TOWN OF DAVISBORO, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended July 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Davisboro, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Davisboro, Georgia, as of and for the year ended July 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Davisboro, Georgia, as of July 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 budgetary comparison information on pages 34 through 37 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Davisboro, Georgia's basic financial statements. The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents is the responsibility of management and was derived from and relates 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 21, 2016 on our consideration of the Town of Davisboro, 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 the 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 Town of Davisboro, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

October 21, 2016

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
  - Governmental funds
  - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF NET POSITION
JULY 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current assets:			
Cash and cash equivalents	$ 75,014	$ 250,637	$ 325,651
Accounts receivable, net	3,889	9,381	13,270
Receivable from other governments	15,569	-	15,569
Internal balances	-	-	-
Total current assets	94,472	260,018	354,490
Noncurrent assets:			
Capital assets:			
Nondepreciable	223,128	51,761	274,889
Depreciable, net	722,899	3,787,707	4,510,606
Total noncurrent assets	946,027	3,839,468	4,785,495
Deferred outflows of resources:			
Deferred charges on pension obligations	24,074	10,317	34,391
Total assets and deferred outflows of resources	1,064,573	4,109,803	5,174,376
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current liabilities:			
Accounts payable	4,063	11,799	15,862
Current portion of long-term debt	12,174	54,829	67,003
Meter deposits held	-	14,246	14,246
Other accrued liabilities	809	810	1,619
Total current liabilities	17,046	81,684	98,730
Noncurrent liabilities:			
Pension liability	99,984	42,850	142,834
Notes payable, less current portion	-	797,555	797,555
Total noncurrent liabilities	99,984	840,405	940,389
Deferred inflows of resources:			
Deferred charges on pension obligations	833	357	1,190
Total deferred inflows of resources	833	357	1,190
Total liabilities and deferred inflows of resources	117,863	922,446	1,040,309
NET POSITION:			
Net investment in capital assets	933,853	2,987,084	3,920,937
Restricted for:			
Transportation improvements	52,031	-	52,031
Capital projects	14,739	-	14,739
Housing and development	2,001	-	2,001
Unrestricted	(55,914)	200,273	144,359
	$ 946,710	$ 3,187,357	$ 4,134,067

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 254,782	$ 7,875	$ 5,655	$ 32,829	$ (208,423)	$ -	$ (208,423)
Public safety	154,555	15,402	-	-	(139,153)	-	(139,153)
Streets and sanitation	106,522	29,559	45,135	-	(31,828)	-	(31,828)
Housing and development	38,019	-	39,869	-	1,850	-	1,850
Interest on long-term debt	1,718	-	-	-	(1,718)	-	(1,718)
Total governmental activities	555,596	52,836	90,659	32,829	(379,272)	-	(379,272)
Business-type activities:							
Water and sewer fees	537,357	481,435	-	159,375	-	103,453	103,453
Total business-type activities	537,357	481,435	-	159,375	-	103,453	103,453
Total primary government	$ 1,092,953	$ 534,271	$ 90,659	$ 192,204	(379,272)	103,453	(275,819)
General revenues:							
Taxes:							
Property taxes					19,020	-	19,020
General sales and use tax					57,778	-	57,778
Franchise tax					37,102	-	37,102
Insurance company premium tax					115,817	-	115,817
Other taxes					13,369	-	13,369
Interest and dividend earnings					-	92	92
Miscellaneous					7,659	-	7,659
Transfers					129,783	(129,783)	-
Total general revenues and transfers					380,528	(129,691)	250,837
Change in net position					1,256	(26,238)	(24,982)
Net position, beginning					916,563	3,242,486	4,159,049
Prior period adjustment					28,891	(28,891)	-
Net position, beginning as restated					945,454	3,213,595	4,159,049
Net position, ending					$ 946,710	$ 3,187,357	$ 4,134,067

