TOWN OF PINE MOUNTAIN, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF PINE MOUNTAIN, GEORGIA
FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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Kim Kimmel
Certified Public Accountant
PO 39
Richland, Georgia 31825

Member:
American Institute of CPAs
Georgia Society of CPAs

229-887-2543
229-887-3402 fax

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Pine Mountain
Pine Mountain, Georgia

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Mountain, Georgia, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, each major fund, and the aggregate remaining fund information of the Town of Pine Mountain as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison information on pages 30 and 31, and the Pension and OPED Schedules on pages 32 to 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

I have applied certain limited procedures to the budgetary, pension, and OPED 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Pine Mountain's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 3, 2016, on my consideration of the Town of Pine Mountain, Georgia's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Pine Mountain's internal; control over financial reporting and compliance.

Kim Kimmel CPA

Richland, Georgia
October 19, 2016

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,629,059	$ 518,082	$ 2,147,141
Receivables	342,631	40,396	383,027
Restricted cash	-	168,069	168,069
Nondepreciable Capital Assets	186,569	198,538	385,107
Depreciable Capital Assets, Net	3,063,649	3,637,661	6,701,310
Total Assets	5,221,908	4,562,746	9,784,654
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension plan charges	33,683	9,215	42,898
Total deferred outflow of resources	33,683	9,215	42,898
LIABILITIES			
Accounts Payable	241,073	14,988	256,061
Deposits	-	34,296	34,296
Notes payable due within one year	103,305	-	103,305
Notes payable due in more than one year	137,383	-	137,383
Capital leases due within one year	27,891	-	27,891
Capital leases due in more than one year	47,592	-	47,592
Bonds payable due within one year	-	35,660	35,660
Bonds payable in more than one year	-	963,169	963,169
Net pension obligation due in more than one year	235,262	48,599	283,861
OPEB obligation due in more than one year	102,896	101,551	204,447
Total Liabilities	895,402	1,198,263	2,093,665
DEFERRED INFLOWS OF RESOURCES			
Pension plan deferrals	27,564	6,466	34,030
Total deferred inflow of resources	27,564	6,466	34,030
NET POSITION			
Net investment in capital assets	2,934,047	2,847,020	5,781,067
Restricted for:			
Transportation projects	95,212	-	95,212
Unrestricted	1,303,366	438,699	1,742,065
Total Net Position	$ 4,332,625	$ 3,285,719	$ 7,618,344

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Activities
For the Year Ended June 30, 2016

Program Activites	Expenses	Program Revenues: Fees, Fines, Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues
Governmental Activities:					
General Government	$ 262,670	$ 67,164	$ -	$ -	$ (195,506)
Public Safety	939,132	196,245	-	-	(742,887)
Public Works	319,662	-	-	71,641	(248,021)
Housing and development	825,389	-	-	-	(825,389)
Culture and recreation	5,314	-	-	-	(5,314)
Interest on long-term debt	14,198	-	-	-	(14,198)
Total Governmental Activities	2,366,365	263,409	-	71,641	(2,031,315)
Business-Type Activities:					
Water utilities	369,779	219,138	-	-	(150,641)
Sewerage treatment	149,242	173,022	-	-	23,780
Total Business-Type Activities:	519,021	392,160	-	-	(126,861)
Total Government	2,885,386	655,569	-	71,641	(2,158,176)

	Governmental Activities	Business-Type Activities	
General revenues:			
Taxes:			
Advalorem	711,765	-	711,765
Sales tax	180,256	-	180,256
Hotel/motel tax	843,631	-	843,631
Franchise tax	197,070	-	197,070
Other taxes	185,261	-	185,261
Miscellaneous	96,100	-	96,100
Investment Revenue	1,715	430	2,145
Transfers	-	-	-
	2,215,798	430	2,216,228
Changes in net position	184,483	(126,431)	58,052
Net position beginning of year	4,148,142	3,412,150	7,560,292
Adjustments	-	-	-
Net position beginning, as adjusted	4,148,142	3,412,150	7,560,292
Net position at end of year	$ 4,332,625	$ 3,285,719	$ 7,618,344

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2016

	General	Hotel/Motel Tax	Total Non Major	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 1,501,069	$ 32,778	$ 95,212	$ 1,629,059
Due from other funds	30,636	-	-	30,636
Receivables				
Grants	-	-	30,635	30,635
Ad valorem taxes	44,899	-	-	44,899
Other taxes	33,125	233,972	-	267,097
Total Assets	1,609,729	266,750	125,847	2,002,326
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	25,820	215,254	-	241,074
Due to other funds	-	-	30,635	30,635
Total Liabilities	25,820	215,254	30,635	271,709
Deferred Inflows of Resources	44,899	-	-	44,899
Fund Balances				
Restricted for transportation projects	-	-	95,212	95,212
Assigned for tourism	-	51,496	-	51,496
Unassigned	1,539,010	-	-	1,539,010
Total Fund Balances	1,539,010	51,496	95,212	1,685,718
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,609,729	$ 266,750	$ 125,847	$ 2,002,326

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2016

Total Governmental Funds Balances	$ 1,685,718
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets of $4,997,935 net of accumulated depreciation of $1,747,717, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,250,218
Long-term liabilities are not due and payable in the current period and, therefor, are not reported in the governmental funds:	
Due in more than one year	(654,329)
Certain resources are recorded in the funds as current but are properly deferred in the statement of net assets	
Deferred outflows for pension plans	33,683
Deferred inflows for pension plans	(27,564)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Property taxes	44,899
Net Position of Governmental Activities	$ 4,332,625

