City of Ellaville, Georgia

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2016



City of Ellaville, Georgia
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December 31, 2016

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City of Ellaville, Georgia
Principal Officials
December 31, 2016

ELECTED

Mayor
David Theiss

City Council
Charles Sherwood
Jason Hoch
Janet Ellis
Carlton Wilson
Leslie Haynes-Minter

APPOINTED

City Manager
Lynne McChargue

City Clerk
Wendy McGrother

City Attorney
James Skipper, Jr.

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CPAs and Advisors

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Ellaville, 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.

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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Ellaville, Georgia, as of December 31, 2016, and the respective changes in financial position, the respective budgetary comparison for the General Fund 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

Management has omitted the management's discussion and analysis that 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 48 through 50 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 City of Ellaville, Georgia's basic financial statements. The accompanying schedule of Special Purpose Local Option Sales Tax Expenditures is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of 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 Unites States of America. In our opinion, the accompanying schedule Special Purpose Local Option Sales

Tax Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017, on our consideration of City of Ellaville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ellaville, Georgia's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Tifton, Georgia
August 10, 2017

City of Ellaville, Georgia
Statement of Net Position
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 37,561	$ 2,000	$ 39,561
Investments	-	1,463,540	1,463,540
Accounts receivable, net	34,850	361,373	396,223
Property tax receivable	14,696	-	14,696
Due from other governments	-	-	-
Inventories	-	45,260	45,260
Internal balances	-	-	-
Restricted assets:			
Cash and cash equivalents	32,996	99,927	132,923
Capital assets:			
Land	129,133	167,242	296,375
Other capital assets, net of accumulated depreciation	2,628,152	3,078,960	5,707,112
Total assets	2,877,388	5,218,302	8,095,690
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension costs	38,575	24,663	63,238
LIABILITIES			
Accounts payable	75,719	197,675	273,394
Accrued expenses	29,072	14,497	43,569
Customer deposits	-	154,641	154,641
Other current liabilities	310,416	-	310,416
Net pension liability	242,179	154,836	397,015
Long-term liabilities:			
Due within one year	-	80,000	80,000
Due in more than one year	-	1,866,182	1,866,182
Total liabilities	657,386	2,467,831	3,125,217
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	10,197	6,519	16,716
NET POSITION			
Net investment in capital assets	2,757,285	1,380,020	4,137,305
Restricted for:			
Debt service	-	-	-
Capital projects	93,806	-	93,806
Unrestricted	(602,711)	1,388,595	785,884
Total net position	$ 2,248,380	$ 2,768,615	$ 5,016,995

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

City of Ellaville, Georgia
Statement of Activities
December 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
Primary Government:					
Governmental activities:					
General government	324,536	$ 35,912	44,537	96,719	$ (147,368)
Public safety	469,523	61,616	-	-	(407,907)
Public works	639,526	251,317	-	-	(388,209)
Parks and recreation	1,144	875	-	-	(269)
Community development	-	-	-	-	-
Interest expense	12,452	-	-	-	(12,452)
Total governmental activities	1,447,181	349,720	44,537	96,719	(956,205)
Business-type activities:					
Water and sewer	774,603	678,137	31,145	-	(65,321)
Electric	3,271,112	3,980,748	-	-	709,636
Total business-type activities	4,045,715	4,658,885	31,145	-	644,315
Total primary government	$ 5,492,896	$ 5,008,605	$ 75,682	$ 96,719	$ (311,890)

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

City of Ellaville, Georgia
Statement of Activities
For the Year Ended December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Change in net position:			
Net (expense) revenue	$ (956,205)	$ 644,315	$ (311,890)
General revenues:			
Taxes:			
Property taxes	90,166	-	90,166
Local option sales taxes	179,830	-	179,830
Capital contributions program revenues	-	-	-
Other taxes	188,670	-	188,670
Investment income	-	2	2
Gain on disposal of capital assets	-	-	-
Other revenues	15,724	-	15,724
Transfers	698,956	(698,956)	-
Total general revenues and transfers	1,173,346	(698,954)	474,392
Change in net position	217,141	(54,639)	162,502
Net position, beginning of year	2,031,239	2,823,254	4,854,493
Net position, end of year	$ 2,248,380	$ 2,768,615	$ 5,016,995

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

City of Ellaville, Georgia
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	SPLOST Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 37,561	$ -	$ 37,561
Investments	-	-	-
Accounts receivable, net	34,850	-	34,850
Property tax receivable	14,696	-	14,696
Due from other funds		46,984	46,984
Restricted assets:			
Cash and cash equivalents	-	32,996	32,996
Sales tax receivable	-	-	-
Total assets	87,107	79,980	167,087
LIABILITIES			
Accounts payable	30,872	-	30,872
Cash overdraft	44,847	-	44,847
Accrued expenses	29,072	-	29,072
Other liabilities	310,416	-	310,416
Due to other funds	46,984	-	46,984
Total liabilities	462,191	-	462,191
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	8,568	7,420	15,988
FUND BALANCES			
Restricted for:			
Specific purposes	-	72,560	72,560
Unassigned, reported in:			
General fund	(383,652)	-	(383,652)
Total fund balances	(383,652)	72,560	(311,092)
Total liabilities, deferred inflows of resources and fund balances	$ 87,107	$ 79,980	$ 167,087

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

City of Ellaville, Georgia
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2016

Total governmental fund balances	$	(311,092)
Amounts reported for governmental activities in the statement of activities are different because:		
Deferred outflows of resources are not financial resources and therefore are not reported in the funds.		
Deferred pension costs		38,575
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,757,285
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		(242,179)
Deferred inflow of resources		(10,197)
Certain property tax revenues are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements.		15,988
Net position of governmental activities	$	2,248,380

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

City of Ellaville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2016

	General Fund	SPLOST Fund	Total Governmental Funds
REVENUES			
Property taxes	$ 102,739	$ -	$ 102,739
Local option sales taxes	179,830	-	179,830
Other taxes and licenses	189,268	-	189,268
Fines, forfeitures and fees	61,616	-	61,616
Charges for services	252,192	-	252,192
Franchise fees	35,314	-	35,314
Investment income	-	15	15
Intergovernmental	44,537	96,704	141,241
Other revenues	15,724	-	15,724
Total revenues	881,220	96,719	977,939
EXPENDITURES			
Current:			
General government	382,022	-	382,022
Public safety	407,267	-	407,267
Public works	886,028	-	886,028
Parks and recreation	1,144	-	1,144
Capital outlays	-	117,965	117,965
Total expenditures	1,676,461	117,965	1,794,426
Excess (deficiency) of revenues over expenditures	(795,241)	(21,246)	(816,487)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	698,956	-	698,956
Transfers to other funds	-	-	-
Sale of capital assets	-	-	-
Debt service	(12,452)	-	(12,452)
Total other financing sources	686,504	-	686,504
Net change in fund balances	(108,737)	(21,246)	(129,983)
Fund balances, beginning of year	(274,915)	93,806	(181,109)
Fund balances, end of year	$ (383,652)	$ 72,560	$ (311,092)