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JULY 31, 2016

	General Fund	Capital Projects Fund (2005)	Capital Projects Fund (2009)	Capital Projects Fund (2014)	CDBG Fund (2012)	Trans-portation Special Revenue Fund	Total Govern-mental Funds
ASSETS:							
Cash and cash equivalents	$ 12,607	$ -	$ 10,123	$ 783	$ 2,001	$ 49,500	$ 75,014
Accounts receivable, net	3,889	-	-	-	-	-	3,889
Receivable from other funds	-	-	-	-	-	-	-
Receivable from other governments	9,205	-	-	3,833	-	2,531	15,569
Total assets	$ 25,701	$ -	$ 10,123	$ 4,616	$ 2,001	$ 52,031	$ 94,472
LIABILITIES:							
Accounts payable	$ 4,063	$ -	$ -	$ -	$ -	$ -	$ 4,063
Other liabilities	809	-	-	-	-	-	809
Payable to other funds	-	-	-	-	-	-	-
Total liabilties	4,872	-	-	-	-	-	4,872
DEFERRED INFLOWS OF RESOURCES:							
Property taxes	225	-	-	-	-	-	225
FUND BALANCES:							
Non-spendable fund balance	-	-	-	-	-	-	-
Restricted fund balance:							
Capital projects	-	-	10,123	4,616	-	-	14,739
Transportation improvements	-	-	-	-	-	52,031	52,031
Housing and development	-	-	-	-	2,001	-	2,001
Unrestricted fund balance:							
Committed fund balance	-	-	-	-	-	-	-
Assigned fund balance	-	-	-	-	-	-	-
Unassigned fund balance	20,604	-	-	-	-	-	20,604
Total fund balances	20,604	-	10,123	4,616	2,001	52,031	89,375
Total liabilities, deferred inflows of resources, and fund balance	$ 25,701	$ -	$ 10,123	$ 4,616	$ 2,001	$ 52,031	$ 94,472

(Continued)

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JULY 31, 2016

Fund balances - total governmental funds	$	89,375
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $471,871		946,027
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Accounts receivable, net of allowance for doubtful accounts of $0		225
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore are not reported in the funds:		
Net pension liability		(99,984)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore are not reported in the funds:		
Deferred outflows of resources related to pensions		24,074
Deferred inflows of resources related to pensions		(833)
Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds		(12,174)
Net position of governmental activities	$	946,710

TOWN OF DAVISBORO, GEORGIA
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JULY 31, 2016

	General Fund	Capital Projects Fund (2005)	Capital Projects Fund (2009)	Capital Projects Fund (2014)	CDBG Fund (2012)	Trans-portation Special Revenue Fund	Total Govern-mental Funds
REVENUES:							
Taxes	$ 244,474	$ -	$ -	$ -	$ -	$ 30,909	$ 275,383
Licenses and permits	7,875	-	-	-	-	-	7,875
Intergovernmental	-	-	-	32,824	39,869	14,226	86,919
Charges for services	44,961	-	-	-	-	-	44,961
Other	13,309	-	5	-	5	-	13,319
Total revenues	310,619	-	5	32,824	39,874	45,135	428,457
EXPENDITURES:							
Current operating:							
General government	217,788	15	-	495	-	-	218,298
Street department	97,565	-	-	-	-	1,241	98,806
Public safety	144,086	-	-	-	-	-	144,086
Housing and development	-	-	-	-	38,019	-	38,019
Debt service:							
Principal	-	-	-	27,957	-	-	27,957
Interest and other charges	-	-	-	1,718	-	-	1,718
Capital outlays	-	-	-	14,866	-	-	14,866
Total expenditures	459,439	15	-	45,036	38,019	1,241	543,750
Excess (deficiency) of revenues over expenditures	(148,820)	(15)	5	(12,212)	1,855	43,894	(115,293)
OTHER FINANCING SOURCES (USES):							
Loan proceeds	-	-	-	-	-	-	-
Transfers in (out)	156,811	-	-	-	-	(12,162)	144,649
Total other financing sources and uses	156,811	-	-	-	-	(12,162)	144,649
Net change in fund balance	7,991	(15)	5	(12,212)	1,855	31,732	29,356
FUND BALANCE, beginning of year	12,613	15	10,118	16,828	146	20,299	60,019
FUND BALANCE, end of year	$ 20,604	$ -	$ 10,123	$ 4,616	$ 2,001	$ 52,031	$ 89,375

(Continued)

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JULY 31, 2016

Net change in fund balances - total governmental funds	$ 29,356
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	-
Depreciation	(45,336)
	(45,336)
The effect of various capital asset disposals and sales, net of accumulated depreciation	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Receivables, net of deferred revenue	(1,388)
Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Cost of benefits earned net of employee contributions	(9,333)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Issuance of long-term debt	-
Repayment of long-term debt	27,957
	27,957
	$ 1,256

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JULY 31, 2016

	Water and Sewer Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash in bank	$ 250,637
Accounts receivable, net of allowance of $382	9,381
Total current assets	260,018
CAPITAL ASSETS:	
Land and improvements	26,978
Furniture and fixtures	30,792
Distribution system	6,443,732
Vehicles	67,936
Construction in progress	24,783
	6,594,221
Less accumulated depreciation	(2,754,753)
Total capital assets	3,839,468
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charges on pension obligations	10,317
Total assets and deferred outflows of resources	4,109,803
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable	11,799
Current portion of long-term debt	54,829
Payroll taxes payable	810
Meter deposits held	14,246
Total current liabilities	81,684
NONCURRENT LIABILITIES:	
Pension liability	42,850
Notes payable, net of current portion	797,555
	840,405
DEFERRED INFLOWS OF RESOURCES:	
Deferred charges on pension obligations	357
Total liabilities and deferred inflows of resources	922,446
NET POSITION	
NET INVESTMENT IN CAPITAL ASSETS	2,987,084
UNRESTRICTED	200,273
Total net position	$ 3,187,357

