CITY OF SUMMERVILLE, GEORGIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2016

CITY OF SUMMERVILLE, GEORGIA
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Year Ended June 30, 2016

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CHRYSAN THOMAS
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Summerville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Summerville, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund information of City of Summerville, Georgia as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Confiscated Drug, 2014 SPLOST, and Victorian Christmas Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress (page 39), Schedule of Changes in Net Pension Liability and Related Ratios (page 40) and Schedule of Required Contributions (page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Summerville, Georgia's basic financial statements. The Schedule of Special Purpose Local Option Sales and Use Tax Expenditures is presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Summerville, Georgia. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Special Purpose Local Option Sales and Use Tax Expenditures and the schedule of expenditures of federal awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Special Purpose Local Option Sales and Use Tax Expenditures and the schedule of expenditures of federal awards 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*, we have also issued our report dated November 9, 2016 on our consideration of the City of Summerville, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Summerville, Georgia's internal control over financial reporting and compliance.

Chrysan Thomas
CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
November 9, 2016

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

Government Financial Statements

Statement of Net Position

Statement of Activities

Fund Financial Statements

Governmental Funds

Proprietary (Enterprise) Funds

Notes to Basic Financial Statements

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 2,504,302	$ 15,322	$ 2,519,624
Receivables (net of allowance for doubtful accounts)	79,364	848,361	927,725
Sales tax deposit	-	5,401	5,401
Inventories	4,216	245,635	249,851
Due from other governments	102,933	-	102,933
Restricted cash	1,090,739	832,259	1,922,998
Capital Assets:			
Land and improvements	929,590	13,132	942,722
Construction in process	54,350	2,355,915	2,410,265
Other capital assets, net of depreciation	3,681,165	18,681,380	22,362,545
Total Assets	8,446,659	22,997,405	31,444,064
Deferred Outflows of Resources			
Pension contributions	470,840	346,590	817,430
Total Deferred Outflows of Resources	470,840	346,590	817,430
Liabilities			
Accounts payable	48,849	249,393	298,242
Accrued wages and withholdings payable	51,473	-	51,473
Retainage payable	-	120,038	120,038
Internal balances	1,745,733	(1,745,733)	-
Interest payable	-	129,082	129,082
Customer deposits	7,834	357,393	365,227
Bond discount - net of amortization	-	(11,296)	(11,296)
Current portion of long-term debt	32,859	801,080	833,939
Non-Current Liabilities			
Due in more than one year	325,222	10,699,922	11,025,144
Net pension liability	1,478,425	1,088,278	2,566,703
Total Liabilities	3,690,395	11,688,157	15,378,552
Deferred Inflows of Resources			
Pension Contributions	99,983	73,598	173,581
Total Deferred Inflows of Resources	99,983	73,598	173,581
Net Position			
Net investment in capital assets	4,492,871	9,742,376	14,235,247
Restricted for -			
Drug enforcement activities	20,568	-	20,568
Recreation	10,325	-	10,325
Capital acquisition and construction	-	87,515	87,515
Debt service	-	665,639	665,639
Committed			
Capital projects	440,774	-	440,774
Unrestricted	162,583	1,086,710	1,249,293
Total Net Position	$ 5,127,121	$ 11,582,240	$ 16,709,361

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Total
Governmental Activities:							
General government	$ 892,516	$ 90,367	$ 17,715	$ 599,473	$ (184,961)	$ -	$ (184,961)
Police	1,571,132	497,319	-	-	(1,073,813)	-	(1,073,813)
Fire	469,237	479,867	14,100	-	24,730	-	24,730
Animal control	28,967	-			(28,967)	-	(28,967)
Streets	748,345	851		45,623	(701,871)	-	(701,871)
Culture and recreation	857,073	21,812	80,000	100,000	(655,261)	-	(655,261)
Codes enforcement	40,575	6,300			(34,275)	-	(34,275)
Sanitation	220,501	236,984	-	-	16,483	-	16,483
Interest expense on long term debt	5,332	-	-	-	(5,332)	-	(5,332)
Total Governmental Activities	4,833,678	1,333,500	111,815	745,096	(2,643,267)	-	(2,643,267)
Business-type Activities:							
Water/Sewer	3,880,500	4,287,050	-	366,087	-	772,637	772,637
Gas	3,973,848	5,447,627	-	-	-	1,473,779	1,473,779
Total Business-type Activities	$ 7,854,348	$ 9,734,677	$ -	$ 366,087	(2,643,267)	2,246,416	(396,851)
General Revenues:							
Property taxes, levies for general purposes					40,314	-	40,314
Franchise taxes					460,875	-	460,875
Insurance premium taxes					261,136	-	261,136
Malt beverage taxes					97,830	-	97,830
Investment income					4,769	970	5,739
Gain (Loss) on sale of capital assets					5,894	4,000	9,894
Miscellaneous					107,446	-	107,446
Transfers					1,725,350	(1,725,350)	-
Total General Revenues and Transfers					2,703,614	(1,720,380)	983,234
Change in net position					60,347	526,036	586,383
Beginning net position, restated					4,623,056	9,321,388	13,944,444
Prior Period Adjustment					443,718	1,734,816	2,178,534
Ending net position					$ 5,127,121	$ 11,582,240	$ 16,709,361