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

City of Ellaville, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2016

Net change in fund balances - total governmental funds	$	(129,983)
Amounts reported for governmental activities in the statement of activities are different because:		
Tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental fund financial statements.		
Unavailable revenues - property taxes		(12,573)
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 income or (expense).		487
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.		
Capital asset purchases capitalized		550,372
Depreciation expense		(191,162)
Change in net position of governmental activities	$	217,141

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

City of Ellaville, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property taxes	$ 113,300	$ 113,300	$ 102,739	$ (10,561)
Local option sales taxes	205,000	205,000	179,830	(25,170)
Other taxes and licenses	149,000	149,000	189,268	40,268
Fines, forfeitures and fees	85,000	85,000	61,616	(23,384)
Charges for services	225,125	225,125	252,192	27,067
Franchise fees	23,800	23,800	35,314	11,514
Investment income	-	-	-	-
Intergovernmental	25,000	25,000	44,537	19,537
Other revenues	1,000	1,000	15,724	14,724
Total revenues	827,225	827,225	881,220	53,995
EXPENDITURES				
Current:				
General government				
Mayor/clerk	28,759	28,759	24,832	3,927
Administration	309,281	309,281	332,810	(23,529)
Elections	1,000	1,000	3,437	(2,437)
Buildings and grounds	10,825	10,825	20,943	(10,118)
Total general government	349,865	349,865	382,022	(32,157)
Public safety				
Police	505,242	505,242	402,328	102,914
Fire	4,000	4,000	4,509	(509)
Animal control	1,000	1,000	430	570
Total public safety	510,242	510,242	407,267	102,975
Public works				
Sanitation	190,000	190,000	196,459	(6,459)
Streets and sidewalks	277,322	277,322	689,569	(412,247)
Total public works	467,322	467,322	886,028	(418,706)
Parks and recreation				
Recreation	300	300	1,144	(844)
Total parks and recreation	300	300	1,144	(844)
Debt service:				
Interest	-	-	12,452	(12,452)
Total expenditures	1,327,729	1,327,729	1,688,913	(361,184)
Excess (deficiency) of revenues over expenditures	(500,504)	(500,504)	(807,693)	(307,189)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	698,956	698,956
Transfers to other funds	-	-	-	-
Other sources	-	-	-	-
Total other financing sources	-	-	698,956	698,956
Net change in fund balances	(500,504)	(500,504)	(108,737)	391,767
Fund balances, beginning of year	136,290	136,290	(274,915)	-
Fund balances, end of year	$ (364,214)	$ (364,214)	$ (383,652)	$ 391,767

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

City of Ellaville, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 2,000	$ 2,000
Investments	-	1,463,540	1,463,540
Accounts receivable, net	52,033	309,340	361,373
Inventories	23,220	22,040	45,260
Total current assets	75,253	1,796,920	1,872,173
Noncurrent assets			
Restricted assets - cash	33,522	66,405	99,927
Capital assets:			
Land	142,017	25,225	167,242
Other capital assets, net of accumulated depreciation	2,527,318	551,642	3,078,960
Total assets	2,778,110	2,440,192	5,218,302
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension costs	11,383	13,280	24,663
LIABILITIES			
Current liabilities			
Accounts payable	3,014	194,661	197,675
Accrued expenses	-	14,497	14,497
Current portion of long - term debt	80,000	-	80,000
Customer deposits	51,017	103,624	154,641
Total current liabilities	134,031	312,782	446,813
Long-term debt, net of current portion	1,866,182	-	1,866,182
Net pension liability	71,463	83,373	154,836
Total liabilities	2,071,676	396,155	2,467,831
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	3,009	3,510	6,519
NET POSITION			
Net investment in capital assets	803,153	576,867	1,380,020
Restricted for debt service	-	-	-
Unrestricted	(88,345)	1,476,940	1,388,595
Total net position	$ 714,808	$ 2,053,807	$ 2,768,615

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

City of Ellaville, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Total
OPERATING REVENUES			
Utility revenues	$ -	$ 3,968,094	$ 3,968,094
Charges for services	664,999	-	664,999
Miscellaneous	8,835	12,654	21,489
Intergovernmental	4,303	-	4,303
Total operating revenues	678,137	3,980,748	4,658,885
OPERATING EXPENSES			
Salaries and wages	184,638	214,704	399,342
Operating, administrative and maintenance	292,195	3,073,400	3,365,595
Depreciation	120,533	120,312	240,845
Total operating expenses	597,366	3,408,416	4,005,782
Operating income (loss)	80,771	572,332	653,103
NONOPERATING REVENUE (EXPENSES)			
Investment income (expense)	2	137,304	137,306
Bond issuance costs	-	-	-
Interest expense	(177,237)	-	(177,237)
Gain (loss) on disposal of capital assets	-	-	-
Income before contributions and transfers	(96,464)	709,636	613,172
Capital contributions	31,145	-	31,145
Transfers	47,284	(746,240)	(698,956)
Change in net position	(18,035)	(36,604)	(54,639)
Net position, beginning of year	732,843	2,090,411	2,823,254
Net position, end of year	$ 714,808	$ 2,053,807	$ 2,768,615

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

City of Ellaville, Georgia
Statement of Cash Flows
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Electric Revenue Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	$ 657,688	$ 3,776,580	$ 4,434,268
Other operating receipts	4,303	12,654	16,957
Cash payments to employees	(184,781)	(214,872)	(399,653)
Cash payments to suppliers	(292,205)	(3,047,937)	(3,340,142)
Net cash provided (used) by operating activities	185,005	526,425	711,430
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	47,284	-	47,284
Transfers to other funds	-	(746,240)	(746,240)
Net change in due to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	47,284	(746,240)	(698,956)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers from capital projects funds	-	-	-
Acquisition and construction of capital assets	(12,675)	-	(12,675)
Capital grants received	31,145	-	31,145
Principal payments on long-term debt	(75,000)	-	(75,000)
Interest paid	(173,796)	-	(173,796)
Net cash provided (used) by capital and related financing activities	(230,326)	-	(230,326)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	-	-	-
Purchase of investments	-	-	-
Investment income	2	188,747	188,749
Net cash provided (used) by investing activities	2	188,747	188,749
Net increase (decrease) in cash and cash equivalents	1,965	(31,068)	(29,103)
Cash and cash equivalents, beginning of year	31,557	99,473	131,030
Cash and cash equivalents, end of year	$ 33,522	$ 68,405	$ 101,927

