CITY OF PINEHURST

GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

HERBERT E. ALLEN
CERTIFIED PUBLIC ACCOUNTANT
AMERICUS, GA 31709

CITY OF PINEHURST

GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF PINEHURST OFFICIALS

CONNIE CHRISTMAS, MAYOR

LARRY BLACKSHEAR, COUNCIL MEMBER

BRAD BURK, COUNCIL MEMBER

LEE CROSS, COUNCIL MEMBER

JAN PEAVY, COUNCIL MEMBER

MARK PEAVY, COUNCIL MEMBER

JOE WILLIAMS, COUNCIL MEMBER

HERBERT E. ALLEN

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Member of the American Institute of Certified Public Accountants

Member of the Georgia Society of Certified Public Accountants

October 4, 2016

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Pinehurst
Pinehurst, Georgia

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, and each major fund of the City of Pinehurst, Georgia, as of and for the year then ended June 30, 2016, 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 preparation and fair presentation of these financial statements in accordance with generally accepted *Governmental Auditing Standards* 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 of Pinehurst, Georgia as of June 30, 2016, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that they identify required supplementary information. 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 context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Pinehurst, Georgia, financial statements. The combining and individual other fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements, and the required supplemental information and the supplemental has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 2016 on our consideration of the City of Pinehurst, Georgia internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be read in conjunction with the auditor's report on financial statements.

HERBERT E ALLEN, CPA

HERBERT E. ALLEN, CPA

CITY OF PINEHURST, GEORGIA
GOVERNMENT-WIDE STATEMENT
OF NET POSITION
For Fiscal Year Ended June 30, 2016

	Governmental Activities	Business-Type Activities	Total Reporting Entity
ASSETS			
Cash on Hand and in Banks	$151,187	$126,738	$277,925
Accounts Receivable	1,783	17,335	19,118
Taxes Receivable	698	-	698
Internal Balance	-	-	-
Restricted Assets:			
Cash	40,341	10,898	51,239
Capital Assets:			
Land	34,429	91,650	126,079
Buildings only	82,600	-	82,600
Flood & Drainage Facility	-	311,771	311,771
Infrastructure	43,659	-	43,659
Sewer Plant in Service	-	2,452,918	2,452,918
Equipment	293,281	420	293,701
Accumulated Depreciation	(297,561)	(1,076,699)	(1,374,260)
TOTAL ASSETS	$350,417	$1,935,031	$2,285,448
LIABILITIES AND LIABILITIES			
Accounts Payable- Trade	$3,834	$3,651	$7,485
Payroll Taxes Withheld	1,092	-	1,092
Customer Deposits		19,749	19,749
Current Portion- Notes Payable	-	85,569	85,569
Revenue Bonds Payable	-	3,987	3,987
TOTAL CURRENT LIABILITIES	$4,926	$112,956	$117,882
LONG-TERM LIABILITIES			
Revenue Bonds Payable	-	90,889	90,889
Notes Payable- GEFA	-	381,908	381,908
TOTAL LONG-TERM LIABILITIES	0	472,797	472,797
TOTAL LIABILITIES	$4,926	$585,753	$590,679
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$156,408	1,217,707	$1,374,115
Restricted for Bond Debt Service	-	10,898	10,898
Restricted - SPLOST - TSPLOST	40,341	0	40,341
Unrestricted	148,742	120,673	269,415
TOTAL NET POSITION	$345,491	$1,349,278	$1,694,769

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For Fiscal Year Ended June 30, 2016

	Program Revenues					
	Expenses	Fees, Fines & Charges for Services	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total Reporting Entity
Program Activities						
Executive and Administrative	82,404			(82,404)	-	(82,404)
Public Safety - Police				-	-	-
Public Safety - Fire	7,745	-		(7,745)	-	(7,745)
Public Works - Streets, Parks & Cemetary	3,300	-		(3,300)	-	(3,300)
Public Works- Sanitation	46,591			(46,591)	-	(46,591)
Total Governmental Activities:	140,040	-	-	(140,040)	-	(140,040)
Business-Type Activities:						
Water and Sewer	175,595	206,195	-	-	30,600	30,600
Total Business-Type Activities	175,595	206,195	-	-	30,600	30,600
Total Government	315,635	206,195	-	(140,040)	30,600	(109,440)
General Revenues:						
Taxes:						
Property taxes				36,088	-	36,088
Sales Taxes - Local Option Sales Tax Special Purpose				38,403	-	38,403
Insurance Premium				26,217	-	26,217
Franchise Fees				30,914	-	30,914
Intergovernmental				33,070	-	33,070
Miscellaneous and Other				5,194	-	5,194
Total General Revenues				169,886	-	169,886
Transfers				(8,253)	8,253	-
Excess (Deficiency) of Revenues Over Expenditures				21,593	38,853	60,446
Change in Net Position				21,593	38,853	60,446
Net Assets at Beginning of Year				323,898	1,310,425	1,634,323
Net Position at End of Year				345,491	$ 1,349,278	$ 1,694,769