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	Hotel/Motel Tax	Total Non Major	Total Governmental Funds
Revenues				
Property Taxes	$ 716,085	$ -	$ -	$ 716,085
Sales Taxes	180,256	-	-	180,256
Hotel Motel tax	-	843,631	-	843,631
Franchise tax	197,070	-	-	197,070
Other Local Taxes	185,261	-	-	185,261
Charges for Services	2,074	-	-	2,074
Licenses and Permits	65,090	-	-	65,090
Fines and Forfeitures	196,245	-	-	196,245
Intergovernmental	-	-	71,641	71,641
Interest	1,653	62	-	1,715
Other	27,304	68,795	-	96,099
Total Revenues	1,571,038	912,488	71,641	2,555,167
Expenditures				
Current				
General government	216,130	-	-	216,130
Public safety	929,728	-	-	929,728
Public works	301,054	-	-	301,054
Housing and development	-	825,389	-	825,389
Culture and recreation	1,670	-	-	1,670
Capital outlay	-	-	47,772	47,772
Debt service:				
Principal	114,941	-	-	114,941
Interest	14,198	-	-	14,198
Total Expenditures	1,577,721	825,389	47,772	2,450,882
Excess (deficiency) of Revenues Over (Under) Expenditures	(6,683)	87,099	23,869	104,285
Other Financing Sources (Uses)				
Transfers—In	100,000	-	17,137	117,137
Transfers—Out	(17,137)	(100,000)	-	(117,137)
Capital lease proceeds	91,533	-	-	91,533
Total Other Financing Sources (Uses)	174,396	(100,000)	17,137	91,533
Net Change in Fund Balances	167,713	(12,901)	41,006	195,818
Fund Balances (Deficit) at Beginning	1,371,297	64,397	54,206	1,489,900
Fund Balances at End of Year	1,539,010	51,496	95,212	1,685,718

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances—Total Governmental Funds	$	195,818
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the stetement of activities, the cost of those assets is allocated over their estimated useful lives asdepreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:		
Capital Outlay—Depreciable Capital Assets		159,395
Depreciation		(166,620)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.		114,941
The borrowing of long term debt adds to current financial resources of governmental funds but has no effect on net assets		(71,148)
Long term employee benefit obligations are recorded as an addition or reduction in net position, but do not require the use of current economic resources of governmental funds		(43,583)
Elimination of transfers between governmental funds		
Transfers in		(117,137)
Transfers out		117,137
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Property Taxes deferred		(4,320)
Change in Net Position of Governmental Activities	$	184,483

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Net Position
Proprietary Funds
June 30, 2016

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 518,082	$ -	$ 518,082
Receivables net	27,887	18,581	46,468
Due from other funds	-	-	-
Resticted cash	92,753	75,316	168,069
Total Current Assets	638,722	93,897	732,619
Noncurrent Assets:			
Nondepreciable assets	198,538	-	198,538
Depreciable assets, net	832,999	2,804,662	3,637,661
Total Non-current Assets	1,031,537	2,804,662	3,836,199
Total Assets	1,670,259	2,898,559	4,568,818
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on pension plan	9,215	-	9,215
LIABILITIES			
Current Liabilities:			
Accounts Payable	14,988	-	14,988
Payable from restricted assets:			
Revenue bonds	9,650	26,010	35,660
Deposits	34,296	-	34,296
Total Current Liabilities	58,934	26,010	84,944
Long-Term Liabilities			
OPEB liability	192,200	-	192,200
Net pension liability	55,185	-	55,185
Revenue bonds payable	239,980	713,539	953,519
Total Long-term Liabilities	487,365	713,539	1,200,904
Total Liabilities	546,299	739,549	1,285,848
DEFERRED INFLOW OF RESOURCES			
Nonamortized pension earnings	6,466	-	6,466
NET POSITION			
Net investment in capital assets	781,907	2,065,113	2,847,020
Unrestricted	344,802	93,897	438,699
Total Net Position	$ 1,126,709	$ 2,159,010	$ 3,285,719

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2016

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services	$ 219,138	$ 173,022	$ 392,160
Total operating revenues	219,138	173,022	392,160
Operating expenses:			
Personal services	220,771	-	220,771
Materials and supplies	67,784	45,824	113,608
Contractual and other services	41,145	15,693	56,838
Depreciation	24,393	54,058	78,451
Total operating expenses	354,093	115,575	469,668
Income (loss) from operations	(134,955)	57,447	(77,508)
Nonoperating revenues (expenses):			
Investment income	430	-	430
Interest expense	(15,686)	(33,667)	(49,353)
Total nonoperating revenues (expenses)	(15,256)	(33,667)	(48,923)
Income before transfers	(150,211)	23,780	(126,431)
Transfers	56,028	(56,028)	-
Change in net position	(94,183)	(32,248)	(126,431)
Net position beginning previously reported	1,220,892	2,191,258	3,412,150
Prior period adjustment	-	-	-
Net position beginning as restated	1,220,892	2,191,258	3,412,150
Net position, ending	$ 1,126,709	$ 2,159,010	$ 3,285,719

