CITY OF OAKWOOD, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2016

CITY OF OAKWOOD, GEORGIA
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the City of Oakwood
Oakwood, 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 Oakwood, Georgia, (City) 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 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 as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes II.C. and V., the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68. *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information in section A and D respectfully, 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 inquires, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hawkins & McNair, CPAs
Winder, Georgia
June 22, 2017

City of Oakwood, Georgia
Management's Discussion and Analysis
Year Ended December 31, 2016

The Management's Discussion and Analysis (MD&A) section offers readers of the City of Oakwood's financial statements a narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at December 31, 2016 by $17,304,716 (net position); of this amount $337,127 is unrestricted net position. The government's total net position increased by $595,710 during the year ended December 31, 2016.

- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of $1,923,006 an increase of $941,184 in comparison with the prior year.

- The unassigned fund balance for the governmental funds at December 31, 2016 was $1,095,913. The restricted governmental funds balance at December 31, 2016 was $806,801 and the non-spendable fund balance was $20,292.

- The City's long-term liabilities experienced a net increase of $304,685 during the year ended December 31, 2016. This increase was primarily due to repayments of notes and bonds at scheduled maturities and a net pension liability increase due to the implementation of GASB 68.

- Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The "government-wide financial statements" are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The "statement of net position" presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases and decreases in assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The "statement of activities" presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that were principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets and recreation. The business-type activities of the City include sewer services.

The government-wide financial statements can be found on pages B1-B3 of this report.

Fund financial statements: A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds (general fund, hotel/motel tax fund, TAD fund and SPLOST fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The City adopts an annual appropriated budget for the general fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on page B4-B7 of this report.

Proprietary funds: The City maintains just one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide information for one enterprise fund which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages B8-B9 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in section C of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found in section D of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $17,304,716 at the close of the most recent year. The following table provides a comparative summary of the City's net assets as of December 31, 2016 and 2015:

City of Oakwood – Net Assets ($000)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 1,988	$ 1,030	$ 590	$ 515	$ 2,578	$ 1,545
Capital assets	17,780	18,665	12,708	12,946	30,488	31,611
Total assets	19,768	19,695	13,298	13,461	33,066	33,156
Deferred outflows of resources						
Pension related items	788	399	-	-	788	399
Long-term liabilities outstanding	6,256	6,359	10,206	10,408	16,462	16,767
Other liabilities	65	48	-	-	65	48
Total liabilities	6,321	6,407	10,206	10,408	16,527	16,815
Deferred inflows of resources						
Pension related items	22	30	-	-	22	30
Net position:						
Net investment in capital assets	13,659	14,023	2,502	2,538	16,161	16,561
Restricted for capital projects	807	362	-	-	807	362
Unrestricted (deficit)	(253)	(728)	590	515	337	(213)
Total net position	$ 14,213	$ 13,657	$ 3,092	$ 3,053	$ 17,305	$ 16,710

A portion of the City's net position (93%) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position $337,127 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City is not able to report positive balances in all categories of net position as unrestricted net position in the governmental activities was a negative $252,963.

The government's net position increased by $595,710 during the current year.

City of Oakwood – Changes in Net Assets ($000)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 1,291	$ 965	$ 518	$ 426	$ 1,809	$ 1,391
Capital grants and contributions	753	1,133	-	-	753	1,133
General revenues:						
Property tax	1,090	1,295	-	-	1,090	1,295
Local option sales tax	617	601	-	-	617	601
Insurance premium tax	248	229				
Alcoholic beverage taxes	324	304				
Franchise tax	249	257	-	-	249	257
Other taxes	127	115	-	-	127	115
Gain on sale of capital assets	550	-	-	-	550	-
Other	-	-	-	-	-	-
Total revenues	5,249	4,899	518	426	5,195	4,792
Expenses (net of indirect costs):						
General administrative & management	761	601	-	-	761	601
Public safety	1,525	1,504	-	-	1,525	1,504
Streets	1,721	798	-	-	1,721	798
Solid waste	42	41	-	-	42	41
Economic development	67	55	-	-	67	55
Planning & development	124	121	-	-	124	121
Community services	75	67	-	-	75	67
Sewer	-	-	646	514	646	514
Interest on long-term debt	211	233	-	-	211	233
Total expenses	4,526	3,420	646	514	5,172	3,934
Increase in net position before transfers	723	1,479	(128)	(88)	595	1,391
Transfers	(167)	(396)	167	396	-	-
Increase in net position	556	1,083	39	308	595	1,391
Net position - Jan 1	13,657	12,574	3,053	2,745	16,710	15,319
Net position - Dec 31	$ 14,213	$ 13,657	$ 3,092	$ 3,053	$ 17,305	$ 16,710

Governmental activities: Governmental activities increased the City's net position by $556,660. This is a $525,591 decrease compared to prior years increase in net position. Key elements of this decrease are as follows:

- Property tax revenue decreased by $205,167 (16%)
- Charges for services increased by $326,410 (34%)
- Streets expenditures increased by $923,459 (116%)
- Capital grant and contribution revenue decreased by $379,661 (34%)

Mostly, increases in expenses closely paralleled inflation and growth in the demand for services. However, overall governmental activity expenses increased by $1,105,960 (32 percent) mainly due to increases in streets and general government.

Financial Analysis of the Government's Fund

As noted earlier, the City uses fund accounting to insure and demonstrate compliance with finance-related legal requirements.

Government funds: the focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $1,923,006, an increase of $941,184 in comparison with the prior year. $1,095,913 of the fund balance is classified as unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was $1,095,913. As a measure of the general fund's liquidity, it would be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 28% of the total expenditures.

The fund balance, of the City's general fund, increased by $495,807 during the current year. General fund revenues exceeded expenditures by $56,238 during the current year. Key factors in this activity are as follows:

- Revenues decreased by $309,591 (7%)
- Expenditures decreased by $52,313 (1%)

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

Fund assets are earmarked (but not legally restricted) for capital improvements and debt service in future years.

General Fund Budgetary Highlights

The difference between the original budget appropriations and the final amended budget appropriation for expenditures and transfers was $133,426. The City significantly increased the public services capital outlay budget due to capital projects funding received in 2016 helping the City move forward with new capital projects. Other budget revisions are proposed to closely match revenues and expenditures. No budget revisions are expected to have a significant effect on future services or liquidity.

Capital Asset and Debt Administration

Capital Assets: The City's investments in capital assets for its governmental and business-type activities as of December 31, 2016, amounted to $30,488,292 (net of accumulated depreciation). The investment in capital assets includes land; furniture, machinery and equipment and construction in process. The total increase in the City's investment in capital assets for the current fiscal year was 4%; mostly due to land purchases, construction in process, improvements other than buildings and depreciation. The construction in process in the governmental fund includes infrastructure assets. The proprietary fund construction in process is the new sewer system.

The following table summarizes the City's governmental activity and business-type activity capital assets by major category as of December 31, 2016 and 2015:

City of Oakwood – Capital Assets ($000)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 5,920	$ 6,548	$ -	$ -	$ 5,920	$ 6,548
Plants and buildings	1,546	1,546	-	-	1,546	1,546
Improvements other than buildings	12,089	12,027	9,376	6,153	21,465	18,180
Machinery, equipment, fixtures & vehicles	1,819	1,764	-	-	1,819	1,764
Construction in process	1,603	1,268	4,901	8,103	6,504	9,371
Less accumulated depreciation	(5,197)	(4,489)	(1,569)	(1,310)	(6,766)	(5,799)
Total	$ 17,780	$ 18,664	$ 12,708	$ 12,946	$ 30,488	$ 31,610

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in Section C of this report.