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

City of Ellaville, Georgia
Statement of Cash Flows
Proprietary Funds
December 31, 2016

	Water and Sewer Fund	Electric Revenue Fund	Total
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 80,771	$ 572,332	$ 653,103
Adjustments to reconcile operating income			
Operating activities:			
Depreciation	120,533	120,312	240,845
Other	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(30,841)	(257,398)	(288,239)
Inventories	-	43,000	43,000
Other current assets	-	-	-
Due from general fund	-	-	-
Due from other funds	-	-	-
Deferred outflows	(8,635)	(10,075)	(18,710)
Increase (decrease) in:			-
Accounts payable	-	(17,548)	(17,548)
Net pension liability	8,492	9,907	18,399
Customer deposits	14,685	65,895	80,580
Net cash provided (used) by operating activities	$ 185,005	$ 526,425	$ 711,430

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Ellaville was incorporated in 1859. The City's Charter provides for a Council-Mayor form of government. The City Administrator is the head of the administrative branch of government and is responsible for the day-to-day operations of the City government. The legislative authority of the City is vested in the Mayor and five council members with an appointed City Administrator. The City provides the following services and operations as authorized by its charter: public safety (police and fire), highways and streets, sanitation, planning and zoning, and general administrative services.

The financial reporting entity has been determined by management in accordance with accounting principles generally accepted in the United States of America to be the City of Ellaville. The City's basic financial statements include the accounts of all city operations.

The criteria used to determine financial accountability is the ability of the primary government to appoint a voting majority of the organization's governing body and effectively impose its will on the organization. Also, if there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government, financial accountability would exist. Based upon the application of these criteria, the City of Ellaville has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all non-fiduciary activities of the City. As a general rule, 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 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. 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 instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government – Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type activities for the City.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Accordingly, all the City's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function, and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function. 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Certain eliminations have been made as prescribed by GASB Statement of Accounting Standards No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-

type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities, which are normally 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.

Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Fines are not susceptible to accrual because, generally, they are not measurable until received in cash. The City considers revenues to be available if they are collected within 60 days after year end.

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The City considers revenues to be available if they are collected within sixty days after year end. Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, and investment income. All other revenue items are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The General Fund is the principal fund of the City and is used to account for all of its activities not otherwise accounted for by a specified fund.

The SPLOST Capital Projects Fund is used to account for financial resources for the acquisition or construction of major capital facilities and improvements other than those financed by Proprietary Funds. These projects are financed through sales tax proceeds.

Proprietary Funds are reported using the economic resources measurement focus and the accrual basis of accounting and are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds account for activities that are usually self-sustaining, principally through user charges for services rendered.

The City reports the following major enterprise funds:

The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The Electric Revenue Fund accounts for the provisions of electrical services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

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

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except that encumbrances are treated as budgeted expenditures in the year of the incurrence of the commitment to purchase. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored through subsequent years' budget appropriations.

Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents, and investments with an original maturity of three months or less.

Statutes authorize the City to invest in obligations of the U.S. Treasury, other U.S. Government agencies, the State of Georgia, other counties, municipal corporations and political subdivisions of the State of Georgia, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. The fair values of investments in external investment pools are the same as the value of the pool shares.

Receivables

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant in aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

All trade receivables have been reduced to their estimated net realizable value and are shown net of an allowance for doubtful accounts. Estimated uncollectible amounts are based upon historical experience rates.

The City maintains no allowance for uncollectible property taxes at December 31, 2016.

Inventories

Inventory in enterprise funds is valued at the lower of cost or market using the first-in / first-out method. The costs of governmental fund type inventories are recorded as expenditures when purchased, therefore, no inventory is presented in governmental type funds.

Prepaid Items

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements.

Interfund Receivables/Payables

Outstanding balances between funds at the end of the fiscal year are referred to as either “Due From Other Funds” or “Due To Other Funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “Internal Balances”.

Restricted Assets

Certain assets of the City are subject to restrictions imposed by parties outside the government (such as creditors, grantors, contributors, and laws or regulations of other governments).

The City Council established a restricted cash account in the Electric Enterprise Fund for the accumulation of cash to fund the liability for customer security deposits.

The City Council established a restricted cash account in the Water Enterprise Fund for the accumulation of cash for future major asset acquisitions and system improvements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) acquired after December 31, 2003, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's policy has set the capitalization threshold at $1,000 for reporting capital assets and infrastructure assets. All capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets have an original cost of $5,000 or more and have over three years of useful life. Infrastructure assets capitalized have an original cost of $25,000 or more.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the year ended December 31, 2016 no interest incurred was attributable to the cost of capital assets associated with construction projects.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings	20 - 50 years
Utility system	30 - 50 years
Machinery and equipment	3 - 15 years
Infrastructure	20 - 50 years

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of item that qualifies for reporting in this category – the retirement contribution for the current year.

Deferred Inflows of Resources

In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Unavailable revenue is reported only in the government funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also recognizes the net difference between projected and actual earning on investments related to pensions.

Net Position

Net position represents the difference between assets and liabilities. 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 or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Long-Term Obligations, Debt Premiums and Discounts

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are netted against debt payable. On the government-wide financial statements, unamortized debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. At the government fund reporting level, debt premiums and discounts are reported as other financing sources separately from the face amount of the debt issued.

Fund Equity

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. GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes which are imposed by a formal action of the City Commission through adoption of a resolution. Only the City Commission may modify or rescind the commitment;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the year. Encumbrances are re-appropriated in the following year, except for encumbrances in the Capital Projects Funds which are continuing. Encumbrances do not represent GAAP expenditures. At December 31, 2016, there were no encumbrances outstanding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through August 10, 2017, which is the date the financial statements were available to be issued.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

Budget Process

The annual budget document is the financial plan for the operation of the City. The budget process exists for the purpose of providing a professional management approach to the establishment of priorities and the implementation of work programs while providing an orderly means for control and evaluation of the City's financial position. An annual operating budget is adopted for the General Fund and Enterprise Funds.