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Water Fund	Sewer Fund	Total
Cash flows from operating activities:			
Cash received from customers	$ 211,748	$ 174,143	$ 385,891
Cash payments to suppliers for goods and services	(104,651)	(61,517)	(166,168)
Cash payments to employees for services	(124,192)	-	(124,192)
Net cash provided (used) by operating activities	(17,095)	112,626	95,531
Cash flows from noncapital financing activities:			
Transfers in	63,318	(63,318)	-
Net cash provided (used) by noncapital financing activities	63,318	(63,318)	-
Cash flows from capital and related financing activities:			
Capital asssets purchased	(68,100)	-	(68,100)
Principal paid on revenue bond maturities	(8,990)	(15,641)	(24,631)
Interest paid	(16,952)	(33,667)	(50,619)
Net cash provided (used) by			
Net cash provided (used) by capital and related financing activities	(94,042)	(49,308)	(143,350)
Cash flows from investing activities:			
Interest on investments	430	-	430
Net cash provided (used) by investing activities	430	-	430
Net increase (decrease) in cash and cash investments	(47,389)	-	(47,389)
Cash and cash equivalents, beginning	658,224	75,316	733,540
Cash and cash equivalents, ending	$ 610,835	$ 75,316	$ 686,151
Unrestriced cash	$ 518,082	$ -	$ 518,082
Restricted cash	92,753	75,316	168,069
Total cash and cash equivalents	$ 610,835	$ 75,316	$ 686,151
Reconciliation of income (loss) from operations			
to net cash provided (used) by operating activities			
Operating income (loss)	$ (134,955)	$ 57,447	$ (77,508)
Adjustments to reconcile operating income (loss)			
to net cash provided (used) by operations:			
Depreciation	24,393	54,058	78,451
(Increase) decrease in:			
Accounts receivable	(7,194)	1,121	(6,073)
Deferred outflows	(657)		(657)
Increase (decrease) in:			
Accounts payable	4,278	-	4,278
Accrued pension	6,586		6,586
Accrued OPEB	90,650		90,650
Deferred inflows	139		139
Customer deposits	(335)	-	(335)
Net cash provided (used) by			
operating activities	$ (17,095)	$ 112,626	$ 95,531

See accompanying notes to the basic financial statements.

TOWN OF PINE MOUNTAIN, GEORGIA
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Pine Mountain, Georgia (the Town) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

Reporting Entity

The Town of Pine Mountain, Georgia operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, public works, development, culture, recreation, and public utilities. The Mayor and Town Council are elected by the citizens of Pine Mountain and as such have the decision-making authority over the Town.

The Town is not included in any other "reporting entity" as defined by the Governmental Accounting Standards Board. As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Based upon these criteria, the Town of Pine Mountain has no component units.

Basic Financial Statements

The basic financial statements include both government-wide financial statements (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorizer activities as either governmental or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial

statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred without regard to receipt or disbursement of cash. Property taxes are recognized in the period for which levied, provided the Town has an enforceable legal claim to the resources. Grants, shared revenues, and contributions are recognized when all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers revenues as available if they are collected within 60 days after year end. Revenues susceptible to accrual are grant revenue, property taxes, and service contract revenue earned. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded when payment is due.

The Town reports the following major governmental funds:

General Fund

The General Fund is the principal fund of the Town and is used to account for all activities of the Town not otherwise accounted for by a specified fund. This fund is primarily used for the activities under direct control of the Mayor and Council. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Hotel/Motel Tax Fund

This fund is used to account for all of the hotel/motel tax collected by the Town and the related expenditures.

The Town reports the following major proprietary fund:

Water Fund

This fund is used to account for all operations relating to activities conducted in the operation of municipal water treatment and supply.

Sewer Fund

This fund is used to account for all operations relating to activities conducted in the operation of a municipal wastewater treatment system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water & Sewer Fund are charges to customers for sales and services. Operating expenses for

the Water & Sewer Fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When fund balances are available for a specific purpose in more than one classification, it is the Town's policy to use the most restricted funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Budgets

The Town budgets its operations on an annual basis for the General Fund and the Special Revenue Funds. The proposed budget is prepared each May by a Budget Committee composed of the Mayor and Council. Budget requests from the various Town departments are presented to the Committee for consideration. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Pine Mountain. The final proposed budget is presented at a Town Council meeting for final passage prior to June 30. The final budget is adopted at public meeting. Grants and contracts received by the Town during the year are governed by stipulated budgets that are officially adopted at the time the grants are approved. Other than changes made by grantor contracts, there were no amendments to the officially adopted budget for the year.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Public safety, Public works, Housing and Development, Cultural & Recreation, and Debt service. This constitutes the legal level of control. General Fund expenditures for capital outlay are budgeted with the respective departments rather than being separately reported. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Council. Within these control levels, management may transfer appropriations without Council approval, with the exception of salary amounts.

Cash and Cash Equivalents

Cash and equivalents include amounts in demand deposit accounts as well as short-term investments with a maturity date of three months or less.

Prepaid Expenses

Payments to vendors for services that will benefit periods after June 30, 2016 are recorded as prepaid items under the consumption method. Because these items do not represent "available spendable resources" in governmental funds, they are equally offset by fund balance reserve accounts.

Vacation and Sick Leave

Employees earn vacation time as follows:

12 mo. of service	5 days
36 mo. of service	10 days
60 mo. of service	15 days

Sick Leave is earned at the rate of one day per month.

Sick leave does not accumulate. Terminated employees may not receive unused sick pay.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of $500 or more and over three years of useful life. Infrastructure assets acquired or constructed after July 1, 2003 will be capitalized. Prior infrastructure assets have not been capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	60 to 80	Years
Vehicles	7	Years
Equipment	10	Years
Water distribution system	75	Years
Sewerage treatment plant	75	Years
Sidewalks	50	Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This section represents consumption of net position which applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of item that qualifies for reporting in this category. It is a deferred charge for pension plan contributions which is reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This section represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Town has only one type of item that qualifies for reporting in this category under modified accrual basis of accounting. That item is unavailable revenue for property taxes and is reported in the governmental funds balance sheet. The Town has one item in this category that is reported in the government-wide statement of net position, and that is unavailable revenue for the difference between anticipated pension plan asset yield and actual experience. This amount is amortized and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

At times the Town funds outlays for a particular purpose from both restricted and unrestricted resources. The Town assumes that restricted resources are applied first.

Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Restricted fund balance- amounts constrained to specific purposes by their providers (such as grantors, through constitutional provisions or enabling legislation.

Committed fund balance- Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through approval of a motion. Only the Town Council can modify or rescind a commitment.