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Capital Project 2014 SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
Assets					
Cash and cash investments	$ 2,158,274	$ 346,028	$ -	$ -	$ 2,504,302
Receivables (net of allowance for uncollectibles)	79,364	-	-	-	79,364
Inventory	4,216	-	-	-	4,216
Cash - restricted	1,070,171	-	20,568	-	1,090,739
Due from other funds	8,187	-	-	-	8,187
Due from other governments	-	102,933	-	-	102,933
Total Assets	$ 3,320,212	$ 448,961	$ 20,568	$ -	$ 3,789,741
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 48,849	$ -	$ -	$ -	$ 48,849
Accrued wages payable and withholdings	51,473	-	-	-	51,473
Due to other funds	1,745,733	8,187	-	-	1,753,920
Customer deposits	7,834	-	-	-	7,834
Total Liabilities	1,853,889	8,187	-	-	1,862,076
Fund Balances					
Nonspendable:					
Inventory	4,216	-	-	-	4,216
Restricted for:					
Drug enforcement activities	-	-	20,568	-	20,568
Acquisition and construction of capital assets	-	440,774	-	-	440,774
Recreation	10,325	-	-	-	10,325
Clean and lien	37,585	-	-	-	37,585
Unassigned	1,414,197	-	-	-	1,414,197
Total Fund Balance	1,466,323	440,774	20,568	-	1,927,665
Total Liabilities and Fund Balances	$ 3,320,212	$ 448,961	$ 20,568	$ -	$ 3,789,741

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2016

Total Governmental Fund Balances		$ 1,927,665
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		4,665,105
A portion of pension plan contributions are for future use and are considered deferred outflows of resources.		470,840
Differences between expected and actual returns on pension plan investments are not recognized at the fund level, yet are presented as a deferred inflow of resources in the Statement of Net Position		(99,983)
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Due within one year	$ (32,859)	
Due after one year	(325,222)	
Net pension liability	(1,478,425)	
		(1,836,506)
Net Position of Governmental Activities		$ 5,127,121

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Capital Project 2014 SPLOST Fund	Confiscated Drug Fund	Victorian Christmas Fund	Total Governmental Funds
Revenues					
Taxes	$ 819,945	$ -	$ -	$ -	$ 819,945
Licenses and permits	38,798	-	-	-	38,798
Intergovernmental	90,333	699,473	-	-	789,806
Charges for services	758,936	-	-	-	758,936
Fines and forfeitures	497,319	-	-	-	497,319
Contributions	113,236	-	-	-	113,236
Investment earnings	4,743	-	26	-	4,769
Miscellaneous	129,415	115,138	-	-	244,553
Total Revenues	2,452,725	814,611	26	-	3,267,362
Expenditures					
Current					
General government	854,777	-	-	-	854,777
Police	1,532,191	-	4,198	-	1,536,389
Fire	398,357	-	-	-	398,357
Animal control	27,300	-	-	-	27,300
Streets	708,059	-	-	-	708,059
Culture and recreation	692,275	-	-	21	692,296
Codes enforcement	40,575	-	-	-	40,575
Sanitation	220,501	-	-	-	220,501
Debt Service					
Principal	32,027	86,957	-	-	118,984
Interest	5,332	58,297	-	-	63,629
Capital Outlay					
General government	87,723	-	-	-	87,723
Police	-	11,388	-	-	11,388
Fire	-	35,160	-	-	35,160
Streets	77,707	7,168	-	-	84,875
Culture and recreation	49,580	41,374	-	-	90,954
Water/Sewer and Gas	-	501,761	-	-	501,761
Total Expenditures	4,726,404	742,105	4,198	21	5,472,728
Excess (Deficiency) of Revenues Over Expenditures	(2,273,679)	72,506	(4,172)	(21)	(2,205,366)
Other Financing Sources (Uses)					
Transfers In	2,267,785	-	-	-	2,267,785
Sale of assets	5,894	-	-	-	5,894
Total Other Financing Sources (Uses)	2,273,679	-	-	-	2,273,679
Net Changes in Fund Balance	-	72,506	(4,172)	(21)	68,313
Fund Balances - Beginning as previously reported	1,615,765	(10,200)	24,740	21	1,630,326
Prior Period Adjustment	(149,442)	378,468	-	-	229,026
Fund Balances, Beginning as restated	1,466,323	368,268	24,740	21	1,859,352
Fund Balances - End of Year	$ 1,466,323	$ 440,774	$ 20,568	$ -	$ 1,927,665

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Changes in Fund Balances - Total Governmental Funds		$ 68,313
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 Position, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay expenditures recorded in the governmental funds	$ 294,893	
Depreciation expense recorded in the Statement of Activities	(294,623)	
		270
The book value of capital assets sold or disposed of are reported in the government-wide statements of activities but not reported in the governmental funds.		(1,107)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		32,859
Governmental funds report monthly pension plan premiums as current period expenditures, while governmental activitis recorded a portion of those payments as a deferred outflow of resources.		222,188
Changes in the value of the pension plan are not reflected in the governmental funds. However, they are accounted for in the governmental activities.		187,071
Governmental funds do not report changes in long-term liabilities, while governmental activities report such liabilities and the changes in them:		
Compensated absences	7472	
Net pension liability	(456,719)	
		(449,247)
Changes In Net Position of Governmental Activities		$ 60,347