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
BALANCE SHEET - GOVERNMENTAL FUNDS
For Fiscal Year Ended June 30, 2016

	Major Governmental Funds			
	General fund	SPLOST Capital Projects Fund 2013-2018	T-SPLOST Fund	Total Governmental Funds
ASSETS				
Cash on Hand and in Banks	$ 151,187		$ -	$ 151,187
Restricted Cash	-	16,396	23,945	40,341
Accounts Receivable	1,783	-	-	1,783
Taxes Receivable	698	-	-	698
Due to Water Fund	-	-	-	-
FUND BALANCE	$ 153,668	$16,396	$ 23,945	$ 194,009
LIABILITIES, FUND EQUITY & OTHER CREDITS				
LIABILITIES				
Accounts Payable- Trade	3,834	-	-	3,834
Payroll Taxes Withheld	1,092	-	-	1,092
Accrued Interest Payable	-	-	-	-
				-
TOTAL LIABILITIES	4,926	-	-	4,926
FUND BALANCE				
Restricted (Revolving Fund)	-	16,396	23,945	40,341
Nonspendable	-	-	-	-
Unrestricted	148,742	-	-	148,742
TOTAL FUND BALANCES	148,742	16,396	23,945	189,083
TOTAL LIABILITIES AND FUND BALANCE	$ 153,668	$16,396	$ 23,945	$ 194,009

CITY OF PINEHURST, GEORGIA
RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For Fiscal Year Ended June 30, 2016

Total fund balances - total governmental funds	
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	189,083
Capital assets used in governmental activities are not current in the Governmental Funds Balance Sheet	156,408
Long- term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet	-
Net assets of governmental activities	$ 345,491

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
For Fiscal Year Ended June 30, 2016

	Governmental Fund Types			
	General	SPLOST Capital Projects Fund 2013-2018	T-SPLOST Fund	Total Reporting Entity
REVENUES				
Taxes	$ 128,075	$ -	$ -	$128,075
Intergovernmental	6,491	13,894	12,685	33,070
License	3,701	-	-	3,701
Charges for Services	1,493	-	-	1,493
Fines and Forfeits		-	-	-
Miscellaneous and Other	3,548			3,548
TOTAL REVENUES	$ 143,308	$ 13,894	$ 12,685	$169,887
EXPENDITURES				
Current:				
Executive, Legislative & Administrative	$ 80,472	$ -	$ -	$ 80,472
Public Safety - Sanitation	46,591	-	-	46,591
Public Safety - Fire	3,626	-	-	3,626
Capital Outlay:		-	-	-
Executive, Legislative & Administrative	-	-	-	-
Public Works - Streets, Sanitation,		8,253		8,253
Safety - Fire	-		-	-
TOTAL EXPENDITURES	$ 130,689	$ 8,253	$ -	$138,942
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 12,619	$ 5,641	$ 12,685	$ 30,945
OTHER FINANCING SOURCES (Transfer In (Out), Water Dept	-	-	-	-
FUND BALANCE BEGINNING	136,123	10,755	11,260	158,138
FUND BALANCE ENDING	$ 148,742	$ 16,396	$ 23,945	$ 189,083

The accompanying notes are an integral part of this statement.

CITY PINEHURST, GEORGIA
Reconciliation of the Government Funds - Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For Fiscal Year Ended June 30, 2016

Net change in fund balances - total government funds	$ 30,945
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful life.	0
Depreciation expense on capital assets are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense on capital is not reported as expenditures in Governmental Funds.	9,351
Changes in net assets of governmental activities	$ 21,593

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND TYPE
For Fiscal Year Ended June 30, 2016

	Budget		
	2016		
	Budget	Final	Actual
REVENUES			
Taxes	$146,500	$146,500	$128,075
Integovernmental	6,458	6,458	6,491
License and Permits	3,000	3,000	3,701
Charge for Services	1,500	1,500	1,493
Fines and Forfeits	-	-	-
Miscellaneous	1,000	1,000	3,548
TOTAL REVENUES	$158,458	$158,458	$143,308
EXPENDITURES			
Executive, Legislative & Administrative	$80,130	$80,130	$80,472
Public Works - Sanitation	52,200	52,200	46,591
Public Safety - Fire	6,800	6,800	3,626
Capital Outlay			
Executive, Legislative & Administrative	-	-	
Others	19,328	19,328	
Public Works - Sanitation	-	-	
Public Safety Fire Dept.	-	-	
TOTAL EXPENDITURES	$158,458	$158,458	$130,689
EXCESS OF REVENUES OVER EXPENDITURES	-	-	12,619
OTHER FINANCING SOURCES			
Transfers In (Out)	-	-	
EXCESS (DEFICIENCY) OF EXPENDITURE AND OTHER FINANCING SOURCES OVER REVENUES			$12,619
FUND BALANCE BEGINNING			$136,123
FUND BALANCE ENDING			$148,742