Assigned fund balance- amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance- amounts that are available for any purpose; positive amounts are reported only in the general fund.

Fund Balance Flow Assumption

It is the Town's policy to consider restricted fund balance to have been used before using any of the components of unrestricted fund balance.

2. DEPOSITS

State statutes require that all non-insured public deposits in financial institutions be fully insured or collateralized by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The Town's deposits were fully insured or collateralized as required by state statutes at June 30, 2016. At June 30, 2016, the carrying amount of the Town's deposits in financial institutions was $2,315,210 and the bank balance was $2,366,755. Included in these amounts are certificates of deposit with a carrying value of $1,148,564 and a bank balance of $1,148,564.

State statutes require that all public deposits in financial institutions be fully insured or collateralized by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. At June 30, 2016, the Town's deposits were fully insured and collateralized according to state law.

Deposit accounts restricted in their use were as follows:

Revenue bonds	$ 133,773
Deposits	34,296
	$ 168,069

4. RECEIVABLES

The major receivables consist of utility bills and taxes.

	Governmental Funds	Business Type Activities	Total
Property taxes	$ 44,899	$ -	$ 44,899
Sales tax	33,125	-	33,125
Hotel/Motel tax	233,972	-	233,972
Accounts	30,635	46,468	77,103
	$ 342,631	$ 46,468	$ 389,099

Receivables and revenues from utility bills are recorded when the services are provided. Amounts shown as a receivable on the balance sheet represent amounts owed but not paid. An allowance for uncollectable accounts has been recorded. This represents the amount of utility bills receivable for which collection is doubtful.

Revenues from property taxes are recognized as follows:

An ad valorem tax is charged each year on each parcel of taxable property and on each taxable vehicle and mobile home located in the Town. The tax is assessed to support the Town government. It is based generally on a fixed percentage of the market value multiplied by a millage rate. The market value of the property is determined by the County Board of Assessors and the millage rate is set by the Town Council to produce the revenue required to finance the expected expenditures of the Town.

After the taxable value of the property has been established and the millage rate determined, the tax is computed on each property, and a tax bill is prepared for the property owner. The total of these computations, called the tax digest, is submitted to the State of Georgia for approval before the tax bills are mailed to the property owners. These tax bills then become the basis for tax collections. A list of uncollected taxes is prepared from the bills remaining unpaid at the end of the year.

The Town's ad valorem tax is normally levied each October on the assessed value as of the prior January 1 for all real and business personal property located within the Town limits. Taxes are due sixty days after the levy date. For 2016, ad valorem taxes were levied on November 6 and were due January 2.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance 6-30-15	Additions	Transfers & Disposals	Balance 6-30-16
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 186,569	$ -	$ -	$ 186,569
Capital assets being depreciated				
Buildings	2,377,062	19,341	-	2,396,403
Equipment	589,789	18,729	59,628	548,890
Vehicles	1,080,166	73,553	112,571	1,041,148
Infrastructure	777,153	47,772	-	824,925
	4,824,170	159,395	172,199	4,811,366
Less accumulated depreciation for:				
Buildings	(474,505)	(41,192)	-	(515,697)
Equipment	(452,804)	(40,795)	59,628	(433,971)
Vehicles	(709,450)	(65,827)	112,571	(662,706)
Infrastructure	(116,535)	(18,806)	-	(135,341)
	(1,753,294)	(166,620)	172,199	(1,747,715)
Total capital assets being depreciated, net	3,070,876	(7,225)	344,398	3,063,651
Governmental activities capital assets, net	3,257,445	(7,225)	344,398	3,250,220

Business-type Activities:	Balance 6-30-15	Adjustments & Additions	Transfers & Disposals	Balance 6-30-16
Capital assets not being depreciated				
Land	$ 198,538	$ -	$ -	$ 198,538
Total	198,538	-	-	198,538
Capital assets being depreciated				
Buildings	16,041	-	-	16,041
Vehicles	59,007	-	-	59,007
Equipment	71,561	-	-	71,561
Water distribution system	1,528,075	68,100	-	1,596,175
Sewerage treatment facilities	3,664,382	-	-	3,664,382
	5,339,066	68,100	-	5,407,166
Less accumulated depreciation for:				
Buildings	(12,896)	(445)	-	(13,341)
Vehicles	(59,007)	-	-	(59,007)
Equipment	(71,561)	-	-	(71,561)
Water distribution system	(741,930)	(23,948)	-	(765,878)
Sewerage treatment plant	(805,662)	(54,058)	-	(859,720)
	(1,691,056)	(78,451)	-	(1,769,507)

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

General Government	$ 3,956
Public Safety	136,915
Public Works	22,105
Culture and recreation	3,644
	$ 166,620

6. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2016 is summarized as follows:

	Balance 6-30-15	Additions	Reductions	Balance 6-30-16	Due In One Year
Governmental Activities					
Borrowings:					
Notes payable	$ 339,579	$ -	$ 98,891	$ 240,688	$ 103,305
Capital lease equipment	20,385	-	4,730	15,655	4,966
Capital lease vehicles	-	71,148	11,320	59,828	22,925
	359,964	71,148	114,941	316,171	131,196
OPEB	90,785	12,111	-	102,896	-
Pension	207,183	28,079	-	235,262	-
Total	$ 657,932	$ 111,338	$ 114,941	$ 654,329	$ 131,196
Business-Type Activities					
Water revenue bonds	$ 258,620	$ -	$ 8,990	$ 249,630	$ 9,650
Sewer revenue bonds	755,190		15,641	739,549	16,360
	1,013,810	-	24,631	989,179	26,010
OPEB	101,551	-	-	101,551	-
Pension	48,599	-	-	48,599	-
Total	$ 1,163,960	$ -	$ 24,631	$ 1,139,329	$ 26,010

For governmental activities, long-term debt us liquidated by the General Fund. For business-type activities, long term debt is liquidated by the Water Fund and Sewer Fund.