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	$ 772,850	$ 783,464	$ 819,945	$ 36,481
Licenses and permits	43,000	38,798	38,798	-
Intergovernmental	80,000	85,123	90,333	5,210
Charges for services	680,888	691,057	758,936	67,879
Fines and forfeitures	413,600	458,600	497,319	38,719
Contributions	99,325	108,539	113,236	4,697
Investment earnings	2,600	2,769	4,743	1,974
Miscellaneous	78,500	89,109	129,415	40,306
Total Revenues	2,170,763	2,257,459	2,452,725	195,266
Expenditures				
Current:				
General government	782,198	1,052,410	942,500	109,910
Police	1,598,251	1,590,765	1,532,191	58,574
Fire	504,321	483,898	398,357	85,541
Animal control	25,200	27,300	27,300	-
Streets	885,665	917,934	785,766	132,168
Culture and recreation	681,502	774,052	741,855	32,197
Codes enforcement	41,350	41,550	40,575	975
Sanitation	218,500	220,501	220,501	-
Debt service:				
Principal	-	32,027	32,027	-
Interest	-	5,332	5,332	-
Total Expenditures	4,736,987	5,145,769	4,726,404	419,365
Excess (Deficiency) of Revenues over Expenditures	(2,566,224)	(2,888,310)	(2,273,679)	614,631
Other Financing Sources (Uses)				
Transfers In	-	2,267,785	2,267,785	-
Sale of assets	10,000	5,894	5,894	-
Total Other Financing Sources (Uses)	10,000	2,273,679	2,273,679	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(2,556,224)	(614,631)	-	614,631
Fund Balances - Beginning as previously reported	1,615,765	1,615,765	1,615,765	-
Prior Period Adjustment	-	-	(149,442)	(149,442)
Fund Balances-Beginning as restated	1,615,765	1,615,765	1,466,323	(149,442)
Fund Balances - End of Year	$ (940,459)	$ 1,001,134	$ 1,466,323	$ 465,189

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - CONFISCATED ASSETS
For theYear Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Forfeitures	$ 4,850	$ -	$ -	$ -
Investment earnings	20	26	26	-
Total Revenues	4,870	26	26	-
Expenditures				
Police	4,870	4,198	4,198	-
Total Expenditures	4,870	4,198	4,198	-
Excess of Revenues Over Expenditures	-	(4,172)	(4,172)	-
Net Change in Fund Balance	-	(4,172)	(4,172)	-
Fund Balance - Beginning of Year	24,740	24,740	24,740	-
Fund Balance - End of Year	$ 24,740	$ 20,568	$ 20,568	$ -

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND - 2014 SPLOST
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 645,806	$ 743,000	$ 699,473	$ (43,527)
Miscelleneous	-	-	115,138	115,138
Total Revenues	645,806	743,000	814,611	71,611
Expenditures				
Capital outlays	645,806	743,000	742,105	895
Total Expenditures	645,806	743,000	742,105	895
Net Change in Fund Balance	-	-	72,506	72,506
Fund Balances - Beginning as previously reported	(10,200)	(10,200)	(10,200)	-
Prior Period Adjustment	-	-	378,468	378,468
Fund Balances, Beginning as restated	(10,200)	(10,200)	368,268	378,468
Fund Balances - End of Year	$ (10,200)	$ (10,200)	$ 440,774	$ (450,974)

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - VICTORIAN CHRISTMAS FUND
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Grant revenues	$ -	$ -	$ -	$ -
Investment earnings	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Supplies and promotions	-	-	21	(21)
Total Expenditures	-	-	21	(21)
Net Change in Fund Balance	-	-	(21)	(21)
Fund Balance - Beginning of Year	21	21	21	-
Fund Balance - End of Year	$ 21	$ 21	$ -	$ (21)

See accompanying notes to basic financial statements.

PROPRIETARY (ENTERPRISE) FUNDS

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Water & Sewer	Gas	Total
Assets			
Current Assets			
Cash and cash investments	$ -	$ 15,322	$ 15,322
Receivables, Net	574,182	274,179	848,361
Due from other funds	1,344	1,744,389	1,745,733
Sales tax deposit	-	5,401	5,401
Inventories	204,392	41,243	245,635
Total Current Assets	779,918	2,080,534	2,860,452
Noncurrent Assets			
Restricted Assets			
Cash	704,343	127,916	832,259
Capital Assets			
Land and improvements	13,132	-	13,132
Construction in progress	1,678,055	677,860	2,355,915
Distribution and collection systems	46,254,286	4,618,929	50,873,215
Buildings	195,110	59,416	254,526
Equipment	1,125,627	425,694	1,551,321
Less accumulated depreciation	(29,389,505)	(4,608,177)	(33,997,682)
Total Noncurrent Assets	20,581,048	1,301,638	21,882,686
Total Assets	21,360,966	3,382,172	24,743,138
Deferred Outflows of Resources			
Deferred resources related to pension	183,104	163,486	346,590
Liabilities			
Current Liabilities			
Accounts payable	44,851	204,542	249,393
Interest payable	127,680	1,402	129,082
Retainage payable	85,000	35,038	120,038
Customer deposits	131,530	225,863	357,393
Bonds, Notes, and Loans Payable	767,260	33,820	801,080
Total Current Liabilities	1,156,321	500,665	1,656,986
Noncurrent Liabilities			
Compensated absences	53,115	41,207	94,322
Net pension liability	574,927	513,351	1,088,278
Bonds, Notes and Loans Payable	9,831,432	762,872	10,594,304
Total Noncurrent Liabilites	10,459,474	1,317,430	11,776,904
Total Liabilties	11,615,795	1,818,095	13,433,890
Deferred Inflows of Resources			
Deferred resources related to pension	38,882	34,716	73,598
Total Deferred Inflows	38,882	34,716	73,598
Net Position			
Net investment in capital assets	9,278,013	464,363	9,742,376
Restricted			
Acquisition and construction of capital assets	183	87,332	87,515
Debt service	665,639	-	665,639
Unrestricted	(54,442)	1,141,152	1,086,710
Total Net Position	$ 9,889,393	$ 1,692,847	$ 11,582,240