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PRORIETARY FUND
FOR THE YEAR ENDED JULY 31, 2016

	Water and Sewer Fund
OPERATING REVENUES:	
Water sales	$ 449,110
Sewer charges	32,325
Total operating revenue	481,435
OPERATING EXPENSES:	
Personal services and employee benefits:	
Salaries	97,832
Payroll taxes	7,992
Health insurance	14,403
Retirement plan	14,784
Purchased/contracted services:	
Repairs and replacement	39,180
Professional fees	6,347
Testing	7,051
Insurance	30,314
Supplies:	
Chemicals and supplies	34,362
Office supplies	1,177
Utilities and communication	89,642
Depreciation	170,783
Miscellaneous	18,109
Total operating expenses	531,976
OPERATING INCOME	(50,541)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	92
Interest expense	(5,381)
GEFA grant	159,375
Total non-operating revenues (expenses)	154,086
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	103,545
CAPITAL CONTRIBUTIONS:	
Contribution from Capital Projects Funds	14,866
NET INCOME BEFORE TRANSFERS	118,411
TRANSFERS IN (OUT):	
General Fund	(144,649)
NET INCOME (LOSS)	(26,238)
NET POSITION, beginning of year	3,242,486
PRIOR PERIOD ADJUSTMENT	(28,891)
NET POSITION, beginning as restated	3,213,595
NET POSITION, end of year	$ 3,187,357

See accompanying notes to the basic financial statements

TOWN OF DAVISBORO, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JULY 31, 2016

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 481,418
Cash paid to suppliers for goods and services	(223,496)
Cash paid to employees	(135,816)
Net cash provided by (used for) operating activities	122,106
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from (to) other funds	(144,649)
Net cash provided by (used for) noncapital financing activities	(144,649)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(989,149)
GEFA grant proceeds	159,375
Proceeds from long-term debt	637,499
Principal paid on capital debt	(46,761)
Interest paid on capital debt	(5,381)
Net cash provided by (used for) capital and related financing activities	(244,417)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	92
Net cash provided by (used for) investing activities	92
NET INCREASE (DECREASE) IN CASH	(266,868)
CASH AND CASH EQUIVALENTS, beginning of year	517,505
CASH AND CASH EQUIVALENTS, end of year	$ 250,637
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Net operating income (loss)	$ (50,541)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	170,783
Changes in assets and liabilities:	
Accounts receivable	(17)
Accounts payable	(1,563)
Payroll taxes payable	(805)
Pension liability	3,999
Meter deposits held	250
Net cash provided by (used for) operating activities	$ 122,106

NONCASH CAPITAL FINANCING ACTIVITIES:
Capital purchases of $14,866 were made through contributions from the Capital Projects Fund.

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of Town of Davisboro (the "Town ") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town.

Currently, the Town has no blended component units or discretely presented component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position report information on all of the nonfiduciary activities of the Town (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

> The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Capital Projects Fund (2005) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period July 1, 2005 to September 30, 2009.
>
> The Capital Projects Fund (2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2009 to September 30, 2014.
>
> The Capital Projects Fund (2014) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period October 1, 2014 to September 30, 2020.

The Transportation Special Revenue Fund accounts for capital outlay and other transportation improvements related to the additional one-percent local option sales tax in effect for the period January 1, 2013 to December 31, 2022.

The 2012 Community Development Block Grant ("CDBG") Fund accounts for a 2012 grant of $421,594 for the rehabilitation and reconstruction of private properties.

The Town reports the following major proprietary fund:

The Water and Sewer Fund is used to account for the provision of water and sewer services to businesses and residents of the Town. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

The Town complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This Statement requires the Town to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Town has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

Investments, if any, are stated at fair market value with unrealized holding gains and losses reported as the "Change in fair market value of investments" in the Statement of Revenues, Expenses and Changes in Net Position.

E. Inventory

Materials purchased in the proprietary fund are expensed as purchased and are not inventoried at year end due to lack of materiality.