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1) In August, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
2) The council meeting held in September for the first reading of the proposed budget is open to the public and citizen's participation and comments are welcomed.
3) The council held a public hearing on the budget. Prior notice was published in the official organ of the City.

Capital Projects Budget

The construction of certain major capital facilities and improvements, which are accounted for by the City in the Capital Projects Funds, are subject to budgetary control on a project basis. The budgets are approved by the City Council and are generally subject to specific provisions of voter referendums, State statutes, and/or grant agreements. Appropriations for a specific project do not lapse until completion of the project.

Excess of Expenditures Over Appropriations in the General Fund

The following General Fund departments incurred actual expenditures in excess of budgeted amounts for the year ended December 31, 2016:

Department	Excess of Expenditures Over Budgeted Amounts
Administration	23,529
Elections	2,437
Buildings and grounds	10,118
Fire	509
Sanitation	6,459
Streets and Sidewalks	412,247
Recreation	844
Debt service	12,452

The excess of actual expenditures over appropriations was funded by inter-fund transfers.

NOTE 3 - DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2016, are summarized as follows:

Amounts as presented on the entity-wide Statement of Net Position:		
Cash and cash equivalents	$	39,561
Investments		1,463,540
Restricted cash and cash equivalents		132,923
Total	$	1,636,024
Deposits with financial institutions	$	172,484
Municipal Competitive Trust		1,463,540
Total	$	1,636,024

The Georgia Code requires that depository institutions collateralize cash deposits of public funds. Depositories of public funds may secure deposits by the insurance of the F.D.I.C., pledged securities, or a combination of these methods. The market value of pledged securities shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.

Credit Risk

The City does not have a formal credit risk policy. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U. S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The City does not have a formal Custodial Credit Risk Policy. As of December 31, 2016, the City did not have any balances uninsured and uncollateralized as defined by GASB pronouncements.

Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs

Municipal Competitive Trust

The Municipal Electric Authority of Georgia (MEAG) formed a Trust, known as the "Municipal Competitive Trust", for the benefit of its participants, (which includes the City of Ellaville, Georgia, along with forty-nine (49) other Cities and Counties). The Competitive Trust has been funded with certain monies, which have been accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves, which were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. Surety bonds were substituted for the debt service reserves, to preserve the security of the bondholders, thus, allowing the accumulated debt service reserves to be transferred to the Competitive Trust. Funds in the Competitive Trust will be invested and reinvested, and will be available to reduce future power supply costs of the participants to meet retail competition.

Discretionary funds from the participants were deposited in the Flexible Trust Account, which is part of the Municipal Competitive Trust, established by MEAG and represents an involuntary participation external investment pool that is not registered with the S.E.C., as an investment company. The City of Ellaville, Georgia has recorded the investments in the Flexible Trust Account, in the Electric Fund, at fair market value which was $54,636 at December 31, 2016. Quoted market prices are used in the determination of fair value. The ACLO Policy governs permitted investments, which include direct obligations of the United States Government, certain Federal agency discount notes, and money market mutual funds that are permissible securities, as well as repurchase and reverse repurchase agreements collateralized by permissible securities.

Participants may also deposit funds or have funds from the Flexible Trust Account transferred to the Generation Trust Account, which is part of the Municipal Competitive Trust, established by MEAG and represents an external investment pool that is not registered with the S.E.C., as an investment company. The City of Ellaville, Georgia has recorded the investments in the Generation Trust Account, in the Electric Fund, at fair market value which was $1,408,904 at December 31, 2016.

MEAG Power and, therefore, the City of Ellaville, Georgia, to the extent of its portion of the Flexible Trust Account and the Generation Trust Account, are exposed to credit and market risk, relating to its investments. Credit risk arises when an entity is unable to recover its investments, either by an inability to withdraw the funds through non-performance of a counter party or an inability to recover collateral. Market risk could affect the investments adversely when either the value of items purchased or the value of underlying collateral declines.

As of December 31, 2016, the City had the following investments:

December 31, 2016	Fair Value	Maturities	Valuation Measurement Method
Municipal Competitive Trust - Flexible Trust Account	$ 54,636	1/23/17-10/1/2040	Level 2
Municipal Competitive Trust - Generation Trust Account	1,408,904	1/23/17-10/1/2040	Level 2
	$ 1,463,540		

As of December 31, 2016, the City's investments in the Municipal Competitive Trust Flexible Trust Account and Generation Trust Account consisted of investments in mortgage-backed securities; U.S. Government agency bonds and notes were rated AAA by Moody's and AA+ by S&P, and/or guaranteed by the issuer, which carries the AAA/AA+ ratings. Investments in money market mutual funds were rated AAAm by S&P and Aaa-mf by Moody's. Common equity investment trusts are not rated. A separate financial statement for Municipal Electric Authority of Georgia can be obtained from Municipal Electric Authority of Georgia, 1470 Riveredge Parkway, NW, Atlanta, Georgia 30328-4640 or www.meagpower.org.

Realized and Unrealized Gains and Losses

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase in the fair value of investments during 2016 was $136,901. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

NOTE 4– RECEIVABLES AND TAX REVENUE

Property Tax

Property taxes are levied in October based on property values assessed as of January 1. The billing representing the current year tax levy is due on or before December 30th. The billings are considered past due sixty (60) days after the billing date and penalties and interest are assessed. Property taxes attach as an enforceable lien on property as of October 30th.

The tax rate levied during fiscal year 2016 for the City's operations was 3.381 mills (mill equals $1 per thousand dollars of assessed value).

The City maintains no allowance for uncollectible property taxes at December 31, 2016.

Sales Tax

Schley City, Georgia has levied three 1% Special Purpose Local Option Sales Tax (SPLOST) Programs which were passed by referendum in 2003, 2007 and 2013. The proceeds from these sales tax programs are used to finance various capital projects. The SPLOST programs are administered by Schley City, Georgia.