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water & Sewer	Gas	Total
Operating Revenues			
Charges for services	$ 4,287,050	$ 5,447,627	$ 9,734,677
Other	-	-	-
Total operating revenues	4,287,050	5,447,627	9,734,677
Operating Expenses			
Salaries, wages and employee benefits	1,460,217	844,587	2,304,804
Cost of gas for resale	-	2,818,367	2,818,367
Services and supplies	1,320,185	170,641	1,490,826
Administrative expense	76,574	96,453	173,027
Depreciation	654,006	33,850	687,856
Amortization	1,614	-	1,614
Total Operating Expenses	3,512,596	3,963,898	7,476,494
Operating Income (Loss)	774,454	1,483,729	2,258,183
Nonoperating Revenues (Expenses)			
Investment income	772	198	970
Interest expense	(367,904)	(9,950)	(377,854)
Grant revenue	366,087	-	366,087
Gain on disposal of capital assets	-	4,000	4,000
Total Nonoperating Revenues (Expenses)	(1,045)	(5,752)	(6,797)
Income (Loss) before other revenues	773,409	1,477,977	2,251,386
Capital contributions	450,326	92,108	542,434
Transfers out	(1,133,892)	(1,133,892)	(2,267,784)
Change in Net Position	89,843	436,193	526,036
Net Position - Beginning of Year, restated	8,657,359	664,029	9,321,388
Prior Period Adjustment	1,142,191	592,625	1,734,816
Net Position - Beginning of Year, restated	9,799,550	1,256,654	11,056,204
Net Position - End of Year	$ 9,889,393	$ 1,692,847	$ 11,582,240

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Water & Sewer	Gas	Total
Cash Flows from Operating Activities			
Cash received from customers	$ 4,208,751	$ 5,322,494	$ 9,531,245
Cash payments to suppliers	(2,176,007)	(3,180,617)	(5,356,624)
Cash payments to employees for services	(1,391,173)	(789,020)	(2,180,193)
Net Cash Provided (Used) by Operating Activities	641,571	1,352,857	1,994,428
Cash Flows from Noncapital Financing Activities			
Transfer to other funds	(559,626)	(1,310,396)	(1,870,022)
Net Cash Provided(Used) by noncapital financing activities	(559,626)	(1,310,396)	(1,870,022)
Cash Flows from Capital and Related Financing Activities			
Proceeds from capital debt	1,061,355	-	1,061,355
Capital contributions	450,326	92,108	542,434
Grant revenue	366,087	-	366,087
Purchase of capital assets	(906,095)	(613,974)	(1,520,069)
Principal paid on capital debt	(741,756)	(252,086)	(993,842)
Interest paid on capital debt	(379,575)	(10,867)	(390,442)
Proceeds from sale of capital assets	-	4,000	4,000
Net Cash Provided (Used) by Capital and Related Financing Activites	(149,658)	(780,819)	(930,477)
Cash Flows from Investing Activities			
Interest on cash and cash investments	772	198	970
Increase (Decrease) in Cash and Cash Investments	(66,941)	(738,160)	(805,101)
Cash and Cash Investments - Beginning of Year	771,284	881,398	1,652,682
Cash and Cash Investments - End of Year	$ 704,343	$ 143,238	$ 847,581
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities			
Operating Income (Loss)	$ 774,454	$ 1,483,729	$ 2,258,183
Depreciation	655,620	33,850	689,470
Change in operating assets and liabilities:			
(Increase) Decrease in accounts receivable	(87,411)	(134,922)	(222,333)
(Increase) Decrease in deferred outflows	(62,739)	(54,589)	(117,328)
(Increase) Decrease in inventory	10,781	17,352	28,133
(Increase) Decrease in deposits	-	3,774	3,774
Increase (Decrease) in accounts payable	(773,720)	(109,325)	(883,045)
Increase (Decrease) in customer deposits	9,112	9,789	18,901
Increase (Decrease) in deferred inflows	(70,419)	(62,858)	(133,277)
Increase (Decrease) in net pension liability	185,893	166,057	351,950
Net Cash Provided (Used) by Operating Activities	$ 641,571	$ 1,352,857	$ 1,994,428

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Summerville was incorporated January 1, 1891, and operates under a Council-Manager form of government. The City provides the following services: Animal Control, Culture and Recreation, Public Works (which includes streets and sanitation), Public Utilities (gas and water), Public Safety (police and fire), and General and Administrative Services.

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

A. Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, certain potential component units are considered for inclusion in the reporting entity because of the significance of their operational or financial relationships with the City. At June 30, 2016, the City of Summerville had no component units.

Related Organization

The City Council is responsible for appointing all board members of the Summerville Housing Authority. However, the City has no further accountability for the Authority, nor does it have any financial interest or control over the Authority. At year-end, there were no receivables or payables between the City and this organization. Financial statements are available at the Housing Authority's office.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements, each of which present different views of the City. The government-wide and fund financial statements categorize primary activities as either governmental or business type. Fiduciary funds are not included in the government-wide statements.

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. The effects of interfund activity, within the governmental and business-type activities columns, have been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, permits and fines, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide statement of net assets, governmental and business type activities are presented on a consolidated basis and reflect full accrual, economic resources basis, which includes long-term assets and receivables as well as long-term debt and obligations.

1. Summary of Significant Accounting Policies - continued

Government-wide and Fund Financial Statements – continued

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. Indirect expenses are allocated to functions on a usage basis. 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 emphasize major funds in either the governmental or business-type category. Non-major governmental funds (if any) are reported as a separate column in the fund financial statements.

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

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

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 position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and 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. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives the cash. In applying the susceptible to accrual concept, non-exchange transactions are recognized in accordance with GASB Statement 33.

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

The City has presented the following major governmental funds:

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

2014 SPLOST Capital Projects Fund - The 2014 SPLOST Capital Projects Fund accounts for the receipt and disbursements of Special Local Option Sales Tax assessments that are to be used to finance the acquisition and/or construction of capital assets.