F. Prepaid Items

Prepaid balances, if any, are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items isrecognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, sidewalks, distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of two years and an original cost of $1,500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets totaling $0 were completed during the year ended July 31, 2016. At July 31, 2016, $23,191 of construction-in-progress was related to infrastructure assets.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Buildings	30-40 years
Machinery and equipment	5-25 years
Infrastructure	40-50 years

H. Compensated Absences

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. Liabilities for compensated absences are recorded as other liabilities and accrued expenses in the Water and Sewer Fund. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

The Town does not allow accumulated vacation pay beyond one year; therefore there is no significant unrecorded balance at July 31, 2016.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietaryfund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

Fund equity at the governmental fund financial reporting 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 the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance 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. Only the City Council may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City's finance committee to assign fund balances.

Unassigned - Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned balances may be reported in all funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the City would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The City does not have a formal minimum fund balance policy; however, the City Council address various target reserve positions which are reviewed periodically.

Net Position

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially

made from it that are properly chargeable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the Town Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Council holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of Town of Davisboro.
3. The budget is then revised and adopted or amended by the Council at a regular meeting early in the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Council in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Mayor and Council.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP.
7. Budgeted amounts are as originally adopted, or as amended by the Council. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended July 31, 2016:

General government	$ 21,636
Public safety	5,442
Streets and sanitation	54,959

These overexpenditures were funded by greater than anticipated revenues and by available fund balance. The Mayor and Council plan in the future to more closely monitor expenditures to determine if budget amendments need to be made or if cost cutting measures need to be formulated.

3. DEPOSITS AND INVESTMENTS

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of July 31, 2016, none of the Town's $325,651 was exposed to custodial credit risk.

Investments - There were no investments at July 31, 2016.

4. PROPERTY TAXES

The value of all real and business personal property located in the Town is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by the Washington County Board of Tax Assessors at 40% of estimated fair market value. Taxes are collected by the Washington County Tax Commissioner. Taxes were levied when the milleage rate was set on or about August 31, 2015. Taxes were billed on or about October 1, 2015 and were due December 10, 2015 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the Town. Current tax collections for the years ended July 31, 2016, were 99.2% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At July 31, 2016, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	$ 225	$ -	$ 225
Local option sales tax	9,205	-	9,205
Garbage fees receivable	3,664	-	3,664
Capital Projects Fund (2014) SPLOST	3,833	-	3,833
Transportation Special Revenue Fund	2,531	-	2,531
Water and Sewer Fund – water and sewer fees	-	9,763	9,763
	19,458	9,763	29,221
Allowance for doubtful accounts	-	(382)	(382)
	$ 19,458	$ 9,381	$ 28,839

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended July 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	$ 199,937	$ -	$ -	$ 199,937
Construction-in-progress	23,191	-	-	23,191
Subtotal	223,128	-	-	223,128
Other capital assets:				
Buildings	816,956	-	-	816,956
Equipment	377,814	-	-	377,814
Infrastructure	-	14,866	(14,866)	-
Subtotal	1,417,898	14,866	(14,866)	1,417,898
Accumulated depreciation:				
Buildings	204,671	22,486	-	227,157
Equipment	221,864	22,850	-	244,714
Infrastructure	-	-	-	-
Subtotal	426,535	45,336	-	471,871
Net capital assets	$ 991,363	$ (30,470)	$ (14,866)	$ 946,027

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Not being depreciated:				
Land	$ 26,978	$ -	$ -	$ 26,978
Construction-in-progress	279,622	772,547	(1,027,386)	24,783
Subtotal	306,600	772,547	(1,027,386)	51,761
Other capital assets:				
Furniture and fixtures	30,792	-		30,792
Vehicles	67,936	-	-	67,936
Infrastructure	5,347,131	1,096,601	-	6,443,732
Subtotal	5,752,459	1,869,148	(1,027,386)	6,594,221
Accumulated depreciation:				
Furniture and fixtures	22,597	1,024	-	23,621
Vehicles	53,953	3,839	-	57,792
Infrastructure	2,507,420	165,920	-	2,673,340
Subtotal	2,583,970	170,783	-	2,754,753
Net capital assets	$ 3,168,489	$ 1,698,365	$ (1,027,386)	$ 3,839,468

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 27,151
Public safety	10,469
Street department	7,716
	$ 45,336

7. LONG-TERM DEBT

Outstanding Debt:

At July 31, 2016, long-term debt consisted of the following:

	Governmental Activities	Water Enterprise Fund Debt
$55,651 note payable to Ford Motor Credit for two police cars; interest at 6.26%; due in monthly principal and interest payments of $2,473 to November 2016	$ 12,174	$ -
$859,200 loan for water system improvements from GEFA; interest at 2.31%; due in monthly principal and interest payments of $4,474 for 20 years beginning upon completion of construction	-	830,977
$192,114 note payable to Kansas State Bank to purchase an aeration system; interest at 4.87%; due in monthly principal and interest payments of $3,619 to January 2017	-	21,407
Total long-term debt	$ 12,174	$ 852,384