Long-term debt: As of December 31, 2016, the City had total debt outstanding of $14,327,504.

The following table summarizes outstanding debt of the City as of December 31, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes payable	$ 1,894	$ 2,078	$ 10,206	$ 10,408	$ 12,100	$ 12,486
Bonds payable	2,227	2,564	-	-	2,227	2,564
	$ 4,121	$ 4,642	$ 10,206	$ 10,408	$ 14,327	$ 15,050

City of Oakwood – Outstanding Debt ($000)
(General obligation bonds, notes, revenues bonds and contractual obligations)

The City's total debt decreased by $722,533 (5%) during 2016. The net decrease was due to an issuance of a refunding bond minus regular principal repayments.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements in Section C of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered the current year results as well as other factors in preparing the City of Oakwood's Budget for the 2016 year. The 2016 budget is a balanced budget with current revenues covering current expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakwood's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Office of the City Clerk, City of Oakwood, P.O. Box 99, Oakwood, Georgia 30566.

City of Oakwood, Georgia
Statement of Net Position
As of December 31, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 2,014,806	$ 255,358	$ 2,270,164	$ -
Property tax receivables	191,348	-	191,348	-
Other taxes receivable	35,381	-	35,381	-
Note Receivable	-	-	-	-
Interest, dividends, and royalties receivable	-	-	-	-
Internal Balances	(334,732)	334,732	-	-
Receivable from other governments	60,261	-	60,261	-
Other receivables	-	-	-	-
Prepaids	20,292	-	20,292	-
Capital assets:				
Land and construction in progress	7,522,910	4,901,225	12,424,135	-
Other capital assets, net of accumulated depreciation	10,257,567	7,806,590	18,064,157	-
Total assets	**19,767,833**	**13,297,905**	**33,065,738**	**-**
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	788,368	-	788,368	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**788,368**	**-**	**788,368**	**-**
LIABILITIES				
Accounts payable	64,350	-	64,350	-
Payroll Tax Payable	-	-	-	-
Premium Bonds Payable - Current	-	41,150	41,150	
Bonds payable - current	351,900	405,000	756,900	-
Notes, lease obligations, and estimated claims payable, current	138,888	-	138,888	-
Net pension liability, due in more than one year	2,135,087	-	2,135,087	-
Payable to primary government, non-current	-	-	-	-
Premium on Bonds Payable - Current	-	900,219	900,219	-
Notes, lease obligations, and estimated claims payable, non-current	1,754,992	-	1,754,992	-
Bonds payable, non-current	1,875,355	8,860,000	10,735,355	-
Total liabilities	**6,320,572**	**10,206,369**	**16,526,941**	**-**
DEFERRED INFLOWS OF RESOURCES				
Pension related items	22,449	-	22,449	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**22,449**	**-**	**22,449**	**-**
NET POSITION				
Net investment in capital assets	13,659,342	2,501,446	16,160,788	-
Restricted for capital projects	806,801	-	806,801	-
Unrestricted (deficit)	(252,963)	590,090	337,127	-
Total net position	**$ 14,213,180**	**$ 3,091,536**	**$ 17,304,716**	**$ -**

See accompanying notes to financial statements.

City of Oakwood, Georgia
Statement of Activities
Year Ended 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	$ 760,845	$ 698,410	$ -	$ 186,674	$ 124,239
Public Safety	1,524,833	551,228	-	-	(973,605)
Streets	1,721,730	-	-	566,116	(1,155,614)
Solid Waste	41,819	-	-	-	(41,819)
Economic Development	66,931	-	-	-	(66,931)
Planning & Development	123,764	-	-	-	(123,764)
Community Services	75,025	41,746	-	-	(33,279)
Interest on long-term debt	210,850	-	-	-	(210,850)
Total governmental activities	4,525,797	1,291,384	-	752,790	(2,481,623)
Business-type activities:					
Sewer System	646,311	518,000	-	-	(128,311)
Total primary government	$ 5,172,108	$ 1,809,384	$ -	$ 752,790	$ (2,609,934)

See accompanying notes to financial statements.

City of Oakwood, Georgia
Statement of Activities (Continued)
Year Ended December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Assets:			
Net (expense) revenue	$ 2,481,623	$ (128,311)	$ (2,609,934)
General revenues:			
Taxes:			
Property Tax	1,089,579		1,089,579
Local Option Sales	617,382	-	617,382
Insurance Premium Tax	248,346	-	248,346
Alcoholic Beverage Taxes	324,325	-	324,325
Franchise taxes (fees)	248,983	-	248,983
Other taxes	126,900	-	126,900
Unrestricted investment income	156	-	156
Miscellaneous	-	-	-
Sale of Capital Assets	549,973	-	549,973
Transfers	(167,361)	167,361	-
Total general revenues and transfers	3,038,283	167,361	3,205,644
Change in net position	**556,660**	**39,050**	**595,710**
Net position—beginning (restated)	**13,656,520**	**3,052,486**	**16,709,006**
Net position—ending	$ 14,213,180	$ 3,091,536	$ 17,304,716

See accompanying notes to financial statements.

City of Oakwood, Georgia
Balance Sheet -- Governmental Funds
As of December 31, 2016

	General	Hotel/Motel Tax Fund	TAD Fund	SPLOST Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,282,862	$ -	$ 168,531	$ 563,413	$ 2,014,806
Property taxes receivable	191,348	-	-	-	191,348
Other tax receivable	35,381	-	-	-	35,381
Interest, dividends, and royalties	-	-	-	-	-
Due from other funds	-	-	74,857	-	74,857
Receivable from other governments	60,261	-	-	-	60,261
Prepaids	20,292	-	-	-	20,292
Restricted assets:					
Cash	-	-	-	-	-
Investments	-	-	-	-	-
Notes receivable, non-current	-	-	-	-	-
Total assets	**1,590,144**	**-**	**243,388**	**563,413**	**2,396,945**
LIABILITIES and FUND BALANCES					
LIABILITIES					
Accounts Payable	64,350	-	-	-	64,350
Payroll tax	-	-	-	-	-
Due to other funds	409,589	-	-	-	409,589
Payable to component units	-	-	-	-	-
Interest payable	-	-	-	-	-
Other	-	-	-	-	-
Liabilities payable from restricted assets:					
Accounts payable	-	-	-	-	-
Other	-	-	-	-	-
Total liabilities	**473,939**	**-**	**-**	**-**	**473,939**
FUND BALANCES					
Non-spendable prepaids	20,292	-	-	-	20,292
Restricted for Capital Projects	-	-	243,388	563,413	806,801
Unassigned	1,095,913	-	-	-	1,095,913
Total fund balances	**1,116,205**	**-**	**243,388**	**563,413**	**1,923,006**
Total liabilities and fund balances	**$ 1,590,144**	**$ -**	**$ 243,388**	**$ 563,413**	**$ 2,396,945**

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2016

CITY OF OAKWOOD, GEORGIA

Total fund balance - total governmental funds		$ 1,923,006
Amounts reported for *governmental activities* in the statement of net position are different because:		
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Net pension liability	(2,135,087)	(2,135,087)
Deferred outflows of resources:		
Pension related items	788,368	
Deferred inflows of resources:		
Pension related items	(22,449)	765,919
Debt principal is a liability in the governmental activities but is not not shown in Governmental Funds. Also see Note III.B.2 for for additional detail.		(4,121,135)
Capital assets of $ 22,977,491, net of accumulated depreciation of ($ 5,197,014), are not financial resources and, therefore, are not reported in the funds. See Note III.A.4. for additional detail.		17,780,477
Net position of governmental activities.		$ 14,213,180

See accompanying notes to financial statements.