Receivables

Receivables as of December 31, 2016 are as follows:

	General Fund	SPLOST Fund	Water and Sewer Fund	Electric Revenue Fund
Accounts receivable	$ 34,850	$ -	$ 68,033	$ 375,340
Property tax receivable	14,696	-	-	-
Sales tax receivable	-	-	-	-
Due from other governments	-	-	-	-
Gross receivables	49,546	-	68,033	375,340
Less:				
Allowance for uncollectibles	-		(16,000)	(66,000)
Net total receivables	$ 49,546	$ -	$ 52,033	$ 309,340

	Total
Accounts receivable	$ 478,223
Property tax receivable	14,696
Sales tax receivable	-
Due from other governments	-
Gross receivables	492,919
Less:	
Allowance for uncollectibles	(82,000)
Net total receivables	$ 410,919

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Generally, outstanding balances between funds include outstanding charges by one fund to another for services or goods and other miscellaneous receivables and payables between funds. The composition of interfund receivables and payables as of December 31, 2016 is as follows:

	Due From	
Due To	General Fund	Total
General Fund	$ -	$ -
SPLOST Fund	46,984	46,984
Total	$ 46,984	$ 46,984

If a government finances a capital project from multiple funding sources and SPLOST is one of the funding sources, the SPLOST Fund must be used for the total financing of the project. At December 31, 2016 amounts payable from the General Fund to the SPLOST Fund were $46,984. These balances will be settled by payments from the General Fund.

Interfund Transfers

Interfund transfers are used to move revenues from the fund that the Statute or budget requires to collect them to the fund that the Statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund and Enterprise Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	Transfer To			
Transfer From	General Fund	Water and Sewer Fund	Electric Revenue Fund	Total
General Fund	$ -	$ -	$ -	$ -
SPLOST	-		-	-
Water and Sewer Fund	-	-		-
Electric Revenue Fund	698,956	47,284	-	746,240
Total	$ 698,956	$ 47,284	$ -	$ 746,240

NOTE 6 – CAPITAL ASSETS

The following is a summary of capital asset activity as of December 31, 2016:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 129,133	$ -	$ -	$ 129,133
Construction in progress	-	-	-	-
Total capital assets not being depreciated	129,133	-	-	129,133
Other capital assets:				
Buildings and improvements	440,510	-	-	440,510
Machinery and equipment	549,361	145,740	-	695,101
Infrastructure	1,752,098	404,632	-	2,156,730
Total other capital assets at cost	2,741,969	550,372	-	3,292,341
Less accumulated depreciation for:				
Buildings and improvements	(123,467)	(11,801)	-	(135,268)
Machinery and equipment	(298,070)	(62,257)	-	(360,327)
Infrastructure	(51,490)	(117,104)	-	(168,594)
Total accumulated depreciation	(473,027)	(191,162)	-	(664,189)
Other capital assets, net	2,268,942	359,210	-	2,628,152
Governmental activities capital assets, net	$ 2,398,075	$ 359,210	$ -	$ 2,757,285

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land and land improvements	$ 167,242	$ -	$ -	$ 167,242
Construction in progress	-	-	-	-
Total capital assets not being depreciated	167,242	-	-	167,242
Other capital assets:				
Buildings and system	6,758,549	-	-	6,758,549
Machinery and equipment	1,286,144	12,674	-	1,298,818
Total other capital assets at cost	8,044,693	12,674	-	8,057,367
Less accumulated depreciation for:				
Buildings and improvements	(3,847,698)	(195,608)	-	(4,043,306)
Machinery and equipment	(889,864)	(45,237)	-	(935,101)
Total accumulated depreciation	(4,737,562)	(240,845)	-	(4,978,407)
Other capital assets, net	3,307,131	(228,171)	-	3,078,960
Business-type activities capital assets, net	$ 3,474,373	$ (228,171)	$ -	$ 3,246,202

Governmental Activities	
General government	$ 11,800
Public safety	62,256
Public works	117,106
Parks and recreation	-
Total government activities depreciation expense	$ 191,162

Business-type activities	
Water and sewer	$ 120,533
Electric	120,312
Total buiness-type activities depreciation expense	$ 240,845

NOTE 7—SHORT-TERM DEBT

The City has statutory authority to negotiate temporary loans. The City borrowed funds for interim financing of General Fund operations. The City borrowed and repaid with interest, by December 31, 2016 $400,000 in notes payable to a bank with funds provided by a local resident. The amount payable to the resident is included in other liabilities in the amount of $310,416 at December 31, 2016. There was no formal agreement therefore no interest was paid or accrued on the amount. There were no short-term loans to the bank outstanding at fiscal year-end.

Short-term debt activity for the year ended December 31, 2016, was as follows:

Balance, January 1, 2016	$ -
Increases	400,000
Decreases	(400,000)
Balance, December 31, 2016	$ -

On January 4, 2017 the City entered into an agreement with a bank for a short term note in the amount of $310,916, maturing December 31, 2017, with an interest rate of 4%.

NOTE 8 – LONG-TERM DEBT

Revenue Bonds

The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. The City's enterprise funds' revenue bonds outstanding at December 31, 2016, are as follows:

Enterprise Fund And Description	Original Amount	Interest Rate	Due Date	Amount
City of Ellaville Combined Utility Series 2014 Bonds	2,215,000	2%-4%	2036	$2,015,000
				2,015,000
		Less: discount		(68,818)
		Less: current portion		(80,000)
				$1,866,182

City of Ellaville (Georgia) Combined Utility Revenue Bonds, Series 2014

The City of Ellaville (Georgia) Combined Utility Revenue Bonds, Series 2014 were issued July 17, 2014 in the amount of $2,215,000 for the purpose of (a) financing the acquisition, construction and installation of additions, extensions, and improvements to the water and sewerage portion of the System ("Series 2014 Project"), (b) refunding the City's outstanding Water and Sewerage Revenue Bonds, Series 1987A, Water and

Sewerage Revenue Bonds, Series 1987B and Water and Sewerage Revenue Bonds, Series 2000A, repaying Georgia Environmental Finance Authority promissory ("the GEFA Note") dated December 31, 1995.

The annual debt service requirement to maturity of the Series 2014 bonds at December 31, 2016 is as follows:

Fiscal Year Ending,	Principal	Interest	Total
2017	$ 80,000	$ 62,492	$ 142,492
2018	80,000	61,212	141,212
2019	80,000	59,932	139,932
2020	85,000	58,652	143,652
2021	85,000	56,696	141,696
2022-2026	455,000	250,906	705,906
2027-2031	525,000	179,678	704,678
2032-2036	625,000	77,000	702,000
	$ 2,015,000	$ 806,568	$ 2,821,568

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 2,090,000	$ -	$ (75,000)	$ 2,015,000	$ 80,000
Less: Unamortized discount	(72,259)	3,441	-	(68,818)	
Total bonds payable	2,017,741	3,441	(75,000)	1,946,182	80,000
Notes payable	-	-	-	-	-
Total Business-type activities long-term liabilities	$ 2,017,741	$ 3,441	$ (75,000)	$ 1,946,182	$ 80,000

NOTE 9 – RESTRICTIONS OF FUND BALANCES

In the governmental fund financial statements, fund balances consist of nonspendable, restricted and unassigned amounts. Restrictions of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unassigned.