Capital Leases

The Town has entered into lease agreements as lessee for financing the acquisition of equipment and vehicles used for Public Safety in the governmental activities. The lease agreements qualify for capital leases for accounting purposes as either the titles transfer at the end of the lease terms or the leases include bargain purchase options and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. Lease payments are due variously in monthly or annual installments.

The original cost of the Town's assets under capital lease arrangements at June 30, 2016 is $93,798, and there has been $19,224 of accumulated depreciation recognized as of year-end. Annual depreciation of these assets is included in depreciation expense on the government wide financial statements.

The Town's total capital lease debt service requirements to maturity are as follows:

	Governmental Activities
Years ending June 30,	
2017	$ 31,465
2018	31,465
2019	18,606
total minimum lease payments	81,536
Less amount representing interest	(6,054)
Present value of future minimum lease payments	$ 75,482

Notes payable

In 2008 the Town borrowed $1,672,000 on a general obligation note. This note is payable in monthly installments of $9,315 including interest at 4.375%. The note is being repaid from the General Fund revenues. The proceeds of the note were used to construct a public safety building.

Debt service requirements to maturity on the note is as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2017	$ 103,305	$ 8,475	$ 111,780
2018	107,916	3,864	111,780
2019	29,467	228	29,695
	$ 240,688	$ 12,567	$ 253,255

Revenue Bonds

The Town has issued three series of Revenue Bonds to finance capital improvements to water and sewer facilities.

In 1990, Water Revenue Bonds were issued in the amount of $335,000. These are payable in annual installments through 2031 with interest at 5.875%.

In 2001, the Town issued two series of Sewer Revenue Bonds in the amounts of $829,200 and $83,570. These are payable in annual installments through 2042 with interest at 4.5%.

The Town has pledged the revenues from water and sewer operations to repay the bonds. Certain sinking fund requirements to repay the debt are in place, and the Town is in compliance with those requirements.

Debt service requirements to maturity on the note is as follows:

Year Ending June 30,	Business Activities Principal	Interest	Total
2017	$ 26,010	$ 47,614	$ 73,624
2018	27,471	46,296	73,767
2019	29,027	44,901	73,928
2020	30,660	43,424	74,084
2021	32,409	41,863	74,272
2022-2026	192,045	182,491	374,536
2027-2031	254,428	127,063	381,491
2032-2036	175,887	70,653	246,540
2037-2041	219,217	26,367	245,584
2042	2,026	6	2,032
	$ 989,179	$ 630,678	$ 1,619,857

7. RISK MANAGEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. The following disclosures are offered in accordance with GASB 10.

The Town is exposed to various forms of risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town accounts for risk financing activities in the General fund. The Town purchases insurance from the commercial insurance market for all risk categories except natural disasters, for which the Town is self-insured. Because of no recent history of loss from natural disasters, no estimated liability has been recorded.

There have been no decreases in insurance coverage from the prior year. Settled claims have not exceeded commercial excess coverage in any of the past three years.

The Town is also a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the Fund to the employees of the Town is specifically limited to such obligations as are imposed by applicable state laws against the Town for workers' compensation and/or liability.

As a part of these risk pools, the Town is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with and coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The Town is also to allow the pool's agents and attorneys to represent the Town in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Town within the scope of loss protection furnished by the funds.

The Fund is to defend, in the name of and on behalf of the members, any suit or other proceedings which may at any time be instituted against them on account of injuries or death within the purview 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 or compensation therefor, 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 proceedings defended by the members, all

interest accruing after entry of judgement, and all expenses incurred for investigation, negotiation or defense.

8. EMPLOYEE BENEFITS

Defined Benefit Pension Plan

The Town contributes to a defined benefit pension plan for all of its full-time employees through the Georgia Municipal Employees Benefit System, an agent multiple-employer public employee retirement system administered by the Georgia Municipal Association (GMA). The Public Retirement Systems Standard Law (OCGA 47-20-10) assigns the authority to establish and amend the plan to the Town. GMA issues a publicly available financial report that includes the financial statements and required supplementary information for GMBEBS. That report may be obtained by writing to GMBEBS, 201 Pryor St., SW, Atlanta, Georgia 30303. The financial information contained here is as of the most recent valuation date of January 1, 2016.

Eligibility-To be eligible, employees must have completed on year of full-time employment. Vesting is scheduled over a ten-year period, with full vesting at the end of ten years.

Membership in the plan at June 30, 2016 is as follows:

Active plan members	
Vested	6
Non-vested	8
Retirees and beneficiaries	7
Vested former participants	2
	23

Contributions: Required contributions are determined by the Town Council based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The plan Is noncontributory, meaning the employees may not make contributions to the Plan.

The Town's contribution rate and required contributions for the year ended June 30, 2016 were 7.57% and $34,790 respectively. Actual contributions for the year equaled $43,377 or 113.59% of required contributions.

Net Pension Liability: The Town's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of return on investments	7.75%	net of plan investment expense, including inflation
Inflation	3.25%	
Cost of living adjustments	3.75%	

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. In addition, 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 long-term expected rate of return on Plan investments was determined using a building block method in which the 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50.00%	5.95%	9.20%
International equity	15.00%	6.45%	9.70%
Fixed income	25.00%	1.55%	4.80%
Real estate	10.00%	3.75%	7.00%
Cash	0.00%		
Total	100.00%		

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 employee contributions will be made at the current contribution rate and that contributions from employer will be made at the current contractually required rates, actuarially determined.