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For Fiscal Year Ended June 30, 2016

	Business- Type Activities Water & Sewer Revenue Fund
ASSETS AND OTHER DEBITS	
CURRENT ASSETS	
Cash on Hand and in Banks	$97,977
Investments	28,761
Accounts Receivable	17,335
TOTAL CURRENT POSITION	$144,073
NON CURRENT ASSETS	
Restricted Assets:	
Cash - Sewer Debt Reserve	10,898
	$10,898
Capital Assets:	
Land	$91,650
Flood & Drainage Facility	311,771
Sewer Plant and Water in Service	2,452,918
Equipment	420
Accumulated Depreciation	(1,076,699)
	$1,780,060
TOTAL NON CURRENT POSITION	$1,790,958
TOTAL ASSETS AND OTHER DEBTS	$1,935,031
LIABILITIES, FUND EQUITY AND OTHER CREDITS	
Accounts Payable - Trade	$3,651
Customer Deposits	19,749
Current Portion - Notes Payable GEFA	85,569
Current Portion - Revenue Bonds Payable	3,987
TOTAL CURRENT LIABILITIES	$112,956
LONG-TERM LIABILITIES	
Revenue Bonds Payable	
Long Term	90,889
Notes Payable - GEFA	381,908
TOTAL LONG-TERM LIABILITIES	$472,797
TOTAL LIABILITIES	$585,753
NET POSITION	
Invested in Capital Assets, net of Related Debt	1,217,707
Restricted for Bond Debt Service	10,898
Unrestricted	120,673
TOTAL NET POSITION	$1,349,278

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ALL PROPRIETARY FUND TYPES
For Fiscal Year Ended June 30, 2016

	Business-Type Activities Water & Sewer Fund
OPERATING REVENUES	
Water and Sewer Service	$204,508
Penalties	1,490
TOTAL OPERATING REVENUES	$205,998
OPERATING EXPENSES	
Salaries	$3,487
Operating Supplies	14,690
Professional Fees	
Repairs and Maintenance	21,967
Public Service Utilities	31,242
Contract Labor	7,188
Miscellaneous & Other	2,342
TOTAL OPERATING EXPENSES	$80,916
Operating Income before Depreciation	$125,082
Depreciation Expense	67,219
OPERATING INCOME	$57,863
NON OPERATING REVENUES (EXPENSES)	
Interest Income	$197
Interest Expense	(27,460)
NET NON OPERATING REVENUE (EXPENSES)	($27,263)
OPERATING INCOME (LOSS) BEFORE TRANSFERS	$30,600
TRANSFERS IN - OUT - SPLOST	8,253
CHANGE IN NET POSITION	$38,853
NET POSITION AT BEGINNING OF YEAR	1,310,425
NET POSITION AT END OF YEAR	1,349,278

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
CITY OF PINEHURST, GEORGIA
For Fiscal Year Ended June 30, 2016

	Business-Type Activities Water & Sewer Fund
Cash Flows From Operating Activities:	
Cash Received from Customers	$207,151
Cash Payment to Suppliers for Supplies and Services	(79,650)
Cash Payment to Employees for Services	(3,487)
Net Cash Provided (Used) by Operating Activities	124,014
Cash Flows From Non Capital Financing Activities	
Transfers from Other Funds	8,253
Net Cash Provided (Used) by Non Capital Financing Activities	8,253
Cash Flows From Capital & Related Financing Activities:	
Acquisition & Construction of Capital Assets	(8,253)
Interest paid on Bonds & GEFA	(27,460)
Retirement on Bonds & GEFA	(85,729)
Capital Grants- SWGA	-
Capital Grants- SPLOST	-
Net Cash Provided (Used) by Capital & Related Financing Activities	(121,442)
Cash Flow From Investing Activities:	
Interest on Cash and Investments	197
Net Cash Flow Provided (Used) by Investing Activities	197
Net Increase (Decrease) in Cash & Cash Investment:	11,022
Cash, Investments & Restricted Cash, July 1	126,614
Cash, Investments & Restricted Cash, June 30	137,636

Disclosure of Accounting Policy:
For purposes of the Statement of Cash Flows, the City considers investments due in less than 90 days to be cash equivalents.