In the proprietary fund financial statements, fund balances consist of net investment in capital assets, restricted and unrestricted amounts. Restrictions of fund balances represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unrestricted.

Fund balance and net position restrictions at December 31, 2016 include:

Capital Projects Funds	
Restricted to reflect resources legally restricted for specific purposes	$ 72,560

NOTE 10 – DEFICIT FUND BALANCES

The General Fund had a deficit fund balance at December 31, 2016 of $383,652. This deficit will be financed through future revenues of the fund.

NOTE 11 – BENEFIT PLANS

Primary Government

Georgia Firefighters' Pension Fund

Plan Description:

The Georgia Firefighters' Pension Fund (GFPF) is a cost-sharing multiple employer defined benefit created by the General Assembly of Georgia to provide retirement benefits to firefighters. Members of the GFPF are employed by units of government throughout the state of Georgia. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. Detailed information about the benefits provided to members is available in the separately issued GFPF financial report which is publicly available.

Actuarial Assumptions:

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	n/a
Investment rate of return	6.0%
Mortality rates	RP-2000, Employee Mortality Table projected to 2025 with Projection Scale BB

The long-term expected rate of return on pension plan investments of 6.0% was determined using a building-block method in which best-estimate arithmetic expected future real rates of return are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation and them combined by weighting them by the target asset allocation percentages

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that nonemployer contributing entity contributions will remain at the level contributed the previous fiscal year. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability:

At December 31, 2016, the City did not have a liability for a proportionate share of the net pension liability of the GFPF because of the related support from the State of Georgia. The amount of the State's proportionate share of the net pension liability associated with the City and Schley County was $337,113 as of December 31, 2016.

Pension Expense:
For the year ended December 31, 2016, the City and Schley County recognized pension expense related to the GFPF of $54,149 and revenue of $54,149 for support provided by the State of Georgia.

Peace Officers' Annuity and Benefit Fund of Georgia

Plan Description:

The Peace Officers' Annuity and Benefit Fund of Georgia (POABFG) is a cost-sharing multiple employer defined benefit created in 1950 by the General Assembly of Georgia to provide retirement benefits to peace officers. Members of the POABFG are employed by units of government throughout the State of Georgia. The employers of the POABFG's members do not make contributions to the POABFG. The State of Georgia provides nonemployer contributions to the POABFG through the collection of court fines and forfeitures. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. Detailed information about the benefits provided to members is available in the separately issued POABFG financial report which is publicly available.

Actuarial Assumptions:

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of that date. The total pension liability in the actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	n/a
Investment rate of return	7.0%
Mortality rates	RP-2014 Healthy Mortality Table

The long-term expected rate of return on pension plan investments was calculated by the POABFG's investment manager as 6.66% using a Monte Carlo simulation in which best estimate ranges of expected future real rates of return (expected nominal 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. The POABFG's administrator determined that 7.00% was a reasonable assumption for the long-term rate of return on plan assets based on the calculation by the POABFG's investment manager.

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability:

At December 31, 2016, the City did not have a liability for a proportionate share of the net pension liability of the POABFG because of the related support from the State of Georgia. The amount of the State's proportionate share of the net pension liability associated with the City was $26,960 as of December 31, 2016.

Pension Expense:
For the year ended December 31, 2016, the City recognized pension expense related to the POABFG of $7,874 and revenue of $7,874 for support provided by the State of Georgia.

City of Ellaville Retirement Plan

Plan Description

The City's defined benefit pension plan, City of Ellaville Retirement Plan (CCRP), provides retirement and disability benefits, and death benefits to plan members and beneficiaries. CCRP is affiliated with the Georgia Municipal Employees' Benefit System; an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the benefit provisions of the plans that participate in CCRP. The Georgia Municipal Employees' Benefit System issues a publicly available financial report that includes financial statements and required supplementary information for CCRP. That report may be obtained by writing to the Georgia Municipal Employees' Benefit System, 201 Pryor Street, Southwest, Atlanta, Georgia 30303.

All full-time City employees are eligible to participate in the Plan. Benefits vest after ten years of service. Participants become eligible to retire at age 65 with 5 years of participation in the Plan.

Funding Policy

The City is required to contribute at an actuarially determined rate in accordance with Section 47-20 of the Georgia Code, which sets forth the minimum funding standards for state and local government pension plans. Plan participants are not required to contribute to the Plan. The Constitution of the State of Georgia enables the governing authority of the City, the City Council, to establish and amend the contribution rates for the City and its plan participants.

Plan membership at December 31, 2016 was as follows:

Active vested participants	12
Vested terminated participants	11
Retired participants and beneficiaries	21

Actuarial assumptions

The total pension liability as of December 31, 2016 was determined by an actuarial valuation as of January 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living adjustment	0%	
Salary increases	3.25%	Plus service based merit increases
Investment rate of return	7.5%	

Mortality rates were based on the RP-2000 Combined Mortality Table. Disability rates were based on RP-2000 Disabled Retiree Mortality Table. 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 investments 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 guidelines for asset allocation are as follows:

Asset allocation	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%

Discount rate

The discount rate used to measure the total pension liability was 7.75 %. The discount rate is determined through a blend of using a building blocks approach based on 20-year benchmarks (25%) and 30-year benchmarks (25%), as well as the forward-looking capital market assumptions for a moderate asset allocation (50%), as determined by UBS. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2015	$ 1,136,167	$ 791,900	$ 344,267
Changes for the year:			
Service cost	21,263		21,263
Interest	84,537		84,537
Differences between expected and actual experience	17,481		17,481
Contributions - employer		68,071	(68,071)
Net investment income		10,251	(10,251)
Benefit payments	(90,736)	(90,736)	-
Administrative expense		(7,789)	7,789
Other	-		-
Net changes	32,545	(20,203)	52,748
Balances at December 31, 2016	$ 1,168,712	$ 771,697	$ 397,015

Sensitivity of the net pension liability changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
$ 519,306	$ 397,015	$ 293,205

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the City recognized pension revenue of $798. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,126	$ -
Changes of assumptions	160	-
Net difference between projected and actual earnings on investments	39,952	(16,716)
Total	$ 63,238	$ (16,716)

Projected recognition of deferred outflows/(inflows)	Year Ended December 31,	
	2017	$ 13,874
	2018	13,874
	2019	8,786
	2020	9,988
	2021	-

NOTE 12 – RISK MANAGEMENT

The City of Ellaville is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. All major risks are covered by commercial comprehensive insurance.