Changes in Net Pension Liability: Changes in the Town's net pension liability for the year ended June 30, 2016 were as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances--Ending 6-30-15	$ 1,062,706	$ 806,924	$ 255,782
Changes for the Year:			
Service cost	16,040	-	16,040
Interest expense	80,032	-	80,032
Experience losses (gains)	(10,863)	-	(10,863)
Contributions--employer	-	43,377	(43,377)
Net investment income	-	9,809	(9,809)
Benefit payments	(60,058)	(60,058)	-
Plan administrative expenses	-	(2,642)	2,642
Other changes	-	-	-
Net Changes	25,151	(9,514)	34,665
Balances--Ending 6-30-16	$ 1,087,857	$ 797,410	$ 290,447

Sensitivity of the Net Pension Liability to Changes in the discount Rate: The following presents the net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate.

	Discount Rate	Net Pension Liability
1% Increase	8.75%	$ 183,116
Current Discount Rate	7.75%	$ 290,447
1% Decrease	6.75%	$ 419,698

Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued Plan financial report.

Pension Expense, Deferred Outflows of Financial resources, and Deferred Inflows of Resources: For the year ended June 30, 2016, the Town recognized pension expense of $32,648. At June 30, 2016, the Town 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	$ -	$ (10,228)
Changes of assumptions	-	(7,314)
Difference between projected and actual earnings on pension plan investments	25,096	-
	$ 25,096	$ (17,542)

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

	2017	2018	2019	2020	2021
Outflows	10,396	10,396	10,396	10,396	
Inflows	(10,136)	(10,136)	(10,136)	(1,811)	(1,811.00)

Postemployment Healthcare Plan

Plan Description

The Town provides post-employment healthcare benefits to employees who retire from the Town. Under the plan, the Town pays the medical insurance for the retired employees. The Town has no current definition of the term "retired." In order to be eligible, employees must have been employed by the Town for a minimum of ten years. The PERB does not issue stand-alone financial statements and is not included in any other plan.

Funding Policy

The Town funds this plan on a pay as you go basis. Premiums for retired participants are paid by the General Fund.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45. The Town uses the Alternative Measurement Method as provided for in GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is

projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation. The OPEB Obligation and corresponding expense for current employees is recorded in the General Fund and Water & Sewer Fund according to the source of the wages paid to current participating employees. Prior retiree amounts are born by the General Fund.

Normal cost	$ 69,889
Interest on net OPEB obligation	2,707
Amortization	72,180
Annual required contribution	144,776
Contributions made	(73,920)
Increase (decrease)	70,856
Obligation, beginning	224,240
Net obligation, end of year	$ 295,096
General Fund	$ 102,896
Water & Sewer Fund	192,200
	$ 295,096

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

Fiscal Year ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 77,964	51.2%	$ 104,609
2015	$ 101,550	45.2%	$ 142,673
2016	$ 144,776	51.1%	$ 224,240

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued benefits were $1,953,005, all of which was unfunded. The Town is currently funding the plan on a pay as you go basis. The covered active payroll was $224,240 (annual payroll of active employees covered by the plan) and the ratio of the UAAL to covered payroll was 909% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Each year, a portion of the initial unfunded obligation will be amortized into the overall obligation.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern and the historical sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 6.0 percent. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2016 was twelve years.

The actuarial calculations also assume a retirement age of sixty-two years.

Life expectancies were based on mortality tables taken from the National Center for Health Statistics. The 2013 US Life Tables for Male and Female were used.

Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

The expected rate of increase in healthcare insurance premiums was based on an average of actual premium increases experienced by the Town over the previous three years.

The expected long-term inflation assumption of 3% was based on projected changes in Consumer Price Index. The expected long-term payroll growth rate was assumed to equal the rate of inflation.

The benefit provisions and all other requirements are established by state statute and local ordinance. The OPEB does not issue stand-alone financial statements.

Other Pension Plans

The Town's police and firefighters are participants in retirement plans managed by Funds created by the Georgia Legislature. The Plans in which the Town's employees participate are the Peace Officers Annuity and Benefit Fund (POAB) and the GA Firefighters Pension Fund. The Town makes transfer payments to the plan Administrators, and the Administrators make contributions to the Plans for the participating employees. The amounts contributed to these plans were not material for the year ended June 30, 2016

9. COMMITMENTS AND CONTINGENT LIABILITIES

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

The Town attorney advises that there are no legal actions that were in progress by or against the Town at June 30, 2016.

The Town does not contribute to State Unemployment funds. Instead, the Town directly reimburses the State for unemployment benefits actually paid during each year. At June 30, 2016 there were no unpaid claims that Town management believes to be material.

The Town leases a portion of its Public Safety building to Harris County for use as a site for emergency medical services. The lease term expires December 31, 2016, but is automatically renewed unless one party notifies the other of its intention to terminate. Lease payments are $664 per month. This lease activity is reported in the General Fund. During the year ended June 30, 2016, $7,966 was received as lease payments under this agreement.

10. HOTEL/MOTEL TAX

The Town collects Hotel and Motel tax from local establishments and remits 94% to the Pine Mountain Tourism Association to promote tourism in the area. The Town of Pine Mountain retains 6%. During the year ended June 30, 2016, the Town had tax revenues from this source of $843,631 and remitted or owed $825,389 for tourism programs. This represents 98% of total tax revenues for the year, and includes accumulated prior year tax. The remaining net position in the fund of $51,496 is not restricted, but has been assigned for tourism.

11. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2016 were as follows:

Receivable Fund	Payable Fund	
General Fund	DOT TE Fund	$ 30,635

The interfund balance resulted from the General Fund advancing money to the DOT TE Fund to complete a project that will be partially reimbursed by a grant. The amount outstanding is the same amount as the grant receivable.