City of Oakwood, Georgia
Statement of Revenues, Expenditures,
and Changes in Fund Balances--
Governmental Funds
Year Ended December 31, 2016

	General	Hotel/Motel Tax Fund	TAD Fund	SPLOST Fund	Total Governmental Funds
REVENUES					
Property Tax	$ 1,089,579	$ -	$ -	$ -	$ 1,089,579
Local Option Sales Tax	617,382	-	-	-	617,382
Insurance Premium	248,346	-	-	-	248,346
Alcoholic Beverage Taxes	324,325	-	-	-	324,325
Franchise taxes (fees)	248,983	-	-	-	248,983
Other Taxes	27,333	99,567	-		126,900
Licenses and permits	420,113	-	-	-	420,113
Fines and forfeitures	551,228	-	-	-	551,228
Investment income	-	-	156	174	330
Intergovernmental	186,674	-	-	565,942	752,616
Rental Fees	41,746	-	-	-	41,746
Other	206,684	-	71,613	-	278,297
Total revenues	**3,962,393**	**99,567**	**71,769**	**566,116**	**4,699,845**
EXPENDITURES					
Current:					
General government	704,741	-	-	-	704,741
Police	1,474,669	-	-	-	1,474,669
Highways/Street	787,833	-	-	-	787,833
Solid waste	41,819	-	-	-	41,819
Economic Development	66,931	-	-	-	66,931
Planning & Development	123,764	-	-	-	123,764
Community Services	67,410	-	-	-	67,410
Capital Outlay	-	-	-	142,467	142,467
Debt Service	638,988	-	92,651	-	731,639
Total expenditures	**3,906,155**	**-**	**92,651**	**142,467**	**4,141,273**
Excess (deficiency) of revenues over (under) expenditures	**56,238**	**99,567**	**(20,882)**	**423,649**	**558,572**
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	549,973	-	-	-	549,973
Transfers to Other Funds	(209,971)	(99,567)	-	-	(309,538)
Transfers from Other Funds	99,567	-	42,610	-	142,177
Net change in fund balances	**495,807**	**-**	**21,728**	**423,649**	**941,184**
Fund balances, beginning	**620,396**	**-**	**221,660**	**139,764**	**981,820**
Fund balances, ending	**$ 1,116,203**	**$ -**	**$ 243,388**	**$ 563,413**	**$ 1,923,004**

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

CITY OF OAKWOOD, GEORGIA

Net change in fund balances - total governmental funds	$	941,184
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report principal payments on debt as expenditures. However, in the statement of net position these payments are shown as a reduction in long-term debt.		520,789
Capital Assets sold are reflected as financing sources on the governmental funds.		(628,013)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $ 467,056, exceeded depreciation of ($ 723,476) in the current period.		(256,420)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contribution is reported as pension expense. This is the amount by which pension contributions exceed the cost of benefits earned not of employee contributions.		(20,880)
Change in net position of governmental activities.	$	556,660

See accompanying notes to financial statements.

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

	Sewer	Total Enterprise Funds
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 255,358	$ 255,358
Accounts receivable, net	-	-
Interest, dividends, and royalties receivable	-	-
Due from other funds	334,732	334,732
Receivables from component units	-	-
Intergovernmental receivables	-	-
Prepaids	-	-
Total current assets	590,090	590,090
Restricted assets-non-current		
Cash and cash equivalents	-	-
Investments	-	-
Interest receivables	-	-
Total restricted assets-non-current	-	-
Other Non-current assets:		
Loan origination fees	-	-
Receivables from component units, non-current	-	-
Capital assets:		
Land and construction in progress	4,901,225	4,901,225
Other capital assets, net of accumulated depreciation	7,806,590	7,806,590
Total other non-current assets	12,707,815	12,707,815
Total assets	**13,297,905**	**13,297,905**
LIABILITIES		
Current Liabilities		
Accounts payable	-	-
Due to other funds	-	-
Accrued interest payable	-	-
Bonds payable - current	405,000	405,000
Premium on Bond Payable - Current	41,150	41,150
Total current liabilities	446,150	446,150
Liabilities payable from restricted assets:		
Bond interest payable, current	-	-
Bonds payable, current	-	-
Total liabilities payable from restricted assets.	-	-
Non-current liabilities:		
Notes and lease obligations, non-current	-	-
Premium on Bond Payable - Non Current	900,219	900,219
Bond payable, non-current	8,860,000	8,869,000
Total non-current liabilities	9,760,219	9,760,219
Total liabilities	**10,206,369**	**10,206,369**
NET POSITION		
Net investment in capital assets	2,501,446	2,501,446
Unrestricted (deficit)	590,090	590,090
Total net position	**$ 3,091,536**	**$ 3,091,536**

See accompanying notes to financial statements.

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

	Sewer	Total Enterprise Funds
OPERATING REVENUES		
Charges for services:		
Capacity/Connection charges	$ 518,000	$ 518,000
Total charges for service	518,000	518,000
Total operating revenues	518,000	518,000
OPERATING EXPENSES		
Personal services	-	-
Maintenance, operations, and contractual services	70,476	70,476
Materials, supplies, and other	-	-
Depreciation	258,808	258,808
Total operating expenses	329,284	329,284
Operating income (loss)	**188,716**	**188,716**
NON-OPERATING REVENUE (EXPENSES)		
Investment income	-	-
Interest on bonds, notes and lease obligations	(317,027)	(317,027)
County Grant	-	-
Total non-operating revenue (expenses)	(317,027)	(317,027)
Income (loss) before contributions and transfers	**(128,311)**	**(128,311)**
Capital contributions from developers	-	-
Capital contributions, other	-	-
Transfers from other funds	167,361	167,361
Transfers to other funds	-	-
Change in net position	**39,050**	**39,050**
Total net position, beginning	**3,052,486**	**3,052,486**
Total net position, ending	**$ 3,091,536**	**$ 3,091,536**

See accompanying notes to financial statements.

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

	Sewer	Total Enterprise Funds
Cash flows from operating activities:		
Cash received from customers	$ 518,000	$ 518,000
Cash payments to suppliers for goods and services	(70,476)	(70,476)
Cash payments to employees	-	-
Net cash provided (used) by operating activities	**447,524**	**447,524**
Cash flows from non-capital financing activities:		
Grants received	-	-
Transfers from other funds	167,361	167,361
Transfers to other funds	-	-
Payments from component units	-	-
Net cash provided (used) by non-capital financing activities	**167,361**	**167,361**
Cash flows from capital and related financing activities:		
New Borrowings	10,206,369	10,206,369
Sales Tax Proceeds from developers	-	-
Principal paid on bonds, notes, and lease obligations	(10,408,113)	(10,408,113)
Acquisition of capital assets	(20,663)	(20,663)
Interest paid on bonds, notes, and lease obligations	(317,027)	(317,027)
Proceeds from sale of capital assets	-	-
Capital contributions	-	-
Capital grants received	-	-
Net cash provided (used) by capital and related financing activities	**(539,434)**	**(539,434)**
Cash flows from investing activities:		
Purchase of investments	-	-
Proceeds from sale of investments	-	-
Investments income	-	-
Net cash provided (used) by investing activities	**-**	**-**
Net increase (decrease) in cash and cash equivalents	**75,451**	**75,451**
Cash and cash equivalents at beginning of year	**179,907**	**179,907**
Cash and cash equivalents at end of year	**$ 255,358**	**$ 255,358**

See accompanying notes to financial statements.