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
CITY OF PINEHURST, GEORGIA
For Fiscal Year Ended June 30, 2016

	Business-Type Activities Water & Sewer Fund
Reconciliation of Income (Loss) from operations net cash provided (used) by operating activities:	$ 57,863
Income (Loss) from Operations	
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	67,219
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	1,154
Increase (Decrease) in other Current Liabilities	(3,213)
Increase (Decrease) in Customer Deposits	991
Net Cash Provided (Used) by Operating Activities	124,014
Noncash Investing, Capital & Financing Activities:	
Reconciliation of Total Cash & Cash Investments:	
Current Assets - Cash & Cash Investments	126,738
Non current - Restricted Cash	10,898
Total Cash, Investments & Restricted Cash	$ 137,636

Disclosure of Accounting Policy:
For purposes of the Statement of Cash Flows, the City considers investments due in less than 90 days to be cash equivalents.

The accompanying notes are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates a Council - Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), recreation, public improvements, planning and zoning and general administrative services. In addition, the City operates a public utility (water and sewer) for the incorporated area and immediate surrounding areas.

The accounting policies and the presentation of the financial report of the City of Pinehurst have been designed to conform to generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). GASB embodies the official pronouncements previously issued by the National Council on Governmental Accounting (NCGA): The City applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations. The following is a summary of the significant accounting policies:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past.

The GASB's intent is to make annual reports more comprehensive and easier to understand.

GASB 34 takes effect for entities the size of Pinehurst, Georgia during the fiscal year ending June 30, 2004. Some of the more significant changes in GASB Statement 34 incurred:

1. The presentation of a government-wide statement of net assets that includes infrastructure (roads, bridges, etc.) and all debt.
2. The presentation of current and accumulated depreciation by activity.
3. The presentation of a government-wide statement of activities using full accrual accounting.
4. The presentation of the original adopted budget as well as the final amended budget in the budgetary comparison statements.

A. FINANCIAL REPORTING ENTITY

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

(a) the organization is legally separate (can sue and be sued in their own name)
(b) the City holds the corporate powers of the organization
(c) the City appoints a voting majority of the organization's board
(d) the City is able to impose its will on the organization
(e) the organization has the potential to impose financial benefit/burden on the City
(f) there is fiscal dependency by the organization on the City.

The accounting policies of the City of Pinehurst, Georgia conform as far as practical to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Based on the aforementioned criteria, the City of Pinehurst has no components units.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net asset and the statement of changes in net assets) report information on all activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The government-wide financial statements are accounted for on the accrual basis.

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

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements: all non-major funds are aggregated and presented in a single column.

Governmental funds are those through which most governmental funds typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Fund -

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. BASIS OF PRESENTATION (continued)

Capital Projects Fund -

The Capital Projects Fund is used to account for financial resources, including amounts collected from the special local option sales tax, to be used in the acquisition of, construction of, or improvement to major capital facilities. The Capital Projects Fund is a major fund.

The City reports the following major enterprise funds:

Water and Sewer Fund - Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relate to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under 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 City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

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

D. BUDGETS AND BUDGETARY ACCOUNTING

The City Clerk submits a proposed budget to the City Council by May 31 each year. In June, the City Council holds a public hearing and adopts a final budget no later than June 30. The budget includes the General and the Proprietary Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgets for the Governmental Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues and expenditures are budgeted by source. All budget revisions are subject to final review by the City Council.

The budget is not incorporated into the accounting system; however it is used and compared to actual receipts and disbursements to insure fiscal responsibility.

There were no areas where expenditures were in excess of appropriated budgeted amounts. The general fund expenditures did not exceed budgeted amounts. See Financial Statements (page 9).

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed in the General Fund.

F. DEPOSITS AND BANK BALANCES

At June 30, 2016, the City's bank balance was $329,164.

Custodial Credit Risk- Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy for custodial credit risk.

G. INVENTORY

Expendable supplies are recorded as expenditures at the time items are purchased. The City does not record inventories of supplies on the books.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. RECEIVABLES DUE FROM OTHER GOVERNMENTS

There were no receivables due from other governments as of June 30, 2016, except for the June 2016 payment of local option sales tax.

I. ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS.

Accumulated unpaid sick pay and other employee benefit amounts are not accrued in governmental funds (using the modified accrual basis of accounting). At June 30, 2016 unrecorded liabilities are considered immaterial and are expensed when paid.

J. COMPARATIVE DATA

Comparative total data for the prior years have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e. presentations of prior year totals by fund type) data has not been presented in each of the statements since the inclusion would make the statements unduly complex and difficult to read.