Following is a summary of changes in long-term debt for the year ended July 31, 2016:

	Balance August 1, 2015	Additions	Reductions	Balance July 31, 2016	Amount Due in One Year
Governmental type activities:					
Note payable	$ 40,131	$ -	$ (27,957)	$ 12,174	$ 12,174
Business type activities:					
Note payable	$ 261,646	$ 637,499	$ (46,761)	$ 852,384	$ 54,829

Annual Requirements to Retire Debt Obligations:

The annual maturities for the years subsequent to July 31, 2016 are as follows:

	Governmental Activities		Water and Sewer Note Payable	
Year Ending July 31	Principal	Interest	Principal	Interest
2017	$ 12,174	$ 191	$54,829	$19,149
2018	-	-	34,203	18,063
2019			35,002	17,264
2020			35,818	16,448
2021			36,655	15,611
2022 - 2026			196,516	64,813
2027 - 2031			220,553	40,776
2032 - 2036	-	-	238,808	13,810
	$ 12,174	$ 191	$ 852,384	$ 205,934

8. FUND DEFICITS

No fund had a deficit balance at July 31, 2016.

9. INTERFUND TRANSACTIONS AND BALANCES

There were no due to/from balances bewtween funds at July 31, 2016.

Transfers:

	Transfers In	Transfers Out
General Fund:		
Water Fund	$ 144,649	$ -
Transportation Fund	12,162	-
Water Fund:		
General Fund	-	144,649
Transportation Fund:		
General Fund	-	12,162

Transfers are used to utilize unrestricted revenues collected in the Water Fund to finance various programs accounted for in the General Fund in accordance with budgetary authorizations.

10. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from federal grantor agencies are subject to audit and adjustment by the applicable agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Litigation

Various claims and lawsuits are pending against the Town. In the opinion of Town management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the Town's financial position.

11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City has a non-contributory plan covering all full time employees and elected officials. The plan is administered by the Georgia Municipal Employees Benefit System (GMEBS), a -statewide agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the plan. The benefit provisions and contribution requirements are established by GMEBS and the Adoption Agreement executed by the City.

As of January 1, 2016, the date of the latest actuarial valuation study, employee membership data related to the current plan membership was as follows:

Retirees and beneficiaries currently receiving benefits	9
Terminated employees entitled to benefits but not yet receiving them	1
Current active employees and elected officials:	
Vested	6
Nonvested	4
Total membership in the plan	20

B. Summary of Significant Accounting Policies

Financial statements of the plan are prepared on the accrual basis of accounting. Contributions from the City are recognized as revenue as billed by GMEBS. Investment income is recognized as earned by the plan.

The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as the valuation of investments at the end of each month during the period.

There are no investments in, loans to, or leases with parties related to the pension plan.

The Net Investment Return is 7.75% on an on-going basis, based on long-term expected rate of return on pension plan investments.

The long-term expected rate of return on pension plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	0%		
	100%		

C. **Changes in the Net Pension Liability**

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2014*	$ 493,120	$ 390,416	$ 102,704
Changes for the year:			
Service cost	23,230	-	23,230
Interest	36,713	-	36,713
Differences between expected and actual experience	13,007	-	13,007
Contributions - employer	-	31,494	(31,494)
Contributions - employee	-	-	-
Net investment income	-	4,754	(4,754)
Benefit payments, including refunds of employee contributions	(38,820)	(38,820)	-
Administrative expense	-	(3,428)	3,428
Other	-	-	-
Net changes	34,130	(6,000)	40,130
Balances at September 30, 2015**	$ 527,250	$ 384,416	$ 142,834

* *Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2015 are used to measure TPL as of September 30, 2014. The balances as of September 30, 2014 constitute measurements of the NPL for the fiscal year ending July 31, 2015.*

** *Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2016 are used to measure TPL as of September 30, 2015. The balances as of September 30, 2015 constitute measurements of the NPL for the fiscal year ending July 31, 2016.*

D. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
$ 190,860	$ 142,834	$ 101,055

E. Pension Expense for the Year Ended July 31, 2016

Service cost	$ 23,230
Interest on TPL	36,713
Employee contribution	-
Administrative expenses	3,428
Expected return on assets	(29,841)
Expensed portion of current year period differences between expected and actual experience in TPL	3,251
Expensed portion of current year period assumption changes	-
Current year plan changes	-
Expensed portion of current year period differences between projected and actual investment earnings	5,019
Current year recognition of deferred inflows and outflows established in prior years	3,026
Total expense	$ 44,826

F. Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 22,348	$ -
Changes of assumptions	-	(1,190)
Net difference between projected and actual earnings on pension plan investments	12,043	-
Total	$ 34,391	$ (1,190)

G. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

Projected Recognition of Deferred Outflows/(Inflows)

	Year Established	Outstanding Balance at August 1, 2015	Amount Recognized During FYE July 31, 2016	Outstanding Balance at July 31, 2016
Fiscal Year Outflows:				
Demographic	2015	$ 18,888	$ 6,296	$ 12,592
Demographic	2016	13,007	3,251	9,756
Investment	2016	25,087	5,019	20,068
Total outflows		56,982	14,566	42,416
Fiscal Year Inflows:				
Investment	2015	(10,700)	(2,675)	(8,025)
Assumption Change	2015	(1,785)	(595)	(1,190)
Total inflows		(12,485)	(3,270)	(9,215)
Total		$ 44,497	$ 11,296	$ 33,201

Deferred Outflows/(Inflows) Recognized in Future Years

		2017	2018	2019	2020
Fiscal Year Outflows:					
Demographic	2015	$ 6,296	$ 6,296	$ -	$ -
Demographic	2016	3,252	3,252	3,252	-
Investment	2016	5,017	5,017	5,017	5,017
Total outflows		14,565	14,565	8,269	5,017
Fiscal Year Inflows:					
Investment	2015	(2,675)	(2,675)	(2,675)	-
Assumption Change	2015	(595)	(595)	-	-
Total inflows		(3,270)	(3,270)	(2,675)	-
Total		$ 11,295	$ 11,295	$ 5,594	$ 5,017

H. Schedule of Changes in the Net Pension Liability and Related Ratios*

	2016	2015
Total Pension Liability:		
Service cost	$ 23,230	$ 26,219
Interest	36,713	33,124
Difference between expected and actual experience	13,007	25,183
Changes of assumptions	-	(2,381)
Changes of benefit terms	-	-
Benefit payments, including refunds of employee contributions	(38,820)	(32,857)
Net change in total pension liability	34,130	49,288
Total pension liability, beginning	493,120	443,832
Total pension liability, ending (a)	527,250	493,120
Plan Fiduciary Net Position:		
Contributions - employer	31,494	29,583
Contributions - employee	-	-
Net investment income	4,754	40,714
Benefit payments, including refunds of employee contributions	(38,820)	(32,857)
Administrative expense	(3,428)	(2,797)
Other	-	-
Net change in fiduciary net position	(6,000)	34,643
Plan fiduciary net position, beginning	390,416	355,773
Plan fiduciary net position, ending (b)	384,416	390,416
Net pension liability, ending (a) - (b)	$ 142,834	$ 102,704
Plan's fiduciary net position as a % of the total pension liability	72.91%	79.17%
Covered-employee payroll	$ 232,717	$ 223,724
Net pension liability as a % of covered-employee payroll	61.38%	45.91%
Actuarially determined contribution**	-	$ 31,494
Contributions in relation to the actuarially determined contribution**	-	$ 31,494
Contribution deficiency (excess)**	-	-

* *Historical information prior to implementation of GASB 67/68 is not required*

** *2016 information will be determined after fiscal year end and will be included in the 2017 valuation report*

I. Accounting Policies

Valuation Date	The actuarially determined contribution rate was determined as of 1/1/15, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending 7/31/16.
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the Bases, with a net effective amortization period of 16 years
Asset Valuation Method	Sum of actuarial value at beginning of year and 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 end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Actuarial Assumptions:	
Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Mortality	*Healthy*: RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward 2 years For males and 1 year for females *Disabled*: RP-2000 Disabled Retiree Mortality Table with sex-distinct rates *Plan termination basis (all lives)*: 1994 Group Annuity Reserving Unisex Table
Retirement Age for Employees & Officials	65-69: Rate 60% 70 and over: Rate 100%

J. Actuarial Valuation History

Changes of Assumptions

As a result of the plan change to provide immediate participation for employees, for the fiscal year ending in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience. Amounts reported for the fiscal year ending in 2016 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
- The turnover rates were updated to introduce select rates for service less than five-years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at age 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and included an inflation assumption of 3.25%.

  Benefit Changes

  Effective January 1, 2016, the Plan was amended to provide for immediate participation for employees. This change has on impact on service credited under the Plan and has no impact on benefits.