Confiscated Drug Fund – The Confiscated Drug Fund accounts for law enforcement confiscations of cash and property seized in the case of illegal narcotics-related arrests.

Victorian Christmas Fund – The Victorian Christmas Fund accounts for the receipt and disbursements of private donations for Victorian-era Christmas displays in downtown storefronts each year, designed to boost tourism.

The City has presented the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund accounts for those operations of the City which involve water distribution, sewage pumping stations, collection systems, and the sewage treatment plant. Fees are charged to external users for goods or services, and the activity is intended to be self-supporting.

Gas Fund – The Gas Fund accounts for those operations of the City that involve natural gas distribution, to include gas line maintenance and additions, meter maintenance and additions/replacement. Fees are charged to external users for goods or services and the activity is intended to be self-supporting.

Both the water/sewer and gas funds are reported as major funds. 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 and gas enterprise funds are charges to customers for sales and services. Both funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

1. Summary of Significant Accounting Policies - continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

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

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

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Annual appropriations lapse at fiscal year-end.

Encumbrance or commitments related to the unperformed contract for goods or services (if any) were for immaterial amounts and therefore are not reported as reservations of fund balances.

E. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the City, and must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities and stated at fair value.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The balances, which represent receivables and payables between governmental and business-type activities, are reported as internal balances. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the general fund and the water/sewer and gas funds. Elimination of these charges would distort the direct costs and revenues reported for the two funds.

G. Restricted Cash

Demand and time deposits set aside for repayment of water and sewer revenue bonds are classified as restricted on the balance sheet because their use is limited by applicable bond covenants.

H. Capital Assets

Capital assets that cost more than $5000 with an estimated useful life of more than one year are capitalized and depreciated. Capital assets, which include property, plant, vehicles, equipment, and infrastructure (streets, bridges, curbs and gutters, sidewalks, drainage and lighting systems) 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.

1. Summary of Significant Accounting Policies - continued

H. Capital Assets – continued

All purchased capital assets are valued at cost or estimated historical cost if actual historical is not available. Donated assets are valued at their estimated fair value on the date donated. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

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

Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. Compensated Absences

Vested or accumulated vacation leave and sick leave is recorded as an expense and a liability when incurred in the proprietary fund financial statements and as a liability in the governmental funds only in the government-wide financial statements.

J. Long-term Obligations

Long-term debt and other obligations are reported as a liability in the government-wide financial statements and the proprietary fund financial statements.

K. Bond Discounts

Bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the bonds payable.

L. Fund Equity

At the governmental fund financial reporting level, fund equity is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable - fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (for example, items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- Restricted - fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

1. **Summary of Significant Accounting Policies - continued**

L. Fund Equity - continued

- Committed - fund balances are reported as committed when they can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the council may modify or rescind the commitment.
- Assigned - fund balances are reported as assigned when amounts are constrained by the City's intent to be sued for specific purposes, but do not meet the criteria to be classified as restricted or committed. Intent would be expressed by the City Council itself or the Council would delegate the authority to assign fund balance to management.
- Unassigned - fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balance may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted fund balance, it is the City's policy to use fund balance in the following order: committed, assigned and unassigned.

Net Position - represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing use for the acquisition construction or improvements of those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on the 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. The remaining balance of net position is reported as unrestricted.

M. Deferred Outflows/Inflows of Resources –

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City of Summerville has only one type of item that qualifies for reporting in the category: deferred expense related to pensions reported in the government-wide and proprietary funds statement of net position.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City of Summerville has only one type of item which qualifies for reporting in this category: deferred expense related to pensions reported in the government-wide and proprietary funds statement of net position.

N. Inventory

Inventory is valued at lower of cost (first-in, first-out) or market. of governmental funds are recorded as expenditures when consumed rather than when purchased. The Street, Water/Sewer Fund, and Gas Fund inventories are valued at lower of cost or market using the first-in, first-out method.

1. Summary of Significant Accounting Policies - continued

O. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year.

The City did not levy a property tax for the fiscal year ended June 30, 2016.

2. Legal Compliance – Budgets

Georgia law requires an annual balanced budget for the general fund and a project length budget for each capital project fund. All departments of the City submit requests for appropriation to the City Clerk so that a budget may be prepared. The budget is prepared by fund, function and department), and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

No later than 45 days prior to the beginning of the fiscal year, the proposed budget is presented to the Mayor and Council for review. The Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. Transfers of appropriations between departments must be approved by an affirmative vote of a majority of the Council, except for emergencies as defined by the charter and unanimously voted by the Council.

3. Deposits and Investments

Cash includes amounts in demand and time deposits that must be by law insured or collateralized, and investments, if any, are limited by law and bond ordinances, to federal and state securities. As of June 30, 2016, all of the City's deposits were insured or collateralized.

The City has no other investments other than cash.

