)
Payments for goods and other services	(2,847,067)
Other receipts	<u>68,351</u>
Net cash provided by operating activities	<u>1,546,410</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for capital assets	(1,037,741)
Payments on long-term debt	(480,000)
Transfers in from other funds	759,952
Interest paid	<u>(413,766)</u>
Net cash used by capital and related financing activities	<u>(1,171,555)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Payments on loans to other fund	<u>(778)</u>
Net cash used by other financing activities	<u>(778)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net change in certificate of deposit	(1,004,299)
Interest received	<u>10,106</u>
Net cash used by investing activities	<u>(994,193)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(620,116)
--	-----------

CASH AND CASH EQUIVALENTS

Beginning	<u>7,316,135</u>
Ending	<u><u>\$ 6,696,019</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 1,044,071
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	753,144
Premiums on bond refunding	(1,418)
Net change in operating assets	(199,346)
Net change in operating liabilities	<u>(50,041)</u>
Net cash provided by operating activities	<u><u>\$ 1,546,410</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 3,537,896
Restricted cash and cash equivalents	<u>3,158,123</u>
	<u><u>\$ 6,696,019</u></u>

(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, 2016

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash and cash equivalents	\$ <u> -</u>	\$ <u> 633,555 </u>	\$ <u> 633,555 </u>	\$ <u> -</u>
 LIABILITIES				
Due to general fund	\$ <u> -</u>	\$ <u> 633,555 </u>	\$ <u> 633,555 </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, 2016

	Recreation Commission December 31, 2016	Downtown Development Authority September 30, 2016	Totals
ASSETS			
Cash and cash equivalents	\$ 246	\$ 1,390	\$ 1,636
 Total assets	 \$ 246	 \$ 1,390	 \$ 1,636
 NET POSITION			
Unrestricted	\$ 246	\$ 1,390	\$ 1,636
 Total net position	 \$ 246	 \$ 1,390	 \$ 1,636

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

CITY OF FORT OGLETHORPE, GEORGIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	Program Revenues			(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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Downtown Development Authority						
Downtown Development Authority operations	-	-	-	-	-	-
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-
GENERAL REVENUES						
				Interest	-	-
				Total general revenues	-	-
				Change in net position	-	-
NET POSITION						
				Beginning	246	1,390
				Ending	<u>\$ 246</u>	<u>\$ 1,390</u>
					<u>\$ 1,636</u>	<u>\$ 1,636</u>

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

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(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.

The Housing Authority of the City of Fort Oglethorpe, Georgia is a legally separate entity and is 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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 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, which consist 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, 2016

(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:

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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

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

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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (continued)

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.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Georgia Municipal Employees Benefit System (GMEBS) and additions to/deductions from the GMEBS fiduciary net position have been determined on the same basis as they are reported to GMEBS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity (continued)

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.

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, 2016

(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.

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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discounts/premiums/issuance costs (continued)

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.

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.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

As of December 31, 2016, the proprietary fund had deferred outflows of resources of \$586,026 related to bond issue costs, \$189,081 related to pensions, and \$855,060 related to a deferred loss on debt refunding and deferred inflows of \$23,739 related to pensions. In governmental funds, the City had deferred inflows of resources of \$99,815 from deferred property taxes. At the government-wide level, the City had deferred outflows of resources of \$743,271 and deferred inflows of resources of \$93,322 both related to pensions.

(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, 2016, the primary government's cash and investments consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Savings and money market accounts	0.00	11,888,527
Certificates of deposit	0.10	7,025,793
	<u>0.05</u>	<u>\$ 18,914,320</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, 2016

(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, 2016).

Investments in the local government investment pool are specifically invested in “Georgia Fund 1”. Georgia Fund 1, created by OCGA 36-83-8, is a Standard and Poor’s AA+ rated investment pool which is managed by the Office of the State Treasurer to maintain principal stability. The pool is not registered with the SEC as an investment company and the State does not consider Georgia Fund 1 to be a 2a-7 like pool. The investment is valued at the pool’s share price, \$1.00 per share and a weighted maturity of 90 days or less, with the maximum maturity of any investment limited to 397 days. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker’s acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value. The fair values of investments in external investment pools are the same as the value of the pool shares.

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.

(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 \$909 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 water sewer fund paying to open an initial cash account for the CDBG grant fund. The interfund payable of \$21,156 for the general fund results from an over payment to the general fund of expenses for the water and sewer fund. It is anticipated that these balances will be settled in the next fiscal year.

Interfund receivables and payables at December 31, 2016, are as follows:

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 909	\$ 21,156
CDBG grant	-	50
Water and sewer fund	<u>21,206</u>	<u>909</u>
	<u>\$ 22,115</u>	<u>\$ 22,115</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(3) INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (continued)

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, 2016, were as follows:

From hotel/motel tax fund to general fund	\$ 68,257
From law enforcement fund to general fund	\$ 10,000
From SPLOST capital projects fund to water and sewer fund	\$ 481,250
From CDBG to water and sewer fund	\$ 278,702

(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</u>	<u>Dispositions and Reclassifications</u>	<u>Ending</u>
Nondepreciable capital assets				
Land	\$ 1,029,268	\$ -	\$ -	\$ 1,029,268
Construction in progress	267,363	45,825	(196,085)	117,103
Nondepreciable capital assets	<u>\$ 1,296,631</u>	<u>\$ 45,825</u>	<u>\$ (196,085)</u>	<u>\$ 1,146,371</u>
Depreciable capital assets				
Public improvements	\$ 5,462,516	\$ -	\$ 196,085	\$ 5,658,601
Buildings	6,503,523	-	-	6,503,523
Equipment, vehicles, furniture and fixtures	4,256,426	194,258	-	4,450,684
	<u>16,222,465</u>	<u>194,258</u>	<u>196,085</u>	<u>16,612,808</u>
Less accumulated depreciation				
Public improvements	1,251,260	152,175	-	1,403,435
Buildings	2,593,070	161,817	-	2,754,887
Equipment, vehicles, furniture and fixtures	3,513,542	173,917	-	3,687,459
	<u>7,357,872</u>	<u>487,909</u>	<u>-</u>	<u>7,845,781</u>
Depreciable capital assets, net	<u>\$ 8,864,593</u>	<u>\$ (293,651)</u>	<u>\$ 196,085</u>	<u>\$ 8,767,027</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(4) CAPITAL ASSETS (continued)

Depreciation charged to expense totaled \$487,909, and is charged to functions as follows:

General government	\$ 189,086
Public safety	124,819
Public works	50,434
Culture and recreation	123,570
	<u>\$ 487,909</u>

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 \$686,231.