K. ACCOUNTS RECEIVABLE

This is current accounts receivable for water, sewer and garbage charges. The amount is considered materially collectible as old uncollectible accounts are written off currently.

L. PROPERTY TAX

Property taxes receivable are uncollected property taxes from 2013 and prior years.

The City levies property taxes October 1 of each year and the taxes are due December 20 of each year. All taxes not collected are shown as taxes receivable and no reserve is set up due to the immaterial amount uncollectible. Lien dates for personal and real property taxes are June 30.

M. RESTRICTED ASSETS AND RESERVE FOR BOND DEBT SERVICE

Restricted Assets consist of cash and short-term investments that are restricted for Water and Sewer Bond debt service and customer deposits.

Reserve for Bond debt service is the excess of restricted assets over the current portions of the debt service. The excess at June 30, 2016 is $10,898.

A Renewal and Extension Fund required by the Bond Ordinances has not been met. However, the City of Pinehurst has budgeted and is transferring a minimum of $216.00 monthly to the Reserve Account for this purpose.

Components of Restricted Assets are as follows:

	Revenue Sinking and Reserve Funds
Cash	$ 0
Savings	10,898
	$ 10,898

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

M. RESTRICTED ASSETS AND RESERVE FOR BOND DEBT SERVICE (continued)

Revenue Bonds Payable

A listing of Revenue Bonds Payable is as follows:

Water & Sewer Revenue Fund:	CURRENT	LONG TERM	TOTAL
USDA Series 1991- 5 %	$ 3,987	$ 90,889	$ 94,876

Changes in Revenue Bonds Payable for FYE June 30, 2016 are as follows:

BALANCE 7/1/15	98,668
PAYMENT	(3,792)
BALANCE 6/30/16	$ 94,876

Principal and Interest for the next five years is as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	INTEREST AMOUNT	TOTAL
6/30/2017	3,987	4,653	8,640
6/30/2018	4,191	4,449	8,640
6/30/2019	4,405	4,235	8,640
6/30/2020	4,631	4,009	8,640
	17,214	17,346	34,560

Remaining Principal and Interest:

YEAR	PRINCIPAL	INTEREST	TOTAL
2021	4,868	3,772	8,640
2022	5,117	3,523	8,640
2023	5,378	3,262	8,640
2024	5,654	2,986	8,640
2025	5,943	2,697	8,640
2026	6,247	2,393	8,640
2027	6,566	2,074	8,640
2028	6,902	1,738	8,640
2029	7,256	1,384	8,640
2030	7,627	1,013	8,640
2031	8,017	623	8,640
2032	8,087	213	8,300
	77,662	25,678	103,340

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

M. RESTRICTED ASSETS AND RESERVE FOR BOND DEBT SERVICE (continued)

Total interest expense for FYE June 30, 2016 on Revenue Bonds was $4,847. The original amount of the Bond Issue was $147,800 and the interest rate is 5%. The proceeds were used for utility improvements.

Notes Payable - GEFA

Notes payable GEFA consist of a loan with the Georgia Environmental Facilities Authority.

The funds were used to finance the construction of a well, water tank and sewer treatment plant. The loan carries an annual interest rate of 4.35%.

Total interest expense for the year ended June 30, 2016 was $22,613.

Changes in Notes Payable - GEFA for FYE June 30, 2015 are as follows:

BALANCE 7/1/15	$	549,414
PAYMENT		(81,937)
BALANCE 6/30/16	$	467,477

YEAR OF MATURITY	PRINCIPAL AMOUNT	INTEREST AMOUNT	TOTAL
6/30/2017	85,569	18,979	104,548
6/30/2018	89,380	15,168	104,548
6/30/2019	93,332	11,216	104,548
6/30/2020	97,458	7,090	104,548
	365,739	52,453	418,192

Remaining Principal and Interest:

YEAR	PRINCIPAL	INTEREST	TOTAL
2021	101,705	2,782	104,487
	101,705	2,782	104,487

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

N. RESTRICTED ASSETS AND RESERVE FOR BOND DEBT SERVICE

Debt Service on the City's debt:

Fiscal Year End	
June 30, 2017	113,188
June 30, 2018	113,188
June 30, 2019	113,188
June 30, 2020	113,188
June 30, 2021	113,127