The City has joined together with other municipalities in the State, as part of the Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund, a public entity risk pool, currently operating as a common risk management and insurance program for member local governments. The purpose of the Georgia Municipal Association Group Self-Insurance Worker's Compensation Fund is to defend, in the name of and on behalf of the members, any suits or other proceedings, which may, at any time, be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding compensation, therefore, although such suits, other proceedings, allegations or demands may be wholly groundless, false or fraudulent.

As part of these risk pools, the City is obligated to pay all contributions and assessments, as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible and, in accordance with any coverage descriptions issue, all incidents, which could result in the funds being required to pay any claim of loss. The City is also to allow the

pool's agents and attorneys to represent the City in investigation, settlement discussions, and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds. The funds are to pay all costs taxed against members in any legal proceedings, defended by members, all interest accruing after judgment, and all expenses incurred for investigation, negotiation or defense.

The City of Ellaville also provides health insurance coverage for its employees through Georgia Municipal Association.

During the year ended December 31, 2016, there were no significant reductions in insurance coverage from the prior year and there have been no settlements exceeding insurance coverage for the past three years.

NOTE 13 – JOINT VENTURES

River Valley Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the West Central Georgia area, is a member of the River Valley Regional Commission (RVRC) and is required to pay annual dues thereto. During the year ended December 31, 2016, the City paid $9,014 in such dues.

Membership in an RVRC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RVRC in Georgia. The RVRC 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 the RVRC. Separate financial statements may be obtained from:

River Valley Regional Commission
228 West Lamar Street
Americus, Georgia 31709

NOTE 14 – RELATED ORGANIZATIONS

The Columbus Housing Authority, of which Ellaville is a part, is a related organization that has not been included in the reporting entity. The Authority's Board consists of eight members, two are appointed by the City of Ellaville. However, the City has no further accountability for this organization.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in a number of legal matters, which either have or could result in litigation. In the opinion of the City's management, the ultimate outcome of these matters will not have a material impact on the financial position of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City expects such disallowed amounts, if any, would not have a material impact on the financial position of the City.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by State law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profits inure to the benefit of the public.

In October 1995, the City of Ellaville entered into a contract with MEAG and as an electric utility participant in MEAG is obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG.

In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on its individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts were $2,521,831 in 2016.

At December 31, 2016, the outstanding debt of MEAG was approximately $6.4 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $15 million at December 31, 2016.

In May 1996, the City entered into a 50 year contract with MEAG to participate in MEAG's telecommunications project. This fiber optic communications project is to enable MEAG to continue to provide the City's power and energy supply and will provide the City with access to a fiber optic communications system. In the event that the City is unable to make any of its annually determined payments for use of the fiber optic communications system, the City has agreed to assess and collect property tax sufficient to provide such funds for the remainder of the life of this contract.

MEAG was authorized to issue bonds to finance the cost of acquisition and construction of the project. MEAG bills the City monthly for its share of the debt service.

The City and other members of MEAG's telecommunications project created Georgia Public Web (A Georgia not for profit corporation) to provide internet and telecommunications services to customers in Georgia. In August, 2000, the City signed a 50 year commitment to pay, on a monthly basis, a proportionate share of the difference between Georgia Public Web's budgeted cost and revenues. The City's proportionate share is 1.16%.

On February 1, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (Trust). The Trust was created by MEAG, in anticipation of future deregulation of the electric industry, which will provide customers with a choice among electric suppliers for their retail electric power supply. This is expected to include customers assigned to electrical systems of political subdivisions, which are wholesale power customers of MEAG, such as the City of Ellaville. MEAG expects that after such legislation is effective, market rates for power will result, which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Ellaville and within the account, creates the following subaccounts, in which the City of Ellaville participates:

Flexible Trust Account

The MEAG trust agreement also created a flexible trust account. The City has the right to withdraw these funds. The balance in the flexible trust account, as of December 31, 2016, was $54,636 and has been recorded as an asset of the City.

Reserve Funded Debt Account

The Municipal Competitive Trust also contains a "Reserve Funded Debt Account", which had, on December 31, 2016, a balance of $184,426. The balance in this account is not recognized as an asset of the City of Ellaville as the City's right to control the funds is contingent upon MEAG’s consent.

Generation Trust Account

This subaccount may be funded by contributions by the City from any of its own funds that is has available for such purposes, including funds contained within the City’s Flexible Operating Trust Account. The trustee is required to pay all or any portion of such amounts contained in the City’s New Generation and Capacity Funding Account as directed in writing by the City for any of the following purposes: (1) to be applied as a credit against the City’s obligation share of costs in connection with Plant Vogtle Units 3 and 4; (2) to be applied as credit against the City’s obligation share of any other future generation project costs created by MEAG; (3) to be applied as a credit against any capital contributions committed to by Ellaville in the event that MEAG provides the City with the option of paying interest expense incurred in connection with the construction of any generation project prior to its commercial operation date; (4) to be applied as a credit

against capacity charges incurred by the City in connection with power purchase agreements entered into by MEAG for the purpose of meeting the supplemental power needs of the City; and (5) as a payment to MEAG to mitigate that portion of any budgeted Bulk Power Supply cost increases incurred by the City which exceeds the City's prior year budgeted Bulk Power Supply costs by greater than 12%. The balance in the New Generation Trust Account, as of December 31, 2016, was $1,408,904 and has been recorded as an asset of the City.

Sanitation Contract

The City contracted on August 27, 1997 with Solid Waste Management Authority of Crisp City for a period of 25 years for sanitation services. The Authority will bill the City a fee of $13.96 per month for residential pickup (per resident) and various rates per cubic yard for dumpster pickup. This is approximately $15,500 per month.

Police Department, Jail and Office Lease

The City agreed with the Schley Board of Commissioners to pay $18,000 for use of the City jail, jailers, and utilities for the twelve months ended December 31, 2016.