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

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and Reclassifications</u>	<u>Ending</u>
Nondepreciable capital assets				
Land	\$ 89,156	\$ -	\$ -	\$ 89,156
Construction in progress	2,961,619	1,031,860	(3,694,019)	299,460
Nondepreciable capital assets	<u>\$ 3,050,775</u>	<u>\$ 1,031,860</u>	<u>\$ (3,694,019)</u>	<u>\$ 388,616</u>
Depreciable capital assets				
Buildings	\$ 565,435	\$ -	\$ -	\$ 565,435
Water/sewer system	24,137,230	-	3,686,530	27,823,760
Equipment and vehicles	965,413	5,881	7,485	978,779
	<u>25,668,078</u>	<u>5,881</u>	<u>3,694,015</u>	<u>29,367,974</u>
Less accumulated depreciation				
Buildings	89,654	13,543	-	103,197
Water/sewer system	6,954,953	636,026	-	7,590,979
Equipment and vehicles	856,022	36,662	-	892,684
	<u>7,900,629</u>	<u>686,231</u>	<u>-</u>	<u>8,586,860</u>
Depreciable capital assets, net	<u>\$ 17,767,449</u>	<u>\$ (680,350)</u>	<u>\$ 3,694,015</u>	<u>\$ 20,781,114</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(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 Bank of America, 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	\$ 109,970
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	93,393
	<u>\$ 203,363</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, 2017	\$ 154,843	\$ 7,753	\$ 147,090
2018	<u>58,973</u>	<u>2,700</u>	<u>56,273</u>
	<u>\$ 213,816</u>	<u>\$ 10,453</u>	<u>\$ 203,363</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 \$443,864. Amortization expense for assets acquired under capital leases is \$104,431.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(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	\$ 345,582	\$ -	\$ (142,219)	\$ 203,363
Compensated absences	148,758	-	(11,040)	137,718
Net pension liability	<u>1,208,710</u>	<u>709,007</u>	<u>-</u>	<u>1,917,717</u>
	<u>\$ 1,703,050</u>	<u>\$ 709,007</u>	<u>\$ (153,259)</u>	<u>\$ 2,258,798</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	\$ 147,090
Compensated absences	<u>137,718</u>
	<u>\$ 284,808</u>
Due in more than one year	
Capital lease obligations	\$ 56,273
Net pension liability	<u>1,917,717</u>
	<u>\$ 1,973,990</u>

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	<u>\$ 13,895,000</u>
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CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(5) LONG-TERM DEBT (continued)

Business-type activities (continued)

Maturities of proprietary fund bonds payable are as follows:

	Gross Payments	Imputed Interest	Net Present Value
For the year ending December 31, 2017	\$ 889,168	\$ 404,168	\$ 485,000
2018	890,530	400,530	490,000
2019	890,730	390,730	500,000
2020	893,730	383,730	510,000
2021	893,530	373,530	520,000
2022- 2026	4,456,065	1,686,065	2,770,000
2027- 2031	4,455,733	1,275,733	3,180,000
2032- 2036	4,459,400	714,400	3,745,000
2037- 2038	<u>1,788,232</u>	<u>93,232</u>	<u>1,695,000</u>
	<u>\$ 19,617,118</u>	<u>\$ 5,722,118</u>	<u>\$ 13,895,000</u>

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

	Beginning Balance	Adjustments and Additions	Adjustments and Retirements	Ending Balance
Revenue bonds	\$ 14,375,000	\$ -	\$ (480,000)	\$ 13,895,000
Compensated absences	46,107	-	(259)	45,848
Net pension liability	<u>351,520</u>	<u>136,329</u>	<u>-</u>	<u>487,849</u>
	<u>14,772,627</u>	<u>136,329</u>	<u>(480,259)</u>	14,428,697
Premium on bond refunding				<u>30,852</u>
				<u>\$ 14,459,549</u>

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(5) LONG-TERM DEBT (continued)

Business-type activities (continued)

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

Due within one year	
Revenue bonds	\$ 485,000
Compensated absences	45,848
	<hr/>
	\$ 530,848
	<hr/>
Due in more than one year	
Revenue bonds	\$ 13,440,852
Net pension liability	487,849
	<hr/>
	\$ 13,928,701
	<hr/>

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, 2016 \$9,220,000 of bonds outstanding are considered defeased.

(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, 2017	\$ 7,136
2018	2,276
	<hr/>
	\$ 9,412
	<hr/>

Rent expense relative to the above leases was \$10,733 for the year ended December 31, 2016.

(7) PENSION PLAN

DEFINED BENEFIT PLAN

Plan description

Employees of the City are provided a defined benefit pension plan through the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by Georgia Municipal Association. The City has the right to establish and amend the benefit provisions of the plan. These amendments become effective once approved by the Board of Trustees of GMEBS. GMEBS issues a publically available financial report that can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street SW, Atlanta, Georgia 30303.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(7) PENSION PLAN (continued)

Benefits provided

All regular employees of the City were eligible to participate in GMEBS after one year of service through December 31, 2002. The plan was amended to require all employees hired on or after January 1, 2003 to meet a 40 hour eligibility condition. Subsequently, the plan was amended to limit credited service for prior military service and prior governmental service to 60 months combined for regular employees hired on or after December 1, 2004.

Officials and municipal legal officers in office prior to April 1, 1993 can become participants and receive credit for service until end of current term. 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. Eligible employees become vested after five years of service. Benefit provisions are established in state statute and city ordinance.