O. RECEIVABLE AND PAYABLES WITHIN THE REPORTING ENTITY AND INTERFUND RECEIVABLES AND PAYABLES

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

P. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Q. CAPITAL ASSETS

	Balance July 1	Additions Completions	Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	$34,429	$0	$0	$34,429
Total Capital Assets not being depreciated	$34,429	$0	$0	$34,429
Capital assets being depreciated				
Buildings	82,600	$0	$0	$82,600
Equipment & Vehicles	293,281		0	293,281
Infrastructure	43,659	0	0	43,659
Total Capital Assets being depreciated	$419,540	$0	$0	$419,540
Less accumulated depreciation for:				
Buildings	$39,760	$1,932	$0	$41,692
Equipment & Vehicles	238,981	4,119	0	243,100
Infrastructure	9,469	3,300	0	12,769
Total accumulated depreciation	$288,210	$9,351	$0	$297,561
Total capital assets, being depreciated net	$131,330	($9,351)	$0	$121,979
Governmental act. capital assets net	$165,759	($9,351)	$0	$156,408
Business-Type activities:				
Capital assets not being depreciated- Land	$91,650	$0	$0	$91,650
Total Capital Assets not being depreciated	$91,650	$0	$0	$91,650
Capital assets being depreciated				
Equipment	$420	$0	$0	$420
Utility Plant in Service	2,756,436	8,253	0	2,764,689
Total Capital Assets being depreciated	$2,756,856	$8,253	$0	$2,765,109
Less accumulated depreciation for:				
Equipment	$420	$0	$0	$420
Utility Plant	1,009,059	67,219	0	1,076,278
Total Accumulated Depreciation	$1,009,479	$67,219	$0	$1,076,698
Total Capital Assets being depreciated, net	$1,747,377	($58,966)	$0	$1,688,411
Business- Type activities assets, net	$1,839,027	($58,966)	$0	$1,780,061

The accompanying notes are an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Q. CAPITAL ASSETS (continued)

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 established historical cost if actual cost 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 $5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of $25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 Years
Utility System	30-50 Years
Infrastructure	20-50 Years
Machine and Equipment	3-15 Years

Depreciation expense for Governmental Activities is as follows:

Executive & Administrative	$1,932
Public Works - Streets,	4,119
Infrastructure	3,300
	$ 9,351

Depreciation expense for Business-type Activities is as follows:

Equipment	$ 0
Utility Plant in service	67,219
	$67,219

The City made an inventory of its governmental activities capital assets at June 30, 2016. Capital assets were adjusted for this inventory and for a change in its capital asset policy. Because of the above, governmental activities capital assets at June 30, 2016 will not agree with previously released financial statements for June 30, 2015.

R. RETIREMENT PLAN

The City has no retirement plans other than the participation in the State of Georgia Police Officers Annuity Program. This plan is administered by the State of Georgia, a separate legal entity and is not included in the City's financial statements.

S. RISK MANAGEMENT

The City is exposed to various risks of loss related to tort: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover risks of loss, to include workers compensation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

S. RISK MANAGEMENT (continued)

There were no reductions in insurance coverage from prior years and there have been no insurance settlements exceeding insurance coverage in the current or past three fiscal years.

T. RETAINED EARNINGS - ENTERPRISE FUNDS

Reservations of retained earnings show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated by the account title on the face of the balance sheet.

U. INTERGOVERNMENTAL REVIEW

In the normal course of operations, the City receives grant funds from various agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material. No federal grants were received during the Fiscal Year Ended June 30, 2016.

V. JOINT VENTURE

Under Georgia law, the County, in conjunction with other city and counties in the eight county west central Georgia area, is a member of the River Valley Regional Commission (RVRC) and is required to pay annual dues thereto. During its year ended June 30, 2016, the city paid approximately $500 in such dues. Membership in RVRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RVRC 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 RVRC. Separate financial statements may be obtained from:

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

W. LITIGATION

No evidence of pending or threatening litigation existed at June 30, 2016 that would have a material effect of the City's financial condition.

X. SPECIAL PURPOSE LOCAL OPTION SALES TAX

On January 5, 2012, the citizens of Dooly County signed a special purpose local option sales tax for Capital Outlay Projects. The City of Pinehurst will receive $134,292 for improvements to water and sewer system. This SPLOST will continue for a period of six years.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Y. FUND EQUITY

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and the current liabilities. This is the first year the city is using the fund balance class of GASB 54. GASB 54 has established five categories of fund balance for governmental type funds. The five classes of fund balance are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable - include prepaid items, inventory, long-term notes receivable and permanent funds.

Restricted - constrained by external parties or enabling legislation.

Committed - constrained for a specific purpose by the government by highest level of decision making authority.

Assigned - constrained for a specific purpose, but is limited by the amount of unassigned.

Unassigned - not classified as one of the above.

Fund Balances:	6/30/2015	Change	6/30/2016
Restricted	22,015	18,326	40,341
Unassigned	136,124	12,618	148,742
Total	158,139	30,944	189,083

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction of improvement of those assets. This net asset amount also is adjusted by any deferred bond premiums, discounts or refunding amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Georgia Firefighters Pension Fund- The City of Pinehurst pays the annual pension cost for the Volunteer Firemen. Total amount paid for the year ended June 30, 2015 was $3,000. This is not material to the financial statements.