City of Ellaville, Georgia
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended December 31, 2016

For the year ended December 31,	2014	2015	2016
Total pension liability			
Service cost	$ 24,771	$ 22,158	$ 21,263
Interest	80,188	81,867	84,537
Differences between expected and actual experience	4,648	20,031	17,481
Changes of assumptions	-	321	-
Benefit payments	(86,766)	(89,115)	(90,736)
Net change in total pension liability	22,841	35,262	32,545
Total pension liability, beginning	1,078,064	1,100,905	1,136,167
Total pension liability, ending (a)	$ 1,100,905	$ 1,136,167	$ 1,168,712
Plan fiduciary net position			
Contributions - employer	$ 56,418	$ 57,114	$ 68,071
Contributions - employee	-	-	-
Net investment income	110,224	84,194	10,251
Benefit payments	(86,766)	(89,115)	(90,736)
Administrative expense	(11,744)	(6,368)	(7,789)
Other	-	-	-
Net change in fiduciary net position	68,132	45,825	(20,203)
Plan fiduciary net position - beginning	677,943	746,075	791,900
Plan fiduciary net position - ending (b)	746,075	791,900	771,697
Net pension liability - ending: (a)-(b)	$ 354,830	$ 344,267	$ 397,015
Plan's fiduciary net position as a percentage of the total pension liability	67.77%	69.70%	66.03%
Covered-employee payroll	$ 456,540	$ 503,600	$ 554,446
Net pension liability as a percentage of covered-employe payroll	77.72%	68.36%	71.61%

Notes to the schedule:
The schedule will present 10 years of information once it is accumulated.

City of Ellaville, Georgia
Required Supplementary Information
Schedule of Government Contributions
For the Year Ended December 31, 2016

	2014	2015	2016
Actuarially determined contribution	$ 56,418	$ 57,114	$ 64,636
Contributions in relation to the actuarially determined contribution	56,418	57,114	54,913
Contribution deficiency (excess)	-	-	9,723
Covered-employee payroll	$ 456,540	$ 503,600	$ 554,446
Contributions as a percentage of covered-employee payroll	12.36%	11.34%	9.90%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation date	January 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining unfunded liability
Asset valuation method	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 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 based merit increases
Cost of living adjustments	0%
Remaining amortization period	10 years

(2) The schedule will present 10 years of information once it is accumulated.

Georgia Firefighters Pension Fund	**2014**	**2015**	**2016**
City's porportion of the net pension liability (asset)	0%	0%	0%
State of Georgia's proportionate share of the net pension liability (asset) associated with the City	$ 145,430	$ 304,775	$ 337,113
City's covered-employee payroll	n/a	n/a	n/a
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	n/a	n/a	n/a
Plan fiduciary net position as a percnetage of the total pension liability (asset)	103.75%	83.06%	79.03%

Peace Officers' Annuity and Benefit Fund of Georgia	**2014**	**2015**	**2016**
City's porportion of the net pension liability (asset)	0%	0%	0%
State of Georgia's proportionate share of the net pension liability (asset) associated with the City	$ (11,727)	$ 5,670	$ 26,960
City's covered-employee payroll	n/a	n/a	n/a
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability (asset)	77.99%	98.28%	92.18%

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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 Honorable Mayor and
Members of the City Council
City of Ellaville, 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 and each major fund of the City of Ellaville, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Ellaville, Georgia 's basic financial statements and have issued our report thereon date August 10, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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.

We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (Findings 2016-1, 2016-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ellaville, 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*.

City of Ellaville, Georgia's Response to Findings

City of Ellaville, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Ellaville, 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.

Carr, Riggs & Ingram, L.L.C.

Tifton, Georgia
August 10, 2017

Financial Statement Findings and Responses

Findings noted on the 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.*

2016 - 1
Criteria:
Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

Condition:
City of Ellaville, Georgia is a small local government and has a limited amount of resources and employees. Therefore, the City does not have an adequate number of employees to provide for the proper segregation of duties.

Cause of Condition:
Since the City is a small local government, it is not financially feasible for the City to hire additional employees to provide for an adequate segregation of duties.

Effect of Condition:
The City's internal control structure does not contain adequate safeguarding controls provided by segregation of duties that would provide for the prevention or timely detection of unauthorized transactions and unauthorized access to assets that could result in losses that are material to the financial statements.

Response of Management:
Management concurs with this finding and is continually working to improve controls to mitigate the risks associated with this condition including the cross-training of staff for rotation of responsibilities.

2016-2

Criteria:

Generally accepted accounting principles require Governmental Fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting and the Proprietary Fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting.

Condition:

The County's year end closing policies and procedures did not prevent misstatements in the funds.

Cause of Condition:

Additional year end closing entries were required for reporting in accordance with generally accepted accounting principles.

Effect of Condition:

Audit adjustments were required for reporting in accordance with generally accepted accounting principles.

Response of Management:

Management concurs with the finding and is developing additional policies and procedures and monitoring activities over financial reporting.

City of Ellaville, Georgia
Schedule of Special Purpose Local Option Sales Tax Expenditures
December 31, 2016

	Original Estimated Cost	Expenditures			Estimated % of Completion
		Prior Years	Current Year	Total	
Special Purpose Local Option Sales Tax - 2003					
Recreation	$ 100,000	$ 124,134	$ -	$ 124,134	100%
Fire Department - Fire Trucks	50,000	38,962	-	38,962	78%
Street Paving/Resurfacing	175,000	84,801	-	84,801	48%
Drainage Improvements	50,000	21,968	-	21,968	44%
Utility Improvements/Expansion Electric	75,000	111,639	-	111,639	100%
Utility Improvement	100,000	82,424	-	82,424	82%
Economic Development	72,000	14,221	-	14,221	20%
Total	$ 622,000	$ 478,149	$ -	$ 478,149	
Special Purpose Local Option Sales Tax - 2007					
Bucket Truck	$ 100,000	$ 100,000	$ -	$ 100,000	100%
Corridor/Gateway Enhancements	50,000	-	250	250	1%
Dump Truck	15,000	15,000	-	15,000	100%
Electrical Upgrades & Expansion	200,000	217,390	-	217,390	100%
Police Cars	25,000	25,000	-	25,000	100%
Sidewalk Improvements & Expansion	100,000	642,263	-	642,263	100%
Walking Track Improvements	50,000	-	-	-	0%
Water Plant Upgrades & Expansion	235,000	234,705	-	234,705	100%
Total	$ 775,000	$ 1,234,358	$ 250	$ 1,234,608	
Special Purpose Local Option Sales Tax - 2013					
Corridor/Gateway Enhancements	$ 50,000	$ -	$ 17,338	$ 17,338	35%
Equipment and Vehicles	50,000	-	58,876	58,876	100%
Electrical System Upgrades/Expansion	250,000	195,355		195,355	78%
Police Car	50,000	12,992	41,501	54,493	100%
Improvements to Sidewalks, Pedestrian Signals and Crossings	75,000	66,972	-	66,972	89%
Water Plant Improvements & Expansion	250,000	2,637	-	2,637	1%
Total	$ 725,000	$ 277,956	$ 117,715	$ 395,671	