City of Oakwood, Georgia
Statement of Cash Flows
Increase (Decrease) in Cash and
Cash Equivalents
Proprietary Funds
December 31, 2016

	Sewer	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 188,716	$ 188,716
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	258,808	25,808
Non-cash operating revenue (expenses)	-	-
Non-operating revenue (expenses)	-	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	-	-
(Increase) decrease in due from other funds	-	-
Increase (decrease) in Accounts Payable	-	-
Increase (decrease) in accrued interest payable	-	-
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in customer deposits	-	-
Increase (decrease) in other liabilities	-	-
Total adjustments	258,808	258,808
Net cash provided (used) by operating activities	**447,524**	**447,524**
Non-cash investing, capital, and financing activities:		
Net increase (decrease) in fair value of investments	-	-
Deferred interest expense on revenue bonds	-	-
Capital assets contributed by developers	-	-
Lessee improvements	-	-
Total non-cash investing, capital, and financing activities	$ -	$ -

See accompanying notes to financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of The City of Oakwood, GA are discussed in subsequent sections of this Note. The remainders of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended December 31, 2016.

I. B. FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

I. B. 1. COMPONENT UNITS

The City of Oakwood, GA operates under a council/manager form of government and provides the following services: Public Safety, Streets, Recreation, and General and Administrative services. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). The City had no such component units as of December 31, 2016.

I. B. 2. RELATED ORGANIZATIONS

Related Organizations	Brief Description of Activities and Relationship to the City.
Housing Authority of the City of Oakwood (HACO)	Administer Federal funding and/or other financing for improvements of housing conditions in the City. The Governing Board is appointed by the City Council. The City has no significant influence over the management, budget, or policies of HACO. The Authority reports independently.

I. B. 3. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary funds and component units that are fiduciary in nature, such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures and other charges to user of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund Financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns of non-major funds.

I. B. 4. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

Reimbursements are reported as reductions to expenses. Proprietary and fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits are recognized when due and payable in accordance with the terms of the plan. See Note VI.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. See Note III. A. 2. for related information.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed.

Allocation of Indirect Expenses

The City does not allocate indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services.

I. B. 5. FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund – Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Hotel/Motel (Special Revenue) Tax Fund – Reports the financial resources and expenditures of the Hotel/Motel taxes.

Tax Allocation Fund (TAD) – Accounts for tax allocation funds from the City and County to be used for land acquisition and capital project in the TAD district.

SPLOST Fund (Capital Projects Fund) – Reports financial resources related to Special Purpose Local Option Sales Tax.

Proprietary Funds

Sewer Fund – reports resources related to the activities of the sewer system.

Other Fund Types

-NONE-

I. C. ASSETS, LIABILITIES, AND NET POSITION

I. C. 1. CASH AND INVESTMENTS

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Cash deposits are reported at carrying amount which reasonably estimates fair value.

I. C. 2. INVENTORIES AND PREPAIDS

Inventories are not recorded by the City. Purchases of supplies (maintenance, office, etc.) are charged to expense when increased.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis. Prepaids are similarly reported in government-wide and fund financial statements.

I. C. 3. CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets except that infrastructure assets purchased prior to January 1, 2004 have not been recorded. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method and generally includes items with a cost of $ 500 or more. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	30
Building Improvements	30
Improvements, other than building	12
Equipment / Computers	5-7
Furniture and fixtures	7
Vehicles	5-7
Infrastructure	20

I. C. 4. CAPITALIZED INTEREST

Interest costs are capitalized on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

I. C. 5. LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNT/PREMIUMS

Long Term Debt outstanding consisted of the following:

-- Bond payable for $ 3,500,000 dated December 16, 2007 to provide funding for Road projects. The bonds call for interest only payments semi-annually commencing June 1, 2008 through June 1, 2011. Principal and interest is then due in varying amounts from December 1, 2011 through December 1, 2020 at a rate of 4.41% per annum.

--Note payable to GEFA in the original amount of $ 9,265,000. These were refunding revenue bonds which were used to pay off 2 original GEFA Notes. The note calls for 21 annual payments of varying amounts at 2-4% per annum. The principal amount due at December 31, 2016 was $ 9,265,000.

--Note payable for $655,454 to purchase a four (4) acre tract of land. The outstanding principal balance of this Note shall bear interest at the fixed rate of four and one-half (4.5%) percent per annum.

Interest payments only shall be payable monthly beginning January 20, 2013 and continuing on the 20th day of each month thereafter until December 20, 2015. After which, principal and interest payments shall begin on January 20, 2016, amortized over 240 months. The interest rate shall adjust every thirty-six (36) months beginning on January 20, 2016. The adjusted interest rate shall be at "Prime" plus one and one-quarter (1.25%) fixed. Principal and interest payments shall be recalculated based on the new interest rate and payable on the 20th day of each month. One final payment of all principal and interest shall be due on December 20, 2035, which date is the maturity date and at which time all the outstanding principal and all other then outstanding indebtedness under this Note shall be payable in full.

--Note payable for $1,480,000 to purchase seventeen and a half (17.5) acres of land. The "Maturity Date" of the Note, is July 1, 2025. Thereafter on July 1, 2015, Borrower promises to pay to the order of Lender the sum balance of $ 1,480,000.00 with interest from said date at the initial rate of five percent on said principal sum, said payments of principal and interest to be paid as follows: Initial monthly payments of $ 15,697.70 beginning August 1, 2015 over a ten-year period with a final payment on July 1, 2015.

On the July 1, 2018, the interest rate herein shall adjust from five percent to the current prime rate (with said prime rate being the "prime rate" as published by the Wall Street Journal) for years four through six hereof (with a cap of a maximum increase of one percent for years four through six) and the monthly payments shall be adjusted accordingly. On the July 1, 2021, the interest rate herein shall adjust from the rate for years four through six as set heretofore to the current prime rate (with said prime rate being the "prime rate" as published by the Wall Street Journal) for years seven through ten hereof (with a cap of a maximum increase of one percent over the years four through six rate) and the monthly payments shall be adjusted accordingly. At no time during the term of this promissory note shall the interest rate drop below five percent.

I. C. 6. FUND EQUITY

The governmental fund financial statements report fund balance for amounts not available for appropriation or legally restricted for specified purposes.

Fund Balance Classification Policies and Procedures

For the classification of fund balances: (1) the City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and (2) committed amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

I. D. REVENUES, EXPENDITURES, AND EXPENSES

I. D. 1. LEASE REVENUE

The City did not lease any of its facilities.

I. D. 2. COMPENSATED ABSENCES

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The City did not record a liability for accumulated vacation at December 31, 2016.

I. D. 3. HOTEL/MOTEL TAX

During the current year, the City collected a total of $ 99,567 in hotel/motel excise tax. As required by O.C.G.A. 48-1-54, these funds were used to promote tourism in the area, by funding the Lake Lanier Convention and Visitors Bureau. Funds expended for the current year was $ 41,081 or 41.3% of receipts.

I. D. 4. INVESTMENT ASSISTANCE PROGRAM

The Gainesville and Hall County Development Authority (the "Authority") can enter into agreements for industrial projects to encourage the creation jobs and new capital investment through an "Investment Assistance Program." Each agreement provides a property tax benefit to the company through a schedule of discounted valuation that reduces, for ad valorem tax purposes, the fair market value of real and personal property that is held by the Authority and leased to the company. Georgia case law and the Authority's enabling legislation provide the Authority with the power to enter into such agreements with private companies.