Subsequent Events- Subsequent events have been evaluated through October 4, 2016 which is the date these financial statements were available to be issued.

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October 4, 2016

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

Honorable Mayor and City Council
City of Pinehurst
Pinehurst, Georgia 31070

Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Pinehurst, Georgia, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City of Pinehurst, Georgia's basic financial statements and have issued our report thereon dated October 4, 2016. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Pinehurst, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pinehurst, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pinehurst, Georgia's internal control over financial reporting.

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 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 City of Pinehurst, Georgia's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material

weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pinehurst, Georgia's financial statements are free of 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.

HERBERT E. ALLEN, CPA

CITY OF PINEHURST, GEORGIA
STATEMENT OF REVENUES - EXPENDITURES AND
CHANGES IN FUND EQUITY (DETAIL) - BUDGET AND ACTUAL
GENERAL FUND
For Fiscal Year Ended June 30, 2016

	BUDGET	ACTUAL	VARIANCE FAVORALBE UNFAVORABLE
REVENUES			
TAXES			
General Property	$45,500	$31,924	($13,576)
Insurance Premiums	23,000	26,217	3,217
Franchise	28,000	30,914	2,914
Local Option Sales	50,000	38,403	(11,597)
TOTAL TAXES	$146,500	$127,458	($19,042)
INTERGOVERNMENTAL			
State Grants	$6,458	$6,492	$34
Federal Grants - Fire Department	0	0	0
	$6,458	$6,492	$34
LICENSES AND PERMITS			
Business, Professional and Occupation Licenses	$3,000	$3,701	$701
CHARGE FOR SERVICES			
Garbage Collection Fees	$1,500	$1,494	($6)
FINES AND FORFEITS			
Fines and Forfeits	$0	$0	$0
MISCELLANEOUS REVENUES			
Miscellaneous and Other	$1,000	$4,162	$3,162
TOTAL REVENUES	$158,458	$143,307	($15,151)
EXPENDITURES			
EXECUTIVE, LEGISLATIVE AND ADMINISTRATIVE			
Salaries	26,500	27,623	(1,123)
Payroll Taxes Retirement	2,000	2,251	(251)
Mayor and Council	3,185	3,065	120
Professional Services	8,500	8,954	(454)
Office Expense	2,500	1,524	976
Public Service Utilities	14,500	14,856	(356)
Dues and Subscriptions	1,500	1,500	0
Miscellaneous	0	0	0
Capital Outlay	0		0
Repair and Maintenance	3,000	15,342	(12,342)
Reserve and Contigencies	13,445		13,445
Supplies	0		0
Insurance	5,000	5,357	(357)
TOTAL EXECUTIVE, LEGISLATIVE AND ADMINISTRATIVE	$80,130	$80,472	($342)

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF REVENUES - EXPENDITURES AND
CHANGES IN FUND EQUITY (DETAIL) - BUDGET AND ACTUAL
GENERAL FUND
For Fiscal Year Ended June 30, 2016

	BUDGET	ACTUAL	VARIANCES FAVORABLE UNFAVORABLE
PUBLIC SAFETY - FIRE DEPARTMENT			
General Insurance	$0	$0	$0
Reserve and Contigencies	6,800	3,626	3,174
TOTAL FIRE DEPARTMENT	$6,800	$3,626	$3,174
PUBLIC WORKS - SANITATION DEPARTMENT			
Salaries	$27,700	27,622	$78
Operating Supplies	4,500	5,125	(625)
Repairs and Maintenance	7,000	1,730	5,270
Payroll Taxes	2,000	2,251	(251)
Reserve and Contigencies	6,000	0	6,000
Fire Truck Engine	0	0	0
Others	19,328	8,429	10,899
Miscellaneous and Other	5,000	1,433	3,567
TOTAL PUBLIC WORKS	$71,528	$46,590	$24,938
TOTAL EXPENDITURES	$158,458	$130,688	$27,770
EXCESS OF REVENUES OVER EXPENDITURES	0	12,619	12,619
FUND EQUITY BEGINNING		136,123	
FUND EQUITY ENDING		$148,742	

The accompanying notes are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
COMPARATIVE BALANCE SHEET
WATER AND SEWER REVENUE FUND
For Fiscal Year Ended June 30, 2016