To obtain a copy of the financial report for the GMEBS pension plan, write to the following address:

Georgia Municipal Employees Benefit System
201 Pryor Street, SW
Atlanta, GA 30303

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

There were no significant reductions of insurance coverage in the prior year. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Town. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pool

The Town has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF) and Georgia Interlocal Risk Management Agency (GIRMA), risk management agencies created under Georgia law. As a participant in the GMAWCSIF and GIRMA, the Town has no legal obligation to pay its own workers' compensation claims or general liability claims. The Town is required to make an annual contribution to the funds in an amount that is determined on the basis of actuarial projections of losses. With payment of the Town's annual contribution, the Town has effectively transferred the risk and responsibility for payment of its workers' compensation claims and general liability claims. However, the enabling statute creating the GMAWCSIF and GIRMA permits the funds to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GMASCSIF and GIRMA to protect the funds from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

Self Insurance

The Town is self-insured with regard to unemployment compensation claims. The Town accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Town has not experienced any claims related to unemployment compensation in the past three years.

13. JOINT VENTURE

Under Georgia law, the Town in conjunction with other cities and counties in the fourteen Town east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended July 31, 2016, the Town paid $1,768 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each Town and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
PO Box 2800
Augusta, Georgia 30914-2800

14. SUBSEQUENT EVENTS

Management of the Town has evaluated subsequent events through November 12, 2016, the date on which the financial statements were available to be issued.

15. PRIOR PERIOD ADJUSTMENT

Beginning net position for the Governmental Activities was restated as follows:

	Governmental Activities
Net Position, as originally reported	$ 916,563
Net pension asset (Implementation of GASB 68)	28,891
Beginning Net Position, as restated	$ 945,454

	Business Type Activities
Net Position, as originally reported	$ 3,242,486
Net pension asset (Implementation of GASB 68)	(28,891)
Beginning Net Position, as restated	$ 3,213,595

TOWN OF DAVISBORO, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current Operating:				
General government	$ 196,152	$ 196,152	$ 217,788	$ (21,636)
Public safety	138,644	138,644	144,086	(5,442)
Streets and sanitation	42,606	42,606	97,565	(54,959)
Total operating expenditures	377,402	377,402	459,439	(82,037)
Capital Outlays:				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and sanitation	-	-	-	-
Total capital expenditures	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total debt service	-	-	-	-
Total expenditures	377,402	377,402	459,439	(82,037)
Excess (deficiency) of revenues over expenditures	(91,042)	(91,042)	(148,820)	(57,778)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
Transfers in (out)	90,240	90,240	156,811	66,571
	90,240	90,240	156,811	66,571
Excess (deficiency) of revenues over expenditures and other financing sources	(802)	(802)	7,991	8,793
FUND BALANCE, beginning of year	12,613	12,613	12,613	-
FUND BALANCE, end of year	$ 11,811	$ 11,811	$ 20,604	$ 8,793

TOWN OF DAVISBORO, GEORGIA
TRANSPORTATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes				
Special local option sales tax	$ 31,000	$ 31,000	$ 30,909	$ (91)
Intergovernmental revenue	15,000	15,000	14,226	(774)
	46,000	46,000	45,135	(865)
EXPENDITURES:				
Current operating:				
Transportation improvements	15,000	15,000	1,241	13,759
Miscellaneous expense	1,000	1,000	-	1,000
Capital outlays:				
Streets and sanitation	10,000	10,000	-	10,000
Total expenditures	26,000	26,000	1,241	24,759
Excess revenues over (under) expenditures	20,000	20,000	43,894	23,894
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(20,000)	(20,000)	(12,162)	7,838
Excess revenues and other financing sources (uses) over (under) expenditures	-	-	31,732	31,732
FUND BALANCE, beginning of year	20,299	20,299	20,299	-
FUND BALANCE, end of year	$ 20,299	$ 20,299	$ 52,031	$ 31,732

TOWN OF DAVISBORO, GEORGIA
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND (2012)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JULY 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental revenue	$ 39,869	$ 39,869	$ 39,869	$ -
Other	5	5	5	-
	39,874	39,874	39,874	-
EXPENDITURES:				
Housing and development	38,019	38,019	38,019	-
Other expenditures	-	-	-	-
Total expenditures	38,019	38,019	38,019	-
Excess revenues over (under) expenditures	1,855	1,855	1,855	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Excess revenues and other financing sources (uses) over (under) expenditures	1,855	1,855	1,855	-
FUND BALANCE, beginning of year	146	146	146	-
FUND BALANCE, end of year	$ 2,001	$ 2,001	$ 2,001	$ -

TOWN OF DAVISBORO, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL SALES TAX PROCEEDS
For the Year Ended July 31, 2016