The Authority may accept title to real and personal property assets from a company in return for job creation and capital investment, and provide a tax benefit to the company through a lease agreement with the Authority. In considering eligibility for providing this benefit to a company, the Authority reviews and gives strong consideration to the recommendation from the Investment Assistance Committee of the Gainesville-Hall County Economic Development Council. The Investment Assistance Committee is a 16-member advisory committee of representatives from the City of Gainesville School District, the Hall County School District, Hall County, the cities of Gainesville, Flowery Branch, Oakwood and Lula and the Authority. The Investment Assistance Committee has a set of eligibility criteria for considering economic development projects that includes the following criteria:

1. Eligible businesses can include new and existing industrial businesses.
2. But for an incentive agreement, the company would not create the jobs and investment in the community.
3. The investment should be at least $10,000,000 in real and personal property.
4. The average wage of business' employees should be above the average wage of goods producing employees in Hall County.
5. The business should offer medical benefits to all employees.
6. The impacts to job retention will be considered for each expansion project.
7. As a condition of assistance, a business will be required to work with the Gainesville and Hall County Development Authority to convey title to the Authority.

In return for a property tax benefit, a company is required to commit to creating jobs and capital investment within a defined period as part of a performance and accountability agreement with the Authority that includes provisions for the company to pay back a prorated portion of the benefit if they fail to meet the performance criteria by a specified date. The Authority monitors compliance with performance and accountability agreements to ensure the companies meet their commitments.

For the City of Oakwood's fiscal year ended December 31, 2016, the cumulative property tax not collected by the City of Oakwood due to incentive agreements was $101,463, and $23,316.83 was paid to the City of Oakwood through incentive agreements for the same period. Such agreements in effect for Oakwood resulted in an estimated $ 120 million in new capital investment and more than 600 new jobs. The Authority recently commissioned an economic impact analysis of the jobs and capital investment created in Oakwood as a result of incentive agreements, and the study estimated an annual economic benefit to Hall County of $37,468,000 of direct and indirect economic to the community as a result of industrial project supported by the incentive agreements in place in the City of Oakwood.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

II. A. DEFICIT FUND NET POSITION

Primary Government

-NONE-

II. B. BUDGETARY INFORMATION

II. B. 1. BUDGET POLICY AND PRACTICE

Each year, Management prepares a proposed budget for consideration by the City Council. Prior to the beginning of the new fiscal year, the City holds budget hearings seeking comments and fielding questions from its citizens. After consideration of all comments and a review of the proposed budget, the City Council either approves the original proposed budget or a revised budget, after making appropriate changes.

II. B. 2. BASIS OF BUDGETING

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, debt service. This constitutes the legal level of control.

Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions were made to the original budget.

The City adopted budgets for the general, Hotel/Motel Tax and SPLOST funds on a basis which approximates generally accepted accounting principles (GAAP) as applied to local governments.

II. B. 3. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

The City did not exceed its expenditure budget in any department.

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

III. A. ASSETS

III. A. 1. DEPOSITS AND INVESTMENTS (*in thousands)*

Deposits

It is the City's policy for deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Primary Government					
Governmental Activities					
General Fund	1,289,102	-0-	-0-	1,289,102	1,282,862
SPLOST Fund	563,413	-0-	-0-	563,413	563,413
TAD Fund	168,531	-0-	-0-	168,531	168,531
Business-Type Activities					
Sewer Fund	255,358	-0-	-0-	255,358	255,358

Investments

Generally, the City's investing activities are managed under the custody of the City Manager. Investing is performed in accordance with investment policies complying with state statutes and the City Charter. City funds may be invested in: (1) direct obligations of the United States government, its agencies or instrumentalities to the payment of which the full faith and credit of the government of the United States is pledged, or obligations to the payment of which the full faith and credit of the State of Georgia is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings banks, savings and loan associations and credit unions located in the City when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the United States government, its agencies and instrumentalities, (5) money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized (domestic securities) and restrictions as specified in state law; (6) State and Local Government Series (SLGS); and (7) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment.

The City had no investments at December 31, 2016.

III. A. 2. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Enterprise Receivables, Uncollectible Accounts, and Deferred Revenue

-NONE-

Property Taxes Receivables, Deferred Revenue, and Property Tax Calendar

Property taxes attach as an enforceable lien on property at the City council's direction. Taxes are generally levied on December 1st of each year, and are due and payable by February 1st. All unpaid taxes become delinquent and subject to lien on February 1st. The City bills and collects its own property taxes. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable.

III. A. 3. RESTRICTED ASSETS

There are currently no restricted assets.

(Continued on next page)

III. A. 4. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets (in thousands):

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	Land	Construction in Progress	Buildings	Improvements Other Than Buildings	Furniture, Machinery and Equipment	Total
Primary Government						
Governmental Activities						
Balance, December 31, 2015	$ 6,548	$ 1,268	$ 1,546	$ 12,027	$ 1,764	$ 23,153
Increases	-	335	-	62	70	467
Decreases	(628)	-	-	-	(15)	(643)
Balance, December 31, 2016	5,920	1,603	1,546	12,089	1,819	22,977
Accumulated Depreciation						
Balance, December 31, 2015	-	-	688	2,215	1,586	4,489
Increases	-	-	51	598	59	708
Decreases	-	-	-	-	-	-
Balance, December 31, 2016	-	-	739	2,813	1,645	5,197
Governmental Activities						
Capital Assets, Net	5,920	1,603	807	9,276	174	17,780
Business-type Activities						
Balance, December 31, 2015	-	8,103	-	6,153	-	14,256
Increases	-	20	-	3,223	-	3,243
Decreases	-	(3,222)	-	-	-	(3,222)
Balance, December 31, 2016	-	4,901	-	9,376	-	14,277
Accumulated Depreciation						
Balance, December 31, 2015	-	-	-	1,310	-	1,310
Increases	-	-	-	259	-	259
Decreases	-	-	-	-	-	-
Balance, December 31, 2016	-	-	-	1,569	-	1,569
Business-type Activities						
Capital Assets, Net	-	4,901	-	7,807	-	12,708
Primary Government						
Capital Assets, Net	$ 5,920	$ 6,504	$ 807	$ 17,083	$ 174	$ 30,488

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities		Business-type Activities	
General Government	$ 56,104	Sewer	$ 258,808
Police	50,164		
Community Services	7,615		
Streets	609,593		
Solid waste	-0-		
Total	$ 723,476		

III. B. LIABILITIES

III. B. 1. LEASE COMMITMENTS AND NOTES PAYABLE

See Note I.C.5.

III. B. 2. LONG-TERM DEBT

Changes in General Long – Term Debt

The following is a summary of changes in long–term debt for the year ended December 31, 2016:

	Land Purchase # 1	Land Purchase # 2	Series 2007 Bonds
Balance December 31, 2015	$ 655,454	$ 1,422,215	$ 2,564,255
Additions	-	-	-
Retirements	(63,802)	(119,987)	(337,000)
Balance December 31, 2016	$ 591,652	$ 1,302,228	$ 2,227,255

	Business-type Activities		
	GEFA Note A	GEFA NOTE B	BONDS
Balance December 31, 2015	$ 7,020,432	$ 1,607,015	$ -
Additions	-	1,780,667	9,265,000
Retirements	(7,020,432)	-	-
Balance December 31, 2016	$ -	$ 3,387,682	$ 9,265,000

During the current year, the City issued Refunding Bonds to pay off the current amounts payable to GEFA. These bonds were sold at a premium of $941,369 and a face value of $9,265,000 with annual payments in varying amounts at an annual rate of 2.0 - 4.0%.