Employees covered by benefit terms

As of June 30, 2016, the Plan year end, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>73</u>
	<u><u>158</u></u>

Contributions

The GMEBS Board of Trustees adopts an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

The annual recommended contribution is the greater of 1) the minimum contribution described above and 2) normal cost (including administrative expenses) with interest, adjusted by a full funding credit to ensure that contributions are not required if a plan's assets exceed the present value of future benefits.

Net Pension Liability (Asset)

For the year ended December 31, 2016, the Actuarial Determined Contribution was \$421,942, based on a rate of 14.51 percent of covered payroll. The City's net pension liability (asset) was measured as of March 31, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as June 30, 2016.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(7) PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability as of March 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	3.25% plus service based merit increases
Investment rate of return	7.75 percent, on-going basis, based on long-term expected rate of return on pension plan investments
Cost-of-Living Adjustment	0.0 percent

The mortality and economic actuarial assumptions used in the July 1, 2016 valuation were approved by the Board in December, 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 conducted by Segal Consulting, the Plan's actuaries.

The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long - Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	6.75%	45%
International Equity	7.45%	20%
Global Fixed Income	3.30%	5%
U.S. Fixed Income	1.75%	20%
Real estate	4.55%	10%
Short-term securities	0.00%	0%
		<u>100%</u>

The discount rate used to measure the total pension liability was 7.75 percent.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(7) PENSION PLAN (continued)

	Changes in the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at 3/31/2015	\$ 7,338,439	\$ 5,778,209	\$ 1,560,230
Changes for the year:			
Service cost	289,992	-	289,992
Interest	557,072	-	557,072
Differences between expected and actual experience	405,870	-	405,870
Contributions - employer	-	402,730	(402,730)
Contributions - employee		-	-
Net investment income		19,548	(19,548)
Benefit payments, including refunds of employee contributions	(300,839)	(300,839)	-
Administrative expense	-	(14,680)	14,680
Net changes	952,095	106,759	845,336
Balance at 3/31/2016	<u>\$ 8,290,534</u>	<u>\$ 5,884,968</u>	<u>\$ 2,405,566</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension (asset) liability	\$ 3,328,432	\$ 2,405,566	\$ 1,622,111

Pension expense

For the year ended December 31, 2016, the City recognized pension expense of \$555,614.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(7) PENSION PLAN (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	270,580	10,834
Changes of assumptions	-	45,469
Net difference between projected and actual earnings on pension plan investments	345,316	60,759
Contributions subsequent to the measurement date of March 31, 2016	<u>316,456</u>	<u>-</u>
	<u>\$ 932,352</u>	<u>\$ 117,062</u>

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31,	2017	145,063
	2018	201,366
	2019	66,076
	2020	<u>86,329</u>
		<u>\$ 498,834</u>

In the table shown above, the amounts will increase pension expense in the years indicated.

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 vest 20% each year and are 100% vested after 5 years of service.

Employee and employer contributions during the year ended December 31, 2016 were approximately \$94,039 and \$65,015, respectively. There were no forfeitures at December 31, 2016. As of December 31, 2016, there was an outstanding payable of \$2,312 to the 401 (a) plan.

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(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, 2016, 2015, and 2014. Deductibles for which the City was responsible amounted to \$15,051, \$2,508, and \$7,251, 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.

(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, 2016, the City has construction commitments in the amount of \$1,183,971, with \$883,462 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, 2016, is as follows:

Lodging tax – 6%	\$ 68,257
Disbursements for tourism and development	\$ 34,129

(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 Georgia Regional Commission and is required to pay annual dues thereto. During the year ended December 31, 2016, the City paid \$9,803 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:

CITY OF FORT OGLETHORPE, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

(12) JOINT VENTURE (continued)

Northwest Georgia Regional Commission
P.O. Box 1793
Rome, Georgia 30162-1798

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2017, 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 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
YEAR ENDED DECEMBER 31, 2016

	Budget			Variance with Final Budget
	Original	Final	Actual	
TAXES				
Property taxes	\$ 1,509,096	\$ 1,509,096	\$ 1,594,465	\$ 85,369
Motor vehicle tax	330,000	330,000	273,772	(56,228)
Business and occupation tax	968,250	968,250	1,051,876	83,626
General sales and use tax	2,005,000	2,005,000	1,970,269	(34,731)
Franchise tax	1,085,150	1,085,150	1,069,306	(15,844)
Real estate transfer tax	10,000	10,000	17,951	7,951
Intangible tax	22,000	22,000	41,388	19,388
Alcoholic beverage tax	346,000	346,000	400,285	54,285
Other taxes	14,000	14,000	11,325	(2,675)
Total taxes	6,289,496	6,289,496	6,430,637	141,141
LICENSES AND PERMITS				
Alcoholic beverage license	50,000	50,000	51,500	1,500
Other licenses and permits	98,700	98,700	106,044	7,344
Total licenses and permits	148,700	148,700	157,544	8,844
INTERGOVERNMENTAL				
Federal financial assistance	125,500	125,500	1,198	(124,302)
DOT revenue	65,000	65,000	65,708	708
Federal government in lieu of taxes	12,500	12,500	13,319	819
Total intergovernmental	203,000	203,000	80,225	(122,775)
CHARGES FOR SERVICES				
Public safety	177,000	177,000	176,671	(329)
Background checks	3,000	3,000	5,702	2,702
Culture and recreation	104,925	104,925	100,988	(3,937)
Other services	150	150	804	654
Total charges for services	285,075	285,075	284,165	(910)

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final</u>
				<u>Budget</u>
FINES AND FORFEITURES				
Police and courts	\$ 600,000	\$ 600,000	\$ 633,555	\$ 33,555
Total fines and forfeitures	600,000	600,000	633,555	33,555
MISCELLANEOUS				
Investment Income	24,000	24,000	52,013	28,013
Property rental	159,164	159,164	157,040	(2,124)
Insurance recovery	-	-	6,752	6,752
Donations	-	15,100	15,100	-
Other	8,000	9,000	54,570	45,570
Total miscellaneous	191,164	207,264	285,475	78,211
Total revenues	7,717,435	7,733,535	7,871,601	138,066
EXPENDITURES				
Judicial				
Municipal Court	481,435	481,435	403,758	77,677
Total judicial	481,435	481,435	403,758	77,677
General Government				
Legislative	171,262	171,262	120,386	50,876
Executive	263,273	197,673	131,927	65,746
Administration	503,217	507,217	443,905	63,312
General government buildings	399,193	801,003	691,664	109,339
Total general government	1,336,945	1,677,155	1,387,882	289,273
Public Safety				
Police	2,393,033	2,408,133	2,134,185	273,948
Fire	1,238,105	1,240,105	1,147,162	92,943
Total public safety	3,631,138	3,648,238	3,281,347	366,891