Interfund transfers during the year ended June 30, 2016 were as follows:

Transfers In	Transfers Out	
General Fund	Hotel/Motel Tax Fund	$ 100,000
DOT TE Fund	General Fund	17,137
Water Fund	Sewer Fund	56,028
		$ 173,165

Transfers are used to move unrestricted revenues collected in various funds to finance various programs of the Town accounted for in the General Fund in accordance with budgetary authorizations, and to move excess cash flows from the Sewer Fund to the Water Fund for operational use.

13. JOINT VENTURE

Under Georgia law, the Town, in conjunction with the other municipalities and county governments in a twelve county area, was a member in the River Valley Regional Commission (RC) as of June 30, 2016. Under the law, the Town is required to pay dues thereto. During the year ended June 30, 2016, the Town paid $1,014 in such dues. Membership in the Commission is required under O.C.G.A. Section 50-8-34. The Commission governing Board includes the chief elected official of each county and one municipality included in the RC area. Member governments are liable for any debts or obligations incurred by the RC. Separate RC financial statements may be obtained from:

River Valley Regional Commission
PO Box 1908
Columbus, GA 31902

14. SECIAL PURPOSE LOCAL OPTION SALES TAX

The Town receives SPLOST from Harris County from time to time for various capital outlay projects as approved in voter referendums. Harris County collects the SPLOST, and pays for projects directly instead of first transferring the money to the Town. Expenditures for these projects are as follows:

1999 SPLOST	Original Estimated	Current Estimated	Prior Expenditures	Current Expenditures	Total
Recreation facilities	$ 200,000	$ 200,000	$ 129,968	$ -	$ 129,968

2014 SPLOST	Original Estimated	Current Estimated	Prior Expenditures	Current Expenditures	Total
Recreation facilities	$ 961,000	$ 961,000	$ 6,550	$ -	$ 6,550

Expenditures in the 1999 SPLOST program were erroneously reported as $132,916 in 2015. The correct amount of $129,968 was reported in the previous year.

15. EXPENDITURES EXCEEDING APPROPRIATIONS

Town expenditures exceeded the amounts appropriated as follows:

General Fund	
Public safety	(52,070)
Debt service	(17,359)
Hotel/Motel Tax Fund	
Development	(35,189)

The overages in the General Fund were due to unforeseen expenditures connected to capital leases executed during the year, and were funded by property taxes. The overage in the Hotel/Motel Tax Fund was due to expending overages in tax receipts without amending the budget.

TOWN OF PINE MOUNTAIN, GEORGIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		
	Original	**Final**	**Actual**
Revenues			
Taxes	$ 1,370,856	$ 1,370,856	$ 1,278,672
Charges for Services	129,695	129,695	2,074
Licenses and Permits	-	-	65,090
Fines and Forfeitures	155,000	155,000	196,245
Intergovernmental	-		-
Interest	-	-	1,653
Other	-	-	27,304
Total Revenues	1,655,551	1,655,551	1,571,038
Expenditures			
Current			
General government	247,766	247,766	216,130
Public safety	877,658	877,658	929,728
Public works	352,547	352,547	301,054
Culture and recreation	65,800	65,800	1,670
Debt service	111,780	111,780	129,139
Total Expenditures	1,655,551	1,655,551	1,577,721
Excess (deficiency) of Revenues Over (Under) Expenditures	-	-	(6,683)
Other Financing Sources (Uses)			
Transfers—In	-	-	100,000
Transfers—Out	-	-	(17,137)
Total Other Financing Sources (Uses)	-	-	82,863
Net Change in Fund Balances	-	-	76,180
Fund Balances (Deficit) at Beginning	1,568,125	1,568,125	1,371,297
Fund Balances at End of Year	1,568,125	1,568,125	1,447,477

TOWN OF PINE MOUNTAIN, GEORGIA
Budgetary Comparison Schedule
Hotel/Motel Tax Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		
	Original	**Final**	**Actual**
Revenues			
Taxes	$ 840,000	$ 840,000	$ 843,631
Charges for Services	-	-	-
Licenses and Permits	-	-	-
Fines and Forfeitures	-	-	-
Intergovernmental	-	-	-
Interest	2,000	2,000	-
Other	-	-	68,795
Total Revenues	842,000	842,000	912,426
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Housing and development	790,200	790,200	825,389
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total Expenditures	790,200	790,200	825,389
Excess (deficiency) of Revenues Over (Under) Expenditures	51,800	51,800	87,037
Other Financing Sources (Uses)			
Transfers—In	-	-	-
Transfers—Out	(51,800)	(51,800)	(100,000)
Total Other Financing Sources (Uses)	(51,800)	(51,800)	(100,000)
Net Change in Fund Balances	-	-	(12,963)
Fund Balances (Deficit) at Beginning	64,397	64,397	64,397
Fund Balances at End of Year	64,397	64,397	51,434

TOWN OF PINE MOUNTIN, GEORGIA
Pension Plan
Schedule of Changes in Net pension Liability and Related Ratios
Ten Fiscal Years Ended

	2016	2015
Total Pension Liability		
Service cost	$ 16,040	$ 17,027
Interest	80,032	78,574
Diff. expected and actual	(10,863)	(1,956)
Changes in assumptions	-	(12,189)
Benefit payments	(60,058)	(65,207)
Net change	25,151	16,249
Total liability beginning	1,062,706	1,046,457
Total liability ending	$ 1,087,857	$ 1,062,706
Plan Fiduciary Net Position		
Contributions-Employer	$ 43,377	$ 47,244
Net investment income	9,809	84,264
Benefit payments	(60,058)	(65,207)
Administrative expense	(2,642)	(2,156)
Net change	(9,514)	64,145
Fiduciary net position beginning	806,924	742,779
Fiduciary net position ending	$ 797,410	$ 806,924
Net pension liability ending	$ 290,447	$ 255,782
Plan fiduciary net position as a percentage of total pension liability	73.30%	75.93%
Covered employee payroll	$ 554,812	$ 503,922
Plan fiduciary net position as a percentage of covered payroll	52.35%	50.76%

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

TOWN OF PINE MOUNTAIN, GEORGIA
Schedule of Contributions

	2016	2015
Actuarially determined contribution	*	**43971**
Contributions in relation to the actuarially determined contribution	*	43971
Contribution deficiency (excess)	*	0
Covered emplyee payroll	*	503922
Contributions as a percentage of covered employee payroll	*	8.73%

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

* 2016 information was not determined as of the report date and will be included in the 2017 valuation report.