ASSETS AND OTHER DEBITS	2016	2015
CURRENT ASSETS		
Cash on Hand and in Banks	$126,738	$115,770
Investments	0	0
Accounts Receivable	17,335	18,488
TOTAL CURRENT ASSETS	$144,073	$134,258
NON CURRENT ASSETS		
Restricted Assets:		
Cash - Sewer Debt Reserve	10,898	10,844
	$10,898	$10,844
Capital Assets:		
Land	$91,650	$91,650
Flood & Drainage Facility	311,771	311,771
Sewer Plant in Service	2,452,918	2,444,665
Equipment	420	420
Accumulated Depreciation	(1,076,699)	(1,009,479)
	$1,780,060	$1,839,027
TOTAL NON CURRENT ASSETS	$1,935,031	$1,984,129
TOTAL ASSETS AND OTHER DEBTS	$1,935,031	$1,984,129
LIABILITIES, FUND EQUITY AND OTHER CREDITS		
Accounts Payable - Trade	$3,651	$6,864
Payroll Taxes Withheld		
Customer Deposits	$19,749	$18,758
Current Portion - Notes Payable GEFA	85,569	78,500
Current Portion - Revenue Bonds Payable	3,987	3,987
TOTAL CURRENT LIABILITIES	$112,956	$108,109
LONG-TERM LIABILITIES		
Revenue Bonds Payable		
Long Term	90,889	94,875
Notes Payable - GEFA	381,908	470,914
TOTAL LONG-TERM LIABILITIES	$472,797	$565,789
TOTAL LIABILITIES	$585,753	$673,898
NET ASSETS		
Invested in Capital Assets, net of Related Debt	$1,217,707	$1,190,946
Restricted	$10,898	$10,844
Unrestricted	120,673	108,635
TOTAL NET ASSETS	$1,349,278	$1,310,425

The accompanying notes are an integral part of this statement.

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October 4, 2016

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor and City Council
City of Pinehurst
Pinehurst, GA 31070

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Pinehurst, Georgia for the year ended June 30, 2016. This schedule is the responsibility of the City of Pinehurst'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 disclosure 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 is 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 1 and is not intended to be a complete presentation of the City of Pinehurst'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 and prior year expenditures for each project of the City of Pinehurst for the year ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

HERBERT E. ALLEN, CPA

CITY OF PINEHURST, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALE TAX PROCEEDS
FOR FISCAL YEAR ENDED JUNE 30, 2016

	ORIGINAL ESTIMATED COST	EXPENDITURES PRIOR YEARS	EXPENDITURES CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
Special Option Sales Tax - 2007-2012					
Capital Outlay					
Improvements to Water/Sewage System	134,292	12,970	8,253	21,223	15.80%
Total	$134,292	$12,970	$8,253	$21,223	

The notes to the financial statements are an integral part of this statement.

CITY OF PINEHURST
BALANCE SHEET - CAPITAL PROJECTS FUND
June 30, 2016

	Special 1% Sales 2013-2018
Assets	
Cash - Restricted	$ 16,396
Total Assets	$ 16,396
Liabilities and Fund Equity	
Loan Payable	$ -
Total Liabilities	-
Fund Equity	16,396
Total Fund Equity	16,396
Total Liabilities and Fund Equity	$ 16,396

The notes to the financial statements are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
CAPITAL PROJECTS FUND - COMBINING SCHEDULE OF
REVENUE AND EXPENDITURES AND CHANGES TO FUND BALANCE
June 30, 2016

	Special 1% Sales 2013-2018
Revenues	
Taxes	$13,829
Miscellaneous	0
Interest	65
TOTAL REVENUES	13,894
Expenditures	
Public Works Sanitation	8,253
Safety - Fire	0
TOTAL EXPENDITURES	8,253
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	5,641
Fund Balance, beginning of the year	10,755
Fund Balance, end of the year	$16,396

The notes to the financial statements are an integral part of this statement.

CITY OF PINEHURST
BALANCE SHEET - T-SPLOST
June 30, 2016

	6/30/2016
Assets	
Cash in Bank	$ 23,945
Total Assets	$ 23,945
Liabilities and Fund Equity	
Loan Payable	$ -
Total Liabilities	-
Fund Balance	23,945
Total Fund Balance	23,945
Total Liabilities and Fund Balance	$ 23,945

The notes to the financial statements are an integral part of this statement.

CITY OF PINEHURST, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
T-SPLOST
June 30, 2016

Revenues	
Intergovernmental Revenue	$12,685
Miscellaneous	0
Interest	0
TOTAL REVENUES	12,685
Expenditures	
Public Works Sanitation	0
Safety - Fire	0
TOTAL EXPENDITURES	0
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	12,685
Fund Balance, July 1, 2015	11,260
Fund Balance, June 30, 2016	$23,945

The notes to the financial statements are an integral part of this statement.