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

	Budget			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES (continued)				
Public works				
Public works administration	\$ 155,159	\$ 155,159	\$ 137,900	\$ 17,259
Highways and streets	738,196	720,196	570,551	149,645
Traffic engineering	126,743	126,743	107,610	19,133
Solid waste collection	630,243	639,743	603,411	36,332
Maintenance and shop	110,363	110,363	84,484	25,879
Total public works	1,760,704	1,752,204	1,503,956	248,248
Culture and Recreation				
Parks administration	119,612	94,612	72,621	21,991
Parks operation	167,532	201,733	134,000	67,733
Swimming pools	95,238	105,554	89,825	15,729
Senior center	13,250	13,250	9,124	4,126
Total culture and recreation	395,632	415,149	305,570	109,579
Public welfare				
Tourism	33,000	38,000	34,028	3,972
Total public welfare	33,000	38,000	34,028	3,972
Housing and development				
Protective inspection	141,581	141,581	134,643	6,938
Total housing and development	141,581	141,581	134,643	6,938
Total expenditures	7,780,435	8,153,762	7,051,184	1,102,578
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(63,000)	(420,227)	820,417	1,240,644

CITY OF FORT OGLETHORPE, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING SOURCES				
Transfers from other funds	<u>\$ 63,000</u>	<u>\$ 73,000</u>	<u>\$ 78,257</u>	<u>\$ 5,257</u>
	<u>63,000</u>	<u>73,000</u>	<u>78,257</u>	<u>5,257</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(347,227)	898,674	1,245,901
FUND BALANCES				
Beginning	<u>10,775,632</u>	<u>10,775,632</u>	<u>10,775,632</u>	<u>-</u>
Ending	<u>\$ 10,775,632</u>	<u>\$ 10,428,405</u>	<u>\$ 11,674,306</u>	<u>\$ 1,245,901</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.

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR ENDING JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 289,992	\$ 189,965
Interest	557,072	536,323
Difference between expected and actual experience	405,870	(32,501)
Changes of assumptions	-	(136,407)
Benefit payments, including refunds of employee contributions	<u>(300,839)</u>	<u>(278,484)</u>
Net change in total pension liability	952,095	278,896
Total pension liability - beginning	<u>7,338,439</u>	<u>7,059,543</u>
Total pension liability - ending (a)	<u><u>\$ 8,290,534</u></u>	<u><u>\$ 7,338,439</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 402,730	\$ 382,655
Contributions - employee	-	-
Net investment income	19,548	506,324
Benefit payments, including refunds of employee contributions	(300,839)	(278,484)
Administrative expense	<u>(14,680)</u>	<u>(13,555)</u>
Net change in total pension liability	106,759	596,940
Plan fiduciary net position - beginning	<u>5,778,209</u>	<u>5,181,269</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,884,968</u></u>	<u><u>\$ 5,778,209</u></u>
NET PENSION LIABILITY		
Net pension liability (a-b)	<u><u>\$ 2,405,566</u></u>	<u><u>\$ 1,560,230</u></u>
Plan fiduciary net position as a percentage of total pension liability	70.98%	78.74%
Covered employee payroll	\$ 2,908,780	\$ 2,982,861
Net pension liability as a percentage of covered-employee payroll	82.70%	52.31%

This is a 10- year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF GMEBS
LAST FISCAL YEAR ENDING JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 421,942	\$ 396,326
Contributions in relation to the actuarially determined contribution	<u>421,942</u>	<u>396,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,908,780	\$ 2,982,861
Contributions as a percentage of covered-employee payroll	14.51%	13.29%

This is a 10- year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF GMEBS
LAST FISCAL YEAR ENDING JUNE 30, 2016

NOTES TO SCHEDULE

Valuation date

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2015 actuarial valuation with an interest adjustment to the fiscal year. Contributions related to this actuarially determined contribution rate will be reported for the fiscal year ending December 31, 2016.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Varies - Net effective amortization period of ten years
Asset valuation	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.75%
Projected salary increases	3.25% plus service merit increases
Investment rate of return	7.75%
Retirement age	Pattern of retirement determined by experience study
Mortality	Customizable table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustment	0.00%

OTHER SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF FORT OGLETHORPE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	<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	\$ 25,088	\$ -	\$ -	\$ 25,088	\$ 50	\$ 25,138
Total assets	<u>\$ 25,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,088</u>	<u>\$ 50</u>	<u>\$ 25,138</u>
LIABILITIES AND FUND BALANCES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 50
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
Fund balances						
Restricted for Public safety	<u>25,088</u>	<u>-</u>	<u>-</u>	<u>25,088</u>	<u>-</u>	<u>25,088</u>
Total fund balances	<u>25,088</u>	<u>-</u>	<u>-</u>	<u>25,088</u>	<u>-</u>	<u>25,088</u>
Total liabilities and fund balances	<u>\$ 25,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,088</u>	<u>\$ 50</u>	<u>\$ 25,138</u>

CITY OF FORT OGLETHORPE, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Confiscated Assets	Law Enforcement	Hotel/ Motel Tax	Total	CDBG Grant	
REVENUES						
Taxes	\$ -	\$ -	\$ 68,257	\$ 68,257	\$ -	\$ 68,257
Intergovernmental	-	-	-	-	278,702	278,702
Fines, fees and forfeitures	340	-	-	340	-	340
Interest	17	-	-	17	-	17
Total revenues	357	-	68,257	68,614	278,702	347,316
EXPENDITURES						
Current						
Public safety	1,243	-	-	1,243	-	1,243
Total expenditures	1,243	-	-	1,243	-	1,243
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(886)	-	68,257	67,371	278,702	346,073
OTHER FINANCING USES						
Transfer to other funds	-	(10,000)	(68,257)	(78,257)	(278,702)	(356,959)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(886)	(10,000)	-	(10,886)	-	(10,886)
FUND BALANCES						
Beginning	25,974	10,000	-	35,974	-	35,974
Ending	<u>\$ 25,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,088</u>	<u>\$ -</u>	<u>\$ 25,088</u>