Debt service requirements for the bonds are as follows:

Fiscal Year End	Principal	Interest	Total
12/31/2017	$ 405,000	$ 277,910	$ 682,910
12/31/2018	495,000	290,550	785,550
12/31/2019	505,000	280,650	785,650
12/31/2020	515,000	270,550	785,550
12/31/2021	525,000	260,250	785,250
12/31/2022-12/31/2026	2,855,000	1,067,200	3,922,200
12/31/2027-12/31/2031	3,130,000	532,800	3,662,800
12/31/32-12/31/2036	700,000	113,000	813,000
12/31/2037	135,000	5,400	140,400
Total	$ 9,265,000	$ 3,098,310	$ 12,363,310
Short Term	405,000	277,910	682,910
Long Term	$ 8,860,000	$ 2,820,400	$ 11,680,400

Debt service on the $ 3.5 million series 2007 Bonds is as follows:

Fiscal Year End	Principal	Interest	Total
12/31/2017	$ 351,900	$ 98,116	$ 450,016
12/31/2018	417,400	82,598	499,998
12/31/2019	435,800	64,190	499,990
12/31/2020	500,000	44,970	544,970
12/31/2021	522,155	22,922	545,077
Total	$ 2,227,255	$ 312,796	$ 2,540,051
Short Term	351,900	98,116	450,016
Long Term	$ 1,875,355	$ 214,680	$ 2,090,035

Debt Service requirements for the Land Purchase #1 are as follows:

Fiscal Year End	Principal	Interest	Total
12/31/2017	$ 23,515	$ 26,527	$ 50,042
12/31/2018	24,612	25,430	50,042
12/31/2019	25,759	24,283	50,042
12/31/2020	26,960	23,082	50,042
12/31/2021	28,217	21,825	50,042
12/31/2022-12/31/2026	162,089	88,118	250,207
12/31/2027-12/31/2031	203,571	46,636	250,207
12/31/2032-12/31/2034	96,929	4,646	101,575
Total	$ 591,652	$ 260,547	$ 852,199
Short Term	23,515	26,527	50,042
Long Term	$ 568,137	$ 234,020	$ 802,157

Debt Service requirements for the Land Purchase #2 are as follows:

Fiscal Year End	Principal	Interest	Total
12/31/2017	$ 115,373	$ 57,302	$ 172,675
12/31/2018	132,028	56,344	188,372
12/31/2019	138,783	49,589	188,372
12/31/2020	145,883	42,489	188,372
12/31/2021	153,347	35,025	188,372
12/31/2022-12/31/2025	616,814	63,666	680,480
Total	$ 1,302,228	$ 304,415	$ 1,606,643
Short Term	115,373	57,302	172,675
Long Term	$ 1,186,855	$ 247,113	$ 1,433,968

III. B. 3. RISK MANAGEMENT – CLAIMS AND JUDGMENTS

The City is exposed to various risks of losses related to torts, thefts, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

All significant programs are covered by commercial insurance and no significant changes have occurred in coverage during the past three years. During the year ended December 31, 2016, the City paid 0 claims. The City is not aware of any claims which the City is liable for which were outstanding and unpaid at December 31, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016 for any estimate of potential unpaid claims.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Oakwood became a member of the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any employer is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability.

The 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 Workers' 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 be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense. The City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool agents and attorneys, to follow loss reduction procedures established by the fund and to report promptly as possible, and in accordance with any coverage descriptions issued, 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 City within the scope of loss protection furnished by the funds.

The City joined the Georgia Interlocal Risk Management Agency which allows the City to share liability, crime, motor vehicle and property damage risks.

Chapter 85 Title 36 of the Official Code of Georgia Annotated authorities Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated nonprofit instrumentality of its member municipalities – GIRMA establishes and administers one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of municipal government. GIRMA is to defend and protect in accordance with the member government contract and related coverage descriptions any member of GIRMA against liability or loss.

The City must participate at all times in at least one fund which is established by GIRMA. Other responsibilities of the City are as follows:

--To pay all contributions, assessments or other sums due to GIRMA at such times and in such times and in such amounts as shall be established by GIRMA.

--To select a person to serve as a member representative.
--To allow GIRMA and its agent's reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of GIRMA.

--To allow attorneys appointed by GIRMA to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the Fund or Funds established by GIRMA.

--To assist and cooperate in the defense and settlement of claims against the City.

--To furnish full cooperation and GIRMA's attorneys. claims adjusters, Service Company, and any agent, employee officer or independent contractor of GIRMA relating to the purposes of GIRMA.

--To follow all loss reduction and prevention procedures established by GIRMA.

--To furnish to GIRMA such budget, operating and underwriting information as may be requested.

--To report as promptly as possible, and in accordance with any Coverage Description issued, all incidents which could result in GIRMA or any Fund established by GIRMA being required to pay a claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the City participates.

--The City retains the first $1,000 of each risk of loss in the form of a deductible. The City files all claims with GIRMA. GIRMA bills the City for any risk of loss up to the $1,000 deductible.

--The basis for estimating the liabilities for unpaid claim is "IBNR" established by an actuary.

--During the year ended December 31, 2016, the City paid 0 claims. The City has not compiled a record of the claims paid up to the $ 1,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the $ 1,000) which were outstanding and unpaid at December 31, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016 for any estimate of potential unpaid claims.

III. C. BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

III. C. 1. RECEIVABLES AND PAYABLES

The following interfund receivables and payables were recorded at December 31, 2016:

	Due to Sewer	Due to TAD	Due from General
General Fund	$ 334,732	$ 74,857	
Sewer Fund			$ 334,732
TAD Fund			$ 74,857

All Interfund Receivables and Payables are generally satisfied in the following year.

III. C. 2. TRANSFERS AND PAYMENTS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

	Transfer from Hotel/Motel Tax Fund	Transfer to TAD	Transfer to Sewer
Transfer to General Fund	(99,567)	-	-
Transfer from General Fund	(209,971)	42,610	167,361

IV. SEGMENT INFORMATION

-NONE-

V. JOINTLY GOVERNED ORGANIZATION AND JOINT VENTURE

V.A. JOINTLY GOVERNED ORGANIZATION

-NONE-

V. B. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organization structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

Georgia Mountains Regional Commission
P.O. Box 1720
Gainesville, Georgia 30503

VI. RETIREMENT PLANS

The City participates in the Social Security Administration benefits plan, which is administered by others, is a separate legal entity and is not included in the City's financial statements.

The City also participates in the Georgia Municipal Employees Benefit System (GMEBS) Retirement Fund, an agent multiple-employer defined benefit plan where contributions made by the City are commingled with contributions made by the other participants of the GMEBS Retirement Fund for investment purposes. The Plan periodically issues an overall report to the required agencies. A stand-alone financial report can be obtained at City Hall. The City implemented and adopted GASB 68 in the current year.

The specific benefit provisions of the City's Plan were established by an adoption agreement executed by the City Council. The plan provides for benefits upon retirement, death, disablement, and termination of employment. The Plan is affiliated with the Georgia Municipal Association (GMA). The City Council retains the authority to amend the adoption agreement, which defined the specific operational provisions of The Plan. An outline of the plan provisions follows:

Plan Description

The City, as authorized by the City Council, has established a non-contributory defined benefit pension plan (The City of Oakwood Retirement Plan), covering substantially all of the City's employees. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia's Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 1.5% multiplied by the average of the five highest years of regular earnings multiplied by the total credited years of service. The City Council has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the employer and its plan members. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan Membership as of June 30, 2016, the date of the most recent actuarial valuation, there were 12 participants consisting of the following:

Inactive plan members for beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not receiving benefits	16
Active plan members	23
	48

Contributions: The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members, as determined by the City Council. For the fiscal year ended December 31, 2016, the City's contribution rate was 35.7% of annual payroll. City contributions to the Plan were $ 356,757 for the fiscal year ended December 31, 2016. Employees of the City do not contribute to the Plan.

Net Pension Liability of the City

Effective July 1, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* which significantly changed the City's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The City's net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of December 31, 2015.

Actuarial assumptions: The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary increases	3.25%
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex- distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2015.