Project	Original Estimated Cost	Revised Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
2005 Tax:						
Capital outlays:						
Water and sewer system upgrades	$ 75,000	$ 57,838	$ 57,838	$ -	$ 57,838	100.00%
Community Center renovation	5,000	2,822	2,822	-	2,822	100.00%
Industrial park construction and debt service	140,000	50,431	50,431	-	50,431	100.00%
Public safety equipment	13,100	1,697	1,697	-	1,697	100.00%
General government equipment	-	97,453	97,438	15	97,453	100.00%
Street equipment	-	30,127	30,127	-	30,127	100.00%
2009 Tax:						
Capital outlays:						
Water and sewer system upgrades	75,000	75,000	42,621	-	42,621	56.83%
Public safety equipment	40,000	40,000	4,277	-	4,277	10.69%
General government equipment	40,000	130,000	124,313	-	124,313	95.63%
Street equipment	25,000	25,000	4,621	-	4,621	18.48%
2014 Tax:						
Capital outlays:						
Water and sewer system upgrades	100,000	100,000	-	14,866	14,866	14.87%
Public safety equipment	60,000	60,000	17,611	30,170	47,781	79.64%
General government equipment	50,000	50,000	-	-	-	0.00%
Street equipment	50,000	50,000	-	-	-	0.00%

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Council
Town of Davisboro, Georgia

We have audited, 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, the financial statements of the governmental activities, the business type activities and each major fund of the Town of Davisboro, Georgia as of and for the year ended July 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Davisboro's basic financial statements and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

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

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

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

We did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting noted as items 16-1 through 16-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Davisboro Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 16-3.

Town of Davisboro, Georgia's Response to Findings

Town of Davisboro, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Davisboro, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wright & Wright, P. C.

October 21, 2016

TOWN OF DAVISBORO, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended July 31, 2016

SIGNIFICANT DEFICIENCIES

16-1 Segregation of Duties

Condition

Due to the small size of the Town's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions.

Effect

Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.

Recommendation

The Town Council should implement other internal controls in areas where segregation of duties is not practical.

Views of Responsible Officials

We concur and will continue to require dual signatures on checks and council approval for non-recurring expenditures.

16-2 Controls Over Financial Statement Presentation

Condition

Town personnel do not currently possess the professional skills necessary to prepare the year end financial statements in sufficient detail to detect material misstatements in the financial statements and related footnotes.

Effect

The deficiency identified above could result in a material misstatement to the Town's financial statements that would not be prevented or detected on a timely basis.

Recommendation

The Town should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

Views of Responsible Officials

We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

COMPLIANCE AND OTHER MATTERS

16-3 Budgetary

Condition

In the Town's General Fund, actual expenditures exceeded budget appropriations in three departments. This is a violation of state law.

Effect

Fiscal control and accountability over departmental expenditures may be jeopardized.

Recommendation

The Town should monitor the budget and amend it when appropriate.

Views of Responsible Officials

Our Town Council will analyze budgetary financial data periodically and amend the budget when appropriate.

TOWN OF DAVISBORO

P.O. Box 189
Davisboro, GA 31018

Georgia Department of Audits & Accounts
270 Washington Street, S.W.
Suite 1-156
Atlanta, Georgia 30334-8400

Gentlemen:

The following constitutes our corrective action plan regarding the findings and recommendations in our audit report for the year ended July 31, 2016.

With respect to the findings in the "Report on Intenral Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards," we submit the following comments:

We annually review our system of internal control after our audited financial statements are received, along with any suggestions from the accounting firm as to improvements that can be made to strengthen controls.

1. We are a small municipal government with two full-time office employee. We have separated accounting duties as much as possible, but because of two sets of books, one for general fund and one for water fund, this is difficult to do. The mayor and a council member co-sign checks after council approves the bills for payment. We do not feel that it would be cost effective to hire additional personnel only for the purpose of internal control duty separations.

2. Town personnel do not currently possess the professional skills necessary to prepare the year end financial statements and related footnotes. The Town will consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.

3. The following general fund departments had excesses of actual expenditures over appropriations in the amount shown for the year ended July 31, 2016:

General government	$ 21,636
Public safety	5,442
Streets and sanitation	54,959

In the future, the Mayor and Council intend to more closely monitor each departments expenses to determine if budget amendments should be made or if cost cutting measures should be formulated.

We feel that our internal control system is as strong as possible in the above described situation with the limited number of personnel involved. As indicated in the auditor's report, no significant errors or irregularities were found because of our lack of segregation of duties.

Should you need any further explanation of this matter please contact us.

Sincerely,

Walter Thomas
Mayor, Town of Davisboro