FINANCIAL SCHEDULES

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Prior to 2012</u>	<u>Total</u>
TAXES RECEIVABLE						
Beginning	\$ -	\$ 134,539	\$ 28,968	\$ 97	\$ 257	\$ 163,861
TAX LEVY	1,560,449	-	-	-	-	1,560,449
ADJUSTMENTS						
Releases, net of pickups	(4,541)	4,654	(108)	-	(257)	(252)
COLLECTIONS	<u>(1,417,830)</u>	<u>(114,393)</u>	<u>(23,944)</u>	<u>(76)</u>	<u>-</u>	<u>(1,556,243)</u>
TAXES RECEIVABLE						
Ending	<u>138,078</u>	<u>24,800</u>	<u>4,916</u>	<u>21</u>	<u>-</u>	<u>167,815</u>
Less allowance for uncollectible taxes	<u>(739)</u>	<u>(192)</u>	<u>(43)</u>	<u>(1)</u>	<u>-</u>	<u>(975)</u>
TAXES RECEIVABLE						
Net	<u>\$ 137,339</u>	<u>\$ 24,608</u>	<u>\$ 4,873</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 166,840</u>

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF WATER AND SEWER RATES
DECEMBER 31, 2016

The water and sewer rates for the City of Fort Oglethorpe, Georgia are as follows:

	<u>Water Rates</u>	<u>Sewer Rates</u>
Residential		
First 2,000 gallons	\$16.66/minimum	\$18.08/minimum
All over 2,000 gallons	\$4.40/1,000 gallons	\$4.76/1,000 gallons
Commercial		
First 2,000 gallons	\$21.87/minimum	\$23.14/minimum
All over 2,000 gallons	\$8.45/1,000 gallons	\$9.06/1,000 gallons

As of December 31, 2016, the City had approximately 3,118 water customers and 5,742 sewer customers.

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Pass-Through Number	Beginning Accrued (Deferred)	Cash Receipts (Refunds)	Expenditures	Ending Accrued (Deferred)
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	\$ 10,000	\$ 10,000	\$ -	\$ -
Total Highway Safety Administration			10,000	10,000	-	-
U.S. Department of Justice						
Justice Assistance Grant Byrne Vest Program	16.580		-	1,198	1,198	-
Total Department of Justice			-	1,198	1,198	-
U.S. Department of Transportation						
Pass-through from Georgia Department of Natural Resources						
Recreational Trails Program	20.219	NRT-11(12)	92,000	92,000	-	-
Total Department of Transportation			92,000	92,000	-	-
U.S. Department of Housing & Urban Development						
Pass-through from Georgia Department of Community Affairs						
Community Development Block Grant	14.218	14p-023-2-5665	-	175,032	175,032	-
Total Housing & Urban Development			-	175,032	175,032	-
Total Federal Awards			\$ 102,000	\$ 278,230	\$ 176,230	\$ -

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, 2016

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 within the City. The water system does not serve customers outside the corporate limits of the City. As of December 31, 2016, the water system provides water to 3,118 customers in the City. The Sewer system serves approximately 5,742 customers, 3,716 of whom are in the City and 2,026 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.

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, 2011	0.9337
July 1, 2012	0.9397
July 1, 2013	1.0387
July 1, 2014	1.0369
July 1, 2015	1.1503
July 1, 2016	1.2119

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Sewer System (continued)

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.

Fiscal Year Ended December 31	SPLOST Funds	System Revenues	GEFA Loans	Federal Grants	Series 2009 Bonds	Series 2014 Bonds	Total
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
2015	-	-	-	-	1,389,798	1,553,810	2,943,608
2016	-	-	-	175,033	-	1,256,895	1,431,928

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 2,188 customers of the System who are billed by the Catoosa Utility District. This table does not include inactive meters.

	2010	2011	2012	2013 ²	2014	2015	2016
Water							
Residential ¹	2,347	2,355	2,385	2,389	2,426	2,732	2,779
Commercial	320	321	325	324	326	330	339
Total	<u>2,667</u>	<u>2,676</u>	<u>2,710</u>	<u>2,713</u>	<u>2,752</u>	<u>3,062</u>	<u>3,118</u>
Sewer							
Residential ¹	2,304	2,311	2,340	3,000	3,066	3,248	3,262
Commercial	314	315	319	364	366	295	292
Total	<u>2,618</u>	<u>2,626</u>	<u>2,659</u>	<u>3,364</u>	<u>3,432</u>	<u>3,543</u>	<u>3,554</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.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Sewer System (continued)

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

Fiscal Year	Daily Water Consumption		Daily Sewer Consumption	
	Peak (MDG)	Average (MDG)	Peak (MDG)	Average (MDG)
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
2014	1.06	0.89	3.01	2.30
2015	1.15	0.90	2.79	2.40
2016	1.19	0.91	3.01	1.67

The following table shows the ten largest water and sewer customers of the System for the fiscal year ended December 31, 2016. 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.