TOWN OF PINE MOUNTAIN, GEORGIA
Schedule of Funding Progress for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-13	-	942,010	(942,010)	0.00%	82,441	1142.65%
6-30-14	-	807,514	(807,514)	0.00%	82,441	979.51%
6-30-15	-	952,131	(952,131)	0.00%	153,200	621.50%
6-30-16	-	1,953,005	(1,953,005)	0.00%	214,865	908.95%

TOWN OF PINE MOUNTAIN, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For Year Ended June 30, 2016

Budgetary Accounting

The Town budgets its operations on an annual basis for the General Fund. The proposed budget is prepared each year by a Budget Committee composed of the Mayor and Council. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Pine Mountain. The final proposed budget is presented at a Town Council meeting for final passage prior to June 30. The final budget is adopted at public meeting.

The Town prepares its budget on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Public Safety, Public works, and Culture and Recreation. This constitutes the legal level of control. General Fund expenditures for capital outlay are budgeted with the respective departments rather than being separately reported. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Council. Within these control levels, management may transfer appropriations without Council approval, with the exception of salary amounts.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. There were no outstanding encumbrances at year-end.

Valuation Date

The valuation date used in the Schedule of Contributions is as of January 1.one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions to Determine Contribution Rates

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted for 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.75%
Salary increases	3.25% plus service based merit increases

Retirement age	In the 2016 actuarial valuation, expected retirement ages were adjusted to more closely reflect actual experience
Mortality	In the 2016 actuarial valuation, assumed expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table with sex-distinct rates

Changes in Assumptions

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

As a result of Plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2015, the eligibility assumption has been changed from six months to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actual experience.

Amounts reported in for the Fiscal Year ending in 2015 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 20, 2014:

- The mortality table for disabled participants was changed to remove the two-year set forward for males and one-year set forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on or after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11% and included an inflation assumption of 3.5%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

Effective January 1, 2015, the Plan was amended to provide for immediate participation for Employees. This change has no impact on the service credited under the Plan and has no impact on benefits.

TOWN OF PINE MOUNTAIN, GEORGIA
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2016

	Capital Projects	Special Revenue		Total Non Major
	DOT TE	TIA	LMIG	
ASSETS				
Cash	$ -	$ 73,828	$ 21,384	$ 95,212
Due from other funds	-	-	-	-
Accounts receivable	30,635	-	-	30,635
Total Assets	30,635	73,828	21,384	125,847
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	30,635	-	-	30,635
Total Liabilities	30,635	-	-	30,635
Fund Balances				
Restricted for capital projects	-	73,828	21,384	95,212
Total Liabilities and Fund Balances	$ 30,635	$ 73,828	$ 21,384	$ 125,847

TOWN OF PINE MOUNTAIN, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended June 30, 2016

	Capital Projects	Special Revenue		Total Non Major
	DOT TE	TIA	LMIG	
Revenues				
Intergovernmental	$ 30,635	$ 41,006	$ -	$ 71,641
Total Revenues	30,635	41,006	-	71,641
Expenditures				
Public Works	-	-	-	-
Capital Outlay	47,772	-	-	47,772
Total Expenditures	47,772	-	-	47,772
Excess (deficiency) of Revenues Over (Under) Expenditures	(17,137)	41,006	-	23,869
Other Financing Sources				
Transfers in	17,137	-	-	17,137
Transfers out	-	-	-	-
Total Other Financing Sources	17,137	-	-	17,137
Net Change in Fund Balances	-	41,006	-	41,006
Fund Balances (Deficit) at Beginning	-	32,822	21,384	54,206
Fund Balances at End of Year	$ -	$ 73,828	$ 21,384	$ 95,212

Kim Kimmel
Certified Public Accountant
PO 39
Richland, Georgia 31825

Member:
American Institute of CPAs
Georgia Society of CPAs

229-887-2543
229-887-3402 fax

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*

Mayor and Council
Town of Pine Mountain
Pine Mountain, Georgia

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pine Mountain, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Pine Mountain's basic financial statements and have issued my report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

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

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

My consideration of the 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a material weakness. 16-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pine Mountain, Georgia's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Pine Mountain, Georgia's Response to Findings

The Town of Pine Mountain, Georgia's response to the findings identified in my audit is described in the accompanying schedule of Findings and Responses. I did not audit Town of Pine Mountain, Georgia's responses and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Kim Kimmel CPA

Richland, Georgia
October 19, 2016

TOWN OF PINE MOUNTAIN, GEORGIA
Schedule of Findings and Responses
June 30, 2016

Material Weaknesses

16-1 Segregation of Duties

Condition: During my audit I noted that many transactions are processed from start to end by one individual. This condition existed in prior years as well.

Criteria: All transactions should require two or more individuals to initiate, summarize, post, and reconcile.

Effect: The potential exists for unauthorized transactions to be initiated and not discovered.

Response: The Town agrees with the finding and acknowledges the risk involved, but does not have the resources to provide for proper segregation of duties in all areas, and at all times. Where possible, all cash transactions require two or more employees to be involved in the transaction.