Cost of living adjustments were assumed to be 0.00% although the Plan allowance for annual cost of living adjustment is variable, as established by the City Council, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2016 are summarized in the following table:

Asset class	Target allocation	Long-Term expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45%
Fixed income	25%	5.05%
Real estate	10%	4.55%
Cash	0%	
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, which is zero, and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City: The changes in the components of the net pension liability of the City for the fiscal year ended December 31, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at March 31, 2015	**$ 4,085,043**	**$ 2,367,804**	**$ 1,717,239**
Changes for the year:			
Service cost	89,199	-	89,199
Interest	309,141	-	309,141
Differences between expected and actual experience	353,477	-	353,477
Assumption Changes	-	-	-
Contributions - employer	-	332,559	(332,559)
Net investment income	-	9,460	(9,460)
Benefit payments, inlcuding refunds of employee contributions	(192,250)	(192,250)	-
Administrative expense and other	-	(8,050)	8,050
Net changes	**559,567**	**141,719**	**417,848**
Balances at December 31, 2016	**$ 4,644,610**	**$ 2,509,523**	**$ 2,135,087**

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	$ 2,709,826	$ 2,135,087	$ 1,653,687

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of July 1, 2016 and the current sharing pattern of costs between employer and employee.

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

For the fiscal year ended December 31, 2016, the City recognized pension expense of $ 341,884. 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	$ 270,595	$ -
Changes in assumptions	17,680	-
Net difference between projected and actual earnings on pension plan investments	120,887	-
City contributions subsequent to the measurement date	-	-
Total	$ 409,162	$ -

City Contributions subsequent to the measurement date of $ 332,559 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:

2017	$ 128,304
2018	128,304
2019	116,720
2020	35,834
Total	$ 409,162

The City also participated in the Peace Officers' Annuity and Benefit Fund of Georgia as described below:

PEACE OFFICERS' ANNUNITY AND BENEFIT FUND OF GEORGIA

Plan Description

The Peace Officers' Annuity and Benefit Fund of Georgia (Fund) was created in 1950 by the General Assembly of Georgia to provide retirement benefits to peace officers. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*

Members of the Fund are employed by units of government throughout the State of Georgia. The employers of the Fund's members do not make contributions to the Fund. The State of Georgia provides nonemployer contributions to the Fund through the collection of court fines and forfeitures. These nonemployer contributions are recognized as revenue by the Fund when collected from the courts.

Basis of Presentation

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (the schedules) are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Actuarial Valuation Date

The total pension liability is based upon the June 30, 2015 actuarial valuation.

Components of Net Pension Liability

The components of the net pension liability of the participating employers and nonemployers at June 30, 2015 were as follows:

Total pension liability	$ 110,038
Net pension	(108,148)
Net pension liability (asset)	$ 1,890

Plan fiduciary net position as a percentage of total pension liability 98.28%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with blue collar adjustment projected on al fully generational mortality basis using Scale AA for healthy lives and the RP -2000 Disability Mortality Table for disables lives.

The long-term expected rate of return on pension plan investments was calculated by the Fund'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 the assumed rate of 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 Fund'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 Fund's investment manager.

Discount Rate

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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Special Funding Situation

The State of Georgia, although not the employer of the Fund's members, makes contributions to the Fund through the collection of court fines and forfeitures as specified by O.C.G.A. §47-17-60. The State makes all these contributions on behalf of the employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68.

Since the employers of the Fund's members do not contribute directly to the Fund, there is no net pension liability to recognize for each employer. However, the notes to each employer's financial statements must disclose the portion of the nonemployer contributing entity's share of the net pension liability that is associated with that employer. In addition, each employer must recognize its portion of the pension expense of the State as well as recognize revenue contributions from the State in an equal amount.

Allocation Methodology

GASB Statement No. 68, *Accounting and financial Reporting for Pensions – an amendment of GASB Statement no. 27* requires participating employers and nonemployer contributing entities to recognize their proportionate share of collective net pension liability and pension expense. These scheduled are prepared to provide employers and nonemployer contributing entities with their calculated proportionate share.

Members of the Fund are employees of units of government throughout the state. The employers of the Fund's members do not make contributions to the Fund; therefore, the proportionate share allocation for each employer is 0%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated to each employer based on the number of Fund members employed as of June 30, 2015.

(Continued on next page)

Deferred Outflows of Resources and Deferred Inflows of Resources

	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred outflows of resources						
Change in assumption	2015	7.0 years	$ -	$ 2,395	$ 342	$ 2,053
Total deferred outflows of resources			-	2,395	342	2,053
Deferred inflows of resources						
Difference between expected and actual experience	2015	7.0 years	-	650	93	557
Difference between projected and actual investment earning	2014	5 years	7,586	-	1,896	5,690
	2015	5 years	-	(5,026)	(1,005)	(4,001)
Net difference between projected and actual investment earnings (1)			7,586	(5,026)	891	1,669
Total deferred inflows of resources			$ 7,586	$ (4,376)	$ (984)	$ 2,226
Net of deferred outflows of resources and deferred inflows of resources						$ (173)

(1) In accordance with paragraph 71b of GASB Statement No. 68, deferred outflows of resources and deferred inflows of resources arising from difference between projected and actual pension plan investment earnings in different measurement periods have been aggregated and included as a net deferred inflow of resources related to pensions.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	2016	$ (642)
	2017	(642)
	2018	(642)
	2019	1,255
	2020	249
Thereafter		249
Total		$ (173)

Pension Expense: The calculation of pension expense for the fiscal year ending June 30, 2015 is shown in the following table:

Service cost	$ 2,011
Interest of the total pension liability and net cash flow	7,232
Projected earnings on plan investments	(7,460)
Expensed portion of current period difference between projected And actual earnings on plan investments	(2,069)
Member contributions	(544)
Administrative expenses	116
Collective pension expense	$ (714)

The employer proportionate share of pension expense is equal to the pension expense multiplied by the employer's proportionate share percentage for the fiscal year ending June 30, 2015 as shown in the Schedule of Employer Allocations.

VII. RELATED PARTY TRANSACTIONS

The City was not involved in any related party transaction during the fiscal year December 31, 2016.

VIII. CONTINGENCIES

VIII. A. LITIGATION

The City is party to various legal proceeding which normally occurs in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

VIII. B. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant fund from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

City of Oakwood, Georgia
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
REVENUES					
Taxes:					
Property Tax	$ 1,273,810	$ (184,231)	$ 1,089,579	$ 1,089,579	$ -
Local Option Sales Tax	619,400	(2,018)	617,382	617,382	-
Insurance Premium Taxes	228,200	20,146	248,346	248,346	-
Alcoholic Beverage Taxes	317,800	6,525	324,325	324,325	-
Other Taxes	11,200	16,133	27,333	27,333	-
Total taxes	2,450,410	(143,445)	2,306,965	2,306,965	-
Licenses and permits:					
Licenses	138,900	38,422	177,322	177,322	-
Permits	121,700	121,091	242,791	242,791	-
Franchise taxes (fees)	270,700	(21,717)	248,983	248,983	-
Other fees	-	-	-	-	-
Total licenses and permits	531,300	137,796	669,096	669,096	-
Fines and forfeitures	660,000	(108,772)	551,228	551,228	-
Investment income	-	-	-	-	-
Intergovernmental	74,300	112,374	186,674	186,674	-
Rental Fees	62,000	(20,254)	41,746	41,746	-
Sale of fixed assets	-	-	-	-	-
Other	67,690	138,994	206,684	206,684	-
Total revenues before prior year fund balance	3,845,700	116,693	3,962,393	3,962,393	-
Prior year fund balances				-	
Appropriated for current year budget	620,396	-	620,396	620,396	-
Reappropriated for prior year encumbrances	-	-	-	-	-
Total revenues and prior year fund balances	$ 4,466,096	$ 116,693	$ 4,582,789	$ 4,582,789	$ -