Customer	Type of Business	Gallons Metered (000s)	Annual Water and Sewer Revenue	Revenues as a Percent of Total System Revenues¹
Cornerstone Medical Center	Healthcare	15,823	\$ 239,598	4.83%
Hallmark Ridge Apartments	Apartments	9,730	109,020	2.20%
Battlewood Apartments	Apartments	4,873	77,063	1.55%
American Heritage Apartments	Apartments	4,277	68,936	1.39%
Lake Winnepesaukah	Amusement Park	6,354	62,144	1.14%
Fort Oglethorpe Nursing Home	Healthcare	2,885	52,311	1.05%
Parkside	Healthcare	1,680	44,926	0.91%
Lakeview High School	School	1,967	32,621	0.66%
Walmart	Retail	2,004	20,974	0.42%
Jack Smith Apartments	Apartments	1,554	20,535	0.41%
Dwight Waterhouse	Apartments	1,364	18,997	0.38%
Total		<u>52,511</u>	<u>\$ 747,125</u>	<u>14.94%</u>

¹ Based on total water and sewer revenues of \$4,961,295 for the fiscal year ended December 31, 2016.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

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	\$ 16.66	\$ 14.03	\$ 11.50
Sewer	<u>18.08</u>	<u>15.30</u>	<u>23.51</u>
Total	<u>\$ 34.74</u>	<u>\$ 29.33</u>	<u>\$ 35.01</u>

The city has adjusted its water and sewer rate schedules annually, except for 2015. A summary of the general rate schedule in effect since January 1, 2011, to present is set forth below. The city passed a water and sewer rate increase in December of 2016 to be effective January 1, 2017.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Inside City Water Rate</u>						
Residential						
First 2,000 gal. (min.)	\$ 11.74	\$ 12.71	\$ 13.35	\$ 16.59	\$ 16.59	\$ 16.66
Each additional 1,000 gal.	3.02	3.36	3.53	4.37	4.37	4.40
Commercial						
First 2,000 gal. (min.)	15.53	16.69	17.52	21.23	21.23	21.87
Each additional 1,000 gal.	5.95	6.44	6.77	8.31	8.31	8.45
<u>Inside City Sewer Rate</u>						
Residential						
First 2,000 gal. (min.)	12.71	13.49	14.30	15.28	15.28	18.08
Each additional 1,000 gal.	3.27	3.51	3.72	4.04	4.04	4.76
Commercial						
First 2,000 gal. (min.)	16.35	17.32	18.36	20.06	20.06	23.14
Each additional 1,000 gal.	6.35	6.75	7.16	7.75	7.75	9.06

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Outside City Sewer Rate (Catoosa Utility Water)						
Residential						
First 2,000 gal. (min.)	16.52	17.54	18.59	21.57	21.57	23.51
Each additional 1,000 gal.	4.25	4.56	4.83	5.68	5.68	6.19
Commercial						
First 2,000 gal. (min.)	21.25	22.52	23.87	27.60	27.60	30.08
Each additional 1,000 gal.	8.25	8.78	9.31	10.80	10.80	11.77
Outside City Sewer Rate (TN American Water)						
Residential						
First 2,000 gal. (min.)	16.52	17.54	19.00	21.98	21.98	23.92
Each additional 1,000 gal.	4.25	4.56	4.83	5.68	5.68	6.19
Commercial						
First 2,000 gal. (min.)	21.25	21.25	24.28	28.01	28.01	30.49
Each additional 1,000 gal.	8.25	8.25	9.31	10.80	10.80	11.77

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 5.0% 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.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Current assets					
Cash and cash equivalents	\$ 5,354,353	\$ 4,940,422	\$ 7,839,648	\$ 4,134,714	\$ 5,542,195
Receivables, net of allowance for uncollectibles	384,193	529,360	411,901	390,842	489,081
Interest receivable	-	-	-	3,876	17,034
Due from other funds	-	-	461	20,627	21,206
Prepaid insurance	<u>38,789</u>	<u>62,110</u>	<u>62,232</u>	<u>37,893</u>	<u>16,889</u>
 Total current assets	 5,777,335	 5,531,892	 8,314,242	 4,587,952	 6,086,405
Long-term assets					
Restricted assets					
Investments in CDs or MM, restricted by bond covenants	1,750,875	1,760,340	2,079,231	3,957,979	2,935,826
Bond interest and sinking funds	849,624	849,674	222,548	223,442	222,297
Capital assets					
Land and other non-depreciable assets	615,906	1,295,646	272,459	3,050,775	388,616
Property, plant and equipment	22,549,705	23,665,992	25,165,159	25,668,078	29,367,974
Accumulated depreciation	(6,176,126)	(6,759,455)	(7,272,100)	(7,900,629)	(8,586,860)
Other assets					
Prepaid bond insurance	<u>220,200</u>	<u>211,677</u>	<u>15,587</u>	<u>14,931</u>	<u>14,274</u>
 Total long-term assets	 <u>19,810,184</u>	 <u>21,023,874</u>	 <u>20,482,884</u>	 <u>25,014,576</u>	 <u>24,342,127</u>
 Total assets	 <u>25,587,519</u>	 <u>26,555,766</u>	 <u>28,797,126</u>	 <u>29,602,528</u>	 <u>30,428,532</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Five year net assets history (continued)

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

Deferred outflows of resources

Bond issue costs	\$ -	\$ -	\$ 639,914	\$ 612,970	\$ 586,026
Pension related items	-	-	-	66,969	189,081
Deferred loss on debt refunding	-	-	933,686	894,373	855,060
	<u>-</u>	<u>-</u>	<u>933,686</u>	<u>894,373</u>	<u>855,060</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>1,573,600</u>	<u>1,574,312</u>	<u>1,630,167</u>

Current liabilities

Current maturities of notes and bonds	240,000	245,000	475,000	480,000	485,000
Accounts payable	212,948	353,200	132,806	388,194	213,272
Accrued interest payable	109,885	108,685	103,798	103,442	101,042
Due to other funds	1,752,583	1,761,780	1,395	1,108	909
Payroll withholdings and accruals	30,207	31,999	10,408	7,527	10,002
Compensated absences	40,033	35,215	44,597	46,107	45,848
Customer deposits	152,816	157,316	161,524	166,165	172,385
	<u>2,538,472</u>	<u>2,693,195</u>	<u>929,528</u>	<u>1,192,543</u>	<u>1,028,458</u>
Total current liabilities	<u>2,538,472</u>	<u>2,693,195</u>	<u>929,528</u>	<u>1,192,543</u>	<u>1,028,458</u>