4. Receivables

As of June 30, 2016, receivables for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Accounts	$ 131,646	$ 1,566,325	$ 1,697,971
Less: Allowance for Uncollectibles	(52,282)	(717,964)	(770,246)
Net Total Receivables	$ 79,364	$ 848,361	$ 927,725

5. Interfund Receivables, Payables, and Transfers

Due to/from other Funds

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services, short-term non-operating subsidies and other miscellaneous transactions between funds. This activity is similar to lending/borrowing arrangements and outstanding balances at year-end are presented as "due to/from other funds". Balances between governmental or proprietary funds are netted when presented in the government-wide statements and reported as "internal balances". As of June 30, 2016, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
Gas Fund	General Fund	$ 1,744,389
Water and Sewer Fund	General Fund	1,344
General Fund	Capital Projects	8,187
		$ 1,753,920

Transfers and Payments

Routine transfers and payments between funds are to subsidize operations and capital acquisitions. Interfund transfers for the year ending June 30, 2016 are as follows:

Source Fund	Transfer to Fund	Amount
Gas Fund	General Fund	$ 1,133,892
Water Fund	General Fund	1,133,892
		$ 2,267,784

6. Capital Assets

Governmental Activities:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital Assets not being Depreciated:				
Land	$ 929,590	$ -	$ -	$ 929,590
Construction in Progress	145,572	46,252	(137,474)	54,350
Total	1,075,162	46,252	(137,474)	983,940
Capital Assets being Depreciated:				
Infrastructure	158,797	73,207	-	232,004
Buildings	2,949,680	121,978	(110,972)	2,960,686
Improvements	158,991	152,799	-	311,790
Equipment	5,742,629	38,130	(113,647)	5,667,112
Total	9,010,097	386,114	(224,619)	9,171,592
Less Accumulated Depreciation:				
Buildings	(2,313,505)	(44,264)	110,972	(2,246,797)
Improvements	(56,084)	(6,802)	-	(62,886)
Equipment	(3,049,728)	(243,557)	112,541	(3,180,744)
Total	(5,419,317)	(294,623)	223,513	(5,490,427)
Total Capital Assets being Depreciated, Net	3,590,780	91,491	(1,106)	3,681,165
Total Governmental Activities, Capital Assets, Net	$ 4,665,942	$ 137,743	(138,580)	$ 4,665,105

Business-type Activities:	Balance January 1	Additions	Retirements	Balance December 31
Capital Assets not being Depreciated:				
Land	$ 13,132	$ -	$ -	$ 13,132
Construction in Progress	255,330	2,246,008	(145,423)	2,355,915
Total	268,462	2,246,008	(145,423)	2,369,047
Capital Assets being Depreciated:				
Buildings	221,331	33,196	-	254,527
Systems	50,676,145	200,443	(3,373)	50,873,215
Equipment	1,431,665	202,142	(82,485)	1,551,322
Total	52,329,141	435,781	(85,858)	52,679,064
Less Accumulated Depreciation:				
Buildings	(74,478)	(6,560)	-	(81,038)
Systems	(32,477,667)	(590,948)	80,943	(32,987,672)
Equipment	(843,540)	(88,807)	3,373	(928,974)
Total	(33,395,685)	(686,315)	84,316	(33,997,684)
Total Capital Assets being Depreciated, Net	18,933,456	(250,534)	(1,542)	18,681,380
Total Business-type Activities Capital Assets, Net	$ 19,201,918	$ 1,995,474	$ (146,965)	$ 21,050,427

6. Capital Assets - continued

Depreciation for the year by functions was as follows:

General Government	$ 37,739	
Public Safety	23,355	
Fire	50,363	
Streets	33,118	
Recreation	148,381	
Animal Control	1,667	
Total Government Activities		$ 294,623
Water/Sewer		652,464
Gas		33,850
Total Business Activities		686,314
Total Depreciation		$ 980,937

The following estimated useful lives are used to compute depreciation (straight-line method):

Buildings	20-50 years
Equipment	3-10 years
Infrastructure	50 years
Park Improvements	5-40 years
System	20-75 years

7. Long Term Debt

The following is a summary of the City's long-term debt activity for the year ended June 30, 2016:

	Balance June 30, 2015	Increase	Decrease	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Capital Leases	$ 205,092	$ -	$ 32,859	$ 172,233	$ 32,859
Compensated Absences	408,013	79,238	301,403	185,848	-
Total Governmental Activities	$ 613,105	$ 79,238	$ 334,262	$ 358,081	$ 32,859
Business-Type Activities:					
Capital Leases	$ 1,048,777	$ -	$ 252,085	$ 796,692	$ 33,820
Loans Payable	3,305,389	1,061,355	156,756	4,209,988	162,260
Revenue Bonds	6,985,000	-	585,000	6,400,000	605,000
Compensated Absences	177,709	61,468	144,855	94,322	-
Total Business-Type Activities	$ 11,516,875	$ 1,122,823	$ 1,138,696	$ 11,501,002	$ 801,080

7. **Long Term Debt - continued**

Advance Refundings

In 2005 the City issued $9,695,000 of Combined Public Utility Revenue and Refunding Bonds ("2005 Bonds") for the advance refunding of the City's 2002 Combined Public Utility Revenue and Refunding Bonds ("2002 Bonds") and for related capital improvements to the City's water system. As a result of this issuance, $7,749,047 was used to purchase United States Government State and Local Government Series securities that were placed into an escrow account for the purpose of generating resources for payment of principal, interest, and redemption premium on the 2002 Bonds beginning in fiscal year 2013 and continuing through maturity in fiscal year 2026. The portion of the 2002 Bonds being refunded is considered defeased and has been removed from the government-wide Statement of Net Position and the proprietary fund Balance Sheet. As of June 30, 2016, $6,920,000 was considered defeased.

Compensated absences in governmental activities are liquidated by the general fund and compensated absences in the business-type activities are liquidated by the water and gas funds.