City of Oakwood, Georgia
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
EXPENDITURES					
General government:					
Salaries	$ 278,589	$ 13,464	$ 292,053	$ 292,053	$ -
Employee Benefits	159,204	(3,268)	155,936	155,936	-
Services and Supplies	201,020	9,513	210,533	210,533	-
Capital Outlay	231,437	(185,218)	46,219	46,219	-
Total general government	870,250	(165,509)	704,741	704,741	-
Public safety:					
Police:					
Salaries	662,307	(22,670)	639,637	639,637	-
Employee Benefits	535,263	(17,688)	517,575	517,575	-
Services and Supplies	377,359	(67,939)	309,420	309,420	-
Capital Outlay	-	8,037	8,037	8,037	-
Total public safety	1,574,929	(100,260)	1,474,669	1,474,669	-
Public services:					
Streets:					
Salaries	152,552	2,116	154,668	154,668	-
Employee Benefits	107,584	3,566	111,150	111,150	-
Services and Supplies	139,694	66,582	206,276	206,276	-
Capital Outlay	-	315,739	315,739	315,739	-
Total public services	399,830	388,003	787,833	787,833	-
Solid Waste	102,721	(60,902)	41,819	41,819	
Economic Development	46,100	20,831	66,931	66,931	-
Planning & Development	125,533	(1,769)	123,764	123,764	-
Community Services	113,200	(45,790)	67,410	67,410	-
Debt Service	671,058	(32,070)	638,988	638,988	-
Total expenditures	3,903,621	2,534	3,906,155	3,906,155	-
Excess of revenues over expenditures	$ 562,475	$ 114,159	$ 676,634	$ 676,634	$ -

City of Oakwood, Georgia
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances--
Budget and Actual (GAAP Budgetary Basis)
Year Ended December 31, 2016

	Original Budget	Revisions	Revised Budget	Total Actual	Variance
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	$ 80,300	$ 19,267	$ 99,567	$ 99,567	$ -
Capital Project	-	-	-	-	-
Sale of Capital Assets	-	549,973	549,973	549,973	-
Total	80,300	569,240	649,540	649,540	-
Transfers to other funds:	(22,400)	(187,571)	(209,971)	(209,971)	-
Total transfers to other funds	(22,400)	(187,571)	(209,971)	(209,971)	-
Excess of revenues and other sources over expenditures and other uses	**620,375**	**495,828**	**1,116,203**	**1,116,203**	-
Fund balances, beginning (GAAP budgetary basis)	**620,396**	-	**620,396**	**620,396**	-
Less prior year fund balances (1)	(620,396)	-	(620,396)	(620,396)	-
Fund balance, ending (GAAP budgetary basis)	**$ 620,375**	**$ 495,828**	**$ 1,116,203**	**$ 1,116,203**	$ -

(1) The General Fund budget included $ 620,396 in fund balance which is a prior year carry forward. It is not a revenue of the current period, but is presented as revenue only for budgetary reporting purposes. Beginning budgetary fund balance has been reduced for prior year fund balance to reflect the budgetary ending fund balance projected.

City of Oakwood, Georgia
Notes to the Required Supplementary Information
For the Year Ended December 31, 2016

Note 1 - Budgetary Information

Budgets for the general fund were adopted on a basis that is a consistent with accounting principles generally accepted in the United States as applied to governments.

City of Oakwood, Georgia
Schedule of Changes in the City's Net Pension Liability
And Related Ratios
As of December 31, 2016

	2016	2015
Total Pension Liability		
Service cost	$ 89,199	$ 100,023
Interest on total pension liability	309,141	289,436
Changes of benefit terms	-	-
Differences between expected and actual experience	353,477	10,974
Other	-	35,359
Benefit payments, including refunds of employee contributions	(192,250)	(170,822)
Net change in total pension liability	**559,567**	**264,970**
Total pension liability - beginning	**4,085,043**	**3,820,073**
Total pension liability - ending (a)	**4,644,610**	**4,085,043**
Plan fiduciary net position		
Contributions - employer	332,559	341,884
Net investment income	9,460	199,142
Benefit payments, including refunds of employee contributions	(192,250)	(170,822)
Administrative expenses	(8,050)	(7,313)
Net change in plan fiduciary net position	**141,719**	**362,891**
Plan fiduciary net position - beginning	**2,367,804**	**2,004,913**
Plan fiduciary net position - ending (b)	**2,509,523**	**2,367,804**
City's net pension liability - ending (a) - (b)	**2,135,087**	**1,717,239**
Plan fiduciary net position as percentage of the total pension liability	**54.03%**	**57.96%**
Covered - employee payroll	**931,177**	**970,895**
City's net pension liability as a percentage of covered -employee payroll	**229.29%**	**176.87%**

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated

CITY OF OAKWOOD, GEORGIA
SCHEDULE OF CITY CONTRIBUTIONS - RETIREMENT PLAN

	2016	2015
Actuarially determined contribution	$ - *	$ 364,133
Contributions in relation to the actuarially determined contribution	- *	364,133 **
Contribution deficiency (excess)	$ - *	$ -
Covered-employee payroll	- *	970,895 ***
Contributions as a percentage of Covered-employee payroll	- *	37.50%

Notes to the Schedule

Valuation Date	
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment retire, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.25% plus service based merit
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for
Remaining Amortization Period	Varies for the bases, with a net effective amortization period of 14 years.

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

* 2016 Information will be determined after fiscal year-end and will be included in the 2017 valualtion report.

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

To the City Council
City of Oakwood, 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 City of Oakwood, Georgia, (City) 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, and have issued our report thereon dated June 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. 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.

Hawkins & McNair, CPAs
Winder, Georgia
June 22, 2017

Hawkins & McNair, CPAs

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Oakwood, Georgia

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Oakwood, Georgia, for the year ended December 31, 2016. This schedule is the responsibility of the City of Oakwood, Georgia's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax 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 Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note I.B.5 and is not intended to be a complete presentation of the City of Oakwood, Georgia's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in City of Oakwood, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

H. McNair, CPAs

Hawkins & McNair, CPAs
June 22, 2017

CITY OF OAKWOOD, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

			EXPENDITURES			
	ORIGINAL BUDGET	REVISED BUDGET	PRIOR YEARS	CURRENT YEAR	TOTAL	% COMPLETED
SPLOST VI						
Transportation Projects						
McEver Road at HF Reed	$ 200,000	$ 200,000	$ 200,000	$ -	$ 200,000	100.0%
Oakwood Local Road Resurfing	1,200,000	1,200,000	724,000	-	724,000	60.3%
Oakwood Downtown Sewer Phase 1	800,000	800,000	714,294	7,959	722,253	90.3%
Infrastructure - Roads, side-walks, streetscape and etc	1,500,000	1,500,000	839,240	-	839,240	55.9%
Other	-	-	59	-	59	0.0%
Total SPLOST VI	$ 3,700,000	$ 3,700,000	$ 2,477,593	$ 7,959	$ 2,485,552	67.2%
SPLOST VII						
Roads, Streets and Bridges	$ 1,684,678	$ 1,684,678	$ -	$ 73,048	$ 73,048	4.3%
Sewer Infrastructure	1,000,000	1,000,000	-	-	-	0.0%
Public Safety equipment	300,000	300,000	-	61,460	61,460	20.5%
Total SPLOST VI	$ 2,984,678	$ 2,984,678	$ -	$ 134,508	$ 134,508	4.5%