Long-term liabilities

Bonds payable, net of current portion	9,970,000	9,725,000	14,408,689	13,927,270	13,440,852
Net pension liability	-	-	-	351,520	487,849
	<u>9,970,000</u>	<u>9,725,000</u>	<u>14,408,689</u>	<u>14,278,790</u>	<u>13,928,701</u>
Total long-term liabilities	<u>9,970,000</u>	<u>9,725,000</u>	<u>14,408,689</u>	<u>14,278,790</u>	<u>13,928,701</u>
Total liabilities	<u>12,508,472</u>	<u>12,418,195</u>	<u>15,338,217</u>	<u>15,471,333</u>	<u>14,957,159</u>

Deferred inflows of resources

Pension related items	-	-	-	43,622	23,739
	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,622</u>	<u>23,739</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Five year net assets history (continued)

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

Net position

Net investment in capital assets	6,779,485	8,232,183	3,281,829	6,410,954	7,243,878
Restricted for debt service	-	-	-	223,442	222,297
Unrestricted	<u>6,299,562</u>	<u>5,905,388</u>	<u>11,750,680</u>	<u>9,027,489</u>	<u>9,611,626</u>
 Total net position	 <u>\$13,079,047</u>	 <u>\$14,137,571</u>	 <u>\$15,032,509</u>	 <u>\$15,661,885</u>	 <u>\$17,077,801</u>

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 2012 to 2016 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, 2012, to December 31, 2016. Although taken from audited financial statements for fiscal years 2012 through 2016, 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 2016, and to the audited financial statements of the City for fiscal years 2012 through 2015, copies of which are available from the City upon request.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating revenues					
Water sales	\$ 1,187,592	\$ 1,201,607	\$ 1,305,264	\$ 1,380,027	\$ 1,500,849
Sewer charges	2,489,321	2,620,587	2,929,795	3,179,143	3,464,498
Water and sewer taps	45,950	25,998	73,000	52,550	99,955
Meter and reconnect fees	18,105	30,655	30,177	26,650	37,465
Federal financial asst.	89,201	125,234	-	-	-
Other	<u>76,233</u>	<u>76,233</u>	<u>100,935</u>	<u>141,992</u>	<u>69,769</u>
 Total revenues	 <u>3,906,402</u>	 <u>4,080,314</u>	 <u>4,439,171</u>	 <u>4,780,362</u>	 <u>5,172,536</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Five Year Operating History (continued)

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating expenses					
Depreciation and amortization	532,955	591,853	852,259	695,440	753,144
General operating expense	<u>3,089,447</u>	<u>3,178,001</u>	<u>3,282,511</u>	<u>3,193,052</u>	<u>3,375,321</u>
Total expenses	<u>3,622,402</u>	<u>3,769,854</u>	<u>4,134,770</u>	<u>3,888,492</u>	<u>4,128,465</u>
Operating income	<u>284,000</u>	<u>310,460</u>	<u>304,401</u>	<u>891,870</u>	<u>1,044,071</u>
Non-operating revenue (expense)					
Interest revenue	93,800	43,649	8,372	10,658	23,260
Interest expense	<u>(443,064)</u>	<u>(438,339)</u>	<u>(243,701)</u>	<u>(414,836)</u>	<u>(411,367)</u>
Total non-operating revenue (expense)	<u>(349,264)</u>	<u>(394,690)</u>	<u>(235,329)</u>	<u>(404,178)</u>	<u>(388,107)</u>
Income (loss) before operating transfers	(65,264)	(84,230)	69,072	487,692	655,964
Transfers from other funds	<u>1,353,597</u>	<u>1,142,754</u>	<u>825,866</u>	<u>500,970</u>	<u>759,952</u>
Change in net position	<u>1,288,333</u>	<u>1,058,524</u>	<u>894,938</u>	<u>988,662</u>	<u>1,415,916</u>
Net position					
Beginning	12,209,137	13,079,047	14,137,571	15,032,509	15,661,885
Prior period adjustment	<u>(418,423)</u>	<u>-</u>	<u>-</u>	<u>(359,286)</u>	<u>-</u>
Beginning, as restated	<u>11,790,714</u>	<u>13,079,047</u>	<u>14,137,571</u>	<u>14,673,223</u>	<u>15,661,885</u>
Ending	<u>\$13,079,047</u>	<u>\$14,137,571</u>	<u>\$15,032,509</u>	<u>\$15,661,885</u>	<u>\$17,077,801</u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

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
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
	<u>\$ 14,375,000.00</u>	<u>\$ 6,135,885.00</u>	<u>\$ 20,510,885.00</u>

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 2015. The pro-forma figures are based upon the financial forecast of the System's net revenues for fiscal year 2016 through fiscal year 2018.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Historical and Pro-forma Debt Service Coverage Ratios (continued)

	<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, 2016

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, 2016. 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, 2016

Operating revenues

Customer charges	\$ 4,753,908
Tap fees	82,500
Meter installations	3,000
Penalties	66,000
Interest income	6,000
Miscellaneous	<u>1,493</u>
 Total operating revenues	 <u><u>\$ 4,912,901</u></u>

Operating expenses

Water/sewer administration	\$ 1,206,076
Sewer operations	2,597,035
Sewer lift station maintenance	82,774
Water operations	929,357
Contingencies	1,100
Maintenance and shop	<u>96,559</u>
 Total operating expenses	 <u><u>\$ 4,912,901</u></u>

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

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, 2016, is as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>	<u>Years on Council</u>
Earl Gray, <i>Mayor</i>	December 31, 2019	Retail	6 years
Craig Crawford	December 31, 2017	Plumber	3 years
Derek Rogers	December 31, 2019	Web Design	2.8 years
Jim Childs	December 31, 2017	Retired	1 year
Paula Stinnett	December 31, 2017	Teacher	3 years
Rhonda James	December 31, 2019	Finance	1 year

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. Currently, the City Manager position is vacant. The interim City Manager is Carol Murray, who is also the City clerk.