Long-term debt payable at June 30, 2016 is composed of the following issues:

Loans Payable

GEFA Loan - $1,481,839: With total approved loan amount of $1,489,839, and fully drawn down as of June 30, 2009; due in monthly installments of $9,089, bearing interest at 4.14%, with a maturity date of May 1, 2029.
GEFA Loan - $201,600: With total approved loan amount of $201,600 and $172,800 drawn down. This loan entered repayment phase as of April 1, 2011; due in monthly installments of $958, bearing interest at 3.00%, with a maturity date of April 1, 2031.
GEFA Loan - $2,484,448: With total approved loan amount of $2,484,448 and fully drawn down. This loan entered repayment phase as of January 1, 2013; due in monthly installments of $12,104, bearing interest at 3.00%, with a maturity date of January 1, 2033.
GEFA Loan - $1,320,000: With total approved loan amount of $1,320,000 and $1,086,755 drawn down; payment terms to be finalized upon project completion.

The annual requirements to amortize the long-term debt as of June 30, 2016, including interest payments, are as follows:

	REVENUE BONDS		GEFA LOAN	
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2017	$ 605,000	$ 255,360	$ 162,260	$ -
2018	630,000	231,221	167,963	-
2019	660,000	206,084	173,873	-
2020	685,000	179,750	179,994	-
2021	710,000	152,418	186,338	-
2022-2026	3,110,000	316,008	1,035,191	-
2027-2031	-	-	993,296	-
2032-2033	-	-	224,336	-
TOTAL	$ 6,400,000	$ 1,340,841	$ 3,123,251	$ -

8. Lease Obligations

Capital Leases

The City entered into a lease agreement with Branch Banking & Trust as lessee for financing the acquisition of a pumper fire truck for $304,055. The equipment has a cost of $304,055 and accumulated depreciation of $152,028 as of June 30, 2016. The effective interest rate is 2.6%.

The City entered into a lease agreement with Branch Banking & Trust for financing the installation of natural gas line extensions for $248,000. The City's gas lines under lease have a final cost of $199,338 and accumulated depreciation of $4,983 as of June 30, 2016. The effective interest rate is 2.75%.

The City entered into a second lease agreement with Branch Banking & Trust as lessee for financing the installation of additional natural gas line extensions for $95,000. The additional gas lines are currently under construction and have a cost of $118,689 and accumulated depreciation of $0 as of June 30, 2016. The effective interest rate is 3.29%.

The City entered into a lease agreement with Georgia Municipal Association as lessee for financing the replacement of standard manual-read gas meters with radio-read meters for $805,715. The gas meter swap project is currently in progress and has a cost of $559,171 as of June 30, 2016. The effective interest rate at June 30, 2016 is .96%.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30	Governmental Activities	Business-type Activities
2017	$ 37,359	$ 626,150
2018	37,359	39,761
2019	37,359	39,761
2020	37,359	39,761
2021	37,359	39,761
2022-2024	-	32,452
Total Minimum Lease Payments	186,795	817,646
Less Amounts Representing Interest	(14,562)	(20,954)
Present Value of Future Minimum Lease Payments	$ 172,233	$ 796,692

9. Restricted Assets

The City is required to establish and maintain cash accounts to comply with bond covenants and external legal requirements. The debt service and capital acquisition/improvements cash accounts are restricted for payment of bond principal and interest and certain construction funds are restricted for specified capital projects or improvements. Customer deposit accounts are restricted to application against outstanding balances or are subject to being refunded. The Drug Enforcement account is restricted for monies used in law enforcement activities. The Recreation cash account is for monies designated for the maintenance and improvement of recreational facilities and small equipment.

9. Restricted Assets - continued

As of June 30, 2016, restricted assets consist of the following:

Governmental Activities:

Cash – Council Restricted	$ 874,184
Cash – Drug Enforcement	20,568
Cash – Clean & Lien	37,585
Cash – Recreation Dept.	10,325
Cash – Debt Forgiveness	6
Cash – Capital Acquisitions/Improvements	148,071
Total	$ 1,090,739

Business-type Activities:

Cash – Customer Deposits	$ 79,105
Cash – Capital Acquisition/Improvements	87,516
Cash – Debt Service	665,638
Total	$ 832,259

10. Pension Plan

Plan Description

The City has a non-contributory defined benefit plan covering all full time employees The City of Summerville Retirement Plan, is administered by the Georgia Municipal Employees Benefit System (GMEBS), a statewide, agent multiple-employer type plan. GMEBS policy direction and oversight for the fund is provided by a 15-member board comprised of elected and appointed officials from the fund's membership. GMEBS handles administrative and investment functions relative to the plan. The City established the plan effective April 1, 1985, and the authority to establish, amend or discontinue the plan remains with the City. The plan provides pension benefits and death and disability benefits for all employees that have been employed full time for one year. Members may retire at 62 years of age with 5 years of service. Early retirement is possible at age 50 with 10 years of service. Benefits are calculated at 1.75% of the average monthly earnings for the period of the five highest years prior to retirement.

The Georgia Municipal Employees Benefit System issues a publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Georgia Municipal Employees Benefit System, c/o Georgia Municipal Association – Risk Management and Employee Benefit Systems, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy and Annual Contributions. The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for changes to plan provisions and 30 years for actuarial assumptions and cost methods. These amortization periods, if applicable, are close for this plan year.

10. **Pension Plan - continued**

The Plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). According to the latest actuarial valuation, dated January 1, 2016, the estimated minimum annual contribution under these funding standards is $322,280.

According to the most recent annual plan valuation dated January 1, 2016, the recommended contribution to the plan for 2016 is $397,161 ($0 employee and $397,161 employer; 0% employee and 12.92% employer of covered payroll respectively), and for 2015 was $366,227 ($0 employee and $366,227 employer; 0% employee and 14.26% employer of covered payroll respectively). Covered payroll for 2016 and 2015 is $3,024,200 and $2,527,517 respectively.

Net Pension Liability

The City's net pension liability (NPL) was measured as of January 1, 2016, along with the total pension liability (TPL) and fiduciary net position (FNP) used to calculate the NPL. These actuarial assumptions are based on the results of an actuarial measurement date of September 30, 2015.