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 13.92% 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.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Employee Benefits (continued)

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, 2016, the City's annual pension cost was \$421,942, which was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2016 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 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 2016 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:

Fiscal Year Ended December 31	Annual of Pension Cost ("APC")	Percentage APC Contributed	Net Pension Obligation
2012	\$ 297,545	100%	\$ -
2013	\$ 365,499	100%	\$ -
2014	\$ 378,098	100%	\$ -
2015	\$ 396,236	100%	\$ -
2016	\$ 421,942	100%	\$ -

As of July 1, 2016, the most recent actuarial valuation date, the funded status of the Plan for the last four years was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Actuarial Unfunded/ (Surplus) AAL (UAAL)	Annual Covered Payroll	UALL as a % of Covered Payroll
July 1, 2016	\$ 6,395,648	\$ 7,694,132	\$ 1,298,484	\$ 2,908,780	44.64%
July 1, 2015	\$ 5,904,222	\$ 7,148,570	\$ 1,244,348	\$ 2,982,861	41.72%
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%

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

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 State National 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.

<u>Type</u>	<u>Amount in Force</u>
Property	
Buildings & Business Personal Property	\$ 22,867,620
Electronic Data Processing Equipment	\$ 275,000
Business Income and Extra Expense	\$ 500,000
Electronic Data Processing Media	\$ 275,000
Contractor's Equipment	\$ 2,058,841
Automobile ACV	107 Units/\$1,000 ded.

<u>Type</u>	<u>Limits of Liability</u>	
	<u>Each Occurrence</u>	<u>Annual Aggregate</u>
Casualty		
Commercial General Liability	\$ 1,000,000	\$ 3,000,000
Law Enforcement	\$ 1,000,000	\$ 3,000,000
Public Entity Employment Related	\$ 1,000,000	\$ 3,000,000
Public Entity Management Liability	\$ 1,000,000	\$ 3,000,000
Automobile Liability		\$ 1,000,000
Employee Benefits Liability	\$ 1,000,000	\$ 3,000,000
Cyber Coverage	\$ 1,000,000	\$ 1,000,000

Crime

Employee Theft	\$ 500,000 blanket
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Settled claims have not exceeded coverage for the past three fiscal years. Deductibles for which the City was responsible amounted to \$15,051, \$2,508 and \$7,251 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 Key Risk 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, 2016

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>
BlueCross BlueShield of TN	Health Care Financing	4,899
Hamilton County Department of Education	School System	4,508
Erlanger Health System	Hospital	4,384
Tennessee Valley Authority	Utility-Electric Service	3,786
Amazon	Distribution Center	3,312
Unum	Insurance	2,800
McKee Foods	Mfr. Cakes & Cookies	2,700
CHI Memorial	Health Care	2,602
City of Chattanooga	Government	2,250
Volkswagen	Mfr. Automoblies	2,177

Source: Chattanooga Chamber of Commerce website, www.chattanooga-chamber.com, as of December 31, 2016.

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employment	32,349	32,029	29,124	29,729	30,836
Unemployment	<u>2,282</u>	<u>2,079</u>	<u>1,932</u>	<u>1,509</u>	<u>1,525</u>
Total	<u>34,631</u>	<u>34,108</u>	<u>31,056</u>	<u>31,238</u>	<u>32,361</u>
County Unemployment Rate	6.6%	6.1%	6.2%	4.8%	4.7%
State Unemployment Rate	9.0%	8.2%	7.2%	5.5%	5.4%
U.S. Unemployment Rate	8.1%	7.4%	6.2%	5.0%	4.7%

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

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.

CITY OF FORT OGLETHORPE, GEORGIA
STATISTICAL SECTION
DECEMBER 31, 2016

Special local option sales tax (continued)

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
January	\$ 113,969	\$ 109,431	\$ 105,343	\$ 109,393	\$ 112,525
February	96,478	78,396	86,933	87,167	83,262
March	94,486	105,900	90,790	88,311	90,378
April	110,833	104,980	98,137	97,904	98,376
May	98,915	91,426	94,002	93,433	92,736
June	101,309	95,073	97,558	99,382	94,058
July	104,560	91,783	97,290	100,943	101,155
August	102,565	88,335	95,862	100,439	96,293
September	99,500	97,554	92,091	99,768	96,726
October	97,365	91,182	92,910	98,404	85,333
November	101,266	91,439	88,320	95,537	93,274
December	<u>97,432</u>	<u>92,927</u>	<u>100,162</u>	<u>101,543</u>	<u>96,204</u>
	<u>\$ 1,218,678</u>	<u>\$ 1,138,426</u>	<u>\$ 1,139,398</u>	<u>\$ 1,172,224</u>	<u>\$ 1,140,320</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, 2016, 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 May 17, 2017.

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.

May 17, 2017
Chattanooga, Tennessee

**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, 2016, and have issued our report thereon dated May 17, 2017. 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, 2016. 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, 2016, 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.

May 17, 2017
Chattanooga, Tennessee

CITY OF FORT OGLETHORPE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
YEAR ENDED DECEMBER 31, 2016

PROJECT	ORIGINAL	REALLO- CATIONS	REVISED	EXPENDITURES			PERCENTAGE
	ESTIMATED COST		ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	OF COMPLETION
Catoosa County							
2009 Cycle							
Debt reduction sewer bonds	3,395,245	-	3,395,245	3,188,094	-	3,188,094	94%
Lease payments on public safety vehicles	516,011	-	516,011	579,128	-	579,128	112%
Streets and trails	700,000	322,402	1,022,402	1,022,402	-	1,022,402	100%
Building 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 sewer bonds	1,993,355	-	1,993,355	719,604	481,250	1,200,854	60%
Lease payments on public safety vehicles	523,505	-	523,505	154,843	154,843	309,686	59%
Streets and trails	50,000	-	50,000	-	-	-	0%
Recreation projects	250,000	-	250,000	-	-	-	0%
Building 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	128,715	143,678	272,393	34%
Walker County							
1998 Cycle							
Bike/pedestrian trail	97,500	(9,167)	88,333	28,005	-	28,005	32%
2008 Cycle							
Street, bridge, and sidewalk improvements, 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, equipment, and other capital projects	74,871	-	74,871	65,548	-	65,548	88%
	\$ 14,582,871	\$ (9,167)	\$ 14,573,704	\$ 6,983,043	\$ 779,771	\$ 7,762,814	

Reconciliation of current year expenditures

Total capital projects expenditures	298,521
Capital projects for water and sewer fund	481,250
	<u>\$ 779,771</u>