	Changes in Net Pension Liability		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30,2014	$ 10,405,539	$ 8,647,505	$ 1,758,034
Changes for the year:			
Service Cost	185,550	-	185,550
Interest	785,178	-	785,178
Differences between expected and actual experience	320,465	-	320,465
Contributions-employer	-	394,654	(394,654)
Contributions-employee	-	-	-
Net investment income	-	104,743	(104,743)
Benefit payments, including refunds of employee contributions	(548,419)	(548,419)	-
Administrative expense	-	(16,925)	16,925
Other changes	-	-	-
Net changes	742,774	(65,947)	808,721
Balances at September 30, 2015	$ 11,148,313	$ 8,581,558	$ 2,566,755

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. 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 employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. **Pension Plan - continued**

Discount Rate – continued

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

	1% Decrease Rate (6.75%)	Current Discount Rate (7.75%)	1% Increase Rate (8.75%)
Net pension liability	$ 4,000,845	$ 2,566,755	$ 1,379,714

As of January 1, 2016, employee membership data related to the current plan membership was as follows:

Retirees and beneficiaries receiving benefits	70
Terminated plan participants entitled to but not yet receiving benefits	24
Active plan participants	
Vested	49
Nonvested	39
Total number of plan participants	182

Significant Actuarial Assumptions

Actuarial Assumptions:

Net Investment Rate of Return	7.75% per year
Projected Salary Increase	3.25% plus age and service based merit increases
Inflation Rate	3.25%
Post Retirement Benefit Increase	N/A

Actuarial Methods:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed Level dollar for remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years.
Actuarial Value of Assets	Roll forward prior year's actuarial value with contributions, disbursements, and expected return on Investments, plus (minus) 10% of investment gains (losses) during 10 prior years.
Mortality Rate	Mortality assumptions are based on the RP-2000 mortality tables, which are founded on a four year review of mortality experience for the period January 1, 2010 to June 30, 2014.

Actuarial assumptions are the same as those used in the preceding year.

10. Pension Plan - continued

Significant Actuarial Assumptions - continued

For the year ended June 30, 2016, the City recognized pension expense of $370,787. The City reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 240,348	$ (81,374)
Changes of assumptions	-	(92,208)
Net difference between projected and actual earnings on pension plan investment	271,893	-
Total	$ 512,241	$ (173,582)

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

Fiscal year end June 30,	
2017	$ 46,701
2018	46,701
2019	133,492
2020	111,765
Total	$ 338,659

Net Investment Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

10. Pension Plan - continued

Net Investment Return - continued

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset collection as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nomina Real Rate of Return
Domestic equity	50%	5.95%	9.2%
International equity	15%	6.45%	9.7%
Fixed income	25%	1.55%	4.8%
Real estate	10%	3.75%	7.0%
Cash	0%		
Total	100%		

Payable to the Pension Plan

There were no outstanding amounts of contributions to the pension plan required for the year ended June 30, 2016.

11. Restricted Fund Balances/Net Position

Restrictions are used to indicate that a portion of the net position is not available for appropriations and is legally segregated for a specific future use. The City uses the following restrictions:

Governmental Funds

Restricted for capital project activities - Created to segregate money received from federal or state sources that restrict the funds eligible for capital construction projects.

Restricted for drug enforcement activities - Created to segregate money received from federal or state sources, as well as from confiscations, that restrict use for law enforcement purposes only.

Restricted for recreation - Created to segregate money received from patrons of recreational facilities, as well as from federal or state sources, for the use of facilities and small equipment maintenance and improvements.

Business Type activities

Restricted for debt service - The City's bond covenants require certain reservations of the water and sewer net assets for payments of bond principal and interest.

Restricted for capital project activities - Created to segregate money received from federal or state sources that restrict the funds eligible for capital construction projects.

12. Other Information

Vacation and Sick Leave

City employees' vacation and sick leave accrual policy is as follows:

Years of Service	Vacation Accrual	Sick Leave Accrual
1-3	5 days per year	5 days per year
4-9	10 days per year	10 days per year
10-14	15 days per year	15 days per year
15+	20 days per year	20 days per year

Employees with vacation time remaining at the end of the calendar year may carry their time forward to the next year. Carry forward limits are set at 13 weeks of vacation and 13 weeks for sick leave.

13. Risk Management

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City. The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. The City is self-insured related to unemployment compensation. There have been no significant reductions in insurance coverage from the prior year.

During the past three years, the costs of any settlements have not exceeded insurance coverage.

The City is also exposed to the risk of injuries to employees, for which the City participates in the Georgia Municipal Association – Workers Compensation Self-Insurance Fund. The fund is considered a public entity risk pool, which is a self-insured program authorized by state statute (34-9-150), and administered by GMA. Unlike commercial insurance where the risk is transferred to another party, the risk pool simply spreads the risk among the members. All governmental entities located in the state of Georgia are eligible to participate. Members of the pool are responsible for paying estimated premiums based on payroll projections for each calendar year. The risk pool is responsible for paying all claims filed on behalf of the members.

14. Joint Venture

The City of Summerville is a member of the Coosa Valley Regional Development Center (RDC). The RDC was created under the laws of the State of Georgia and cities and counties in the area served by the RDC are required to be members. The membership of the RDC includes 10 counties and 35 municipalities. The City's annual dues are paid by Chattooga County in the City's stead. The City has no equity interest in the RDC nor does the City materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate financial statements may be obtained from the Coosa Valley Regional Development Center, P.O. Box 1793, Rome, GA 30162.

15. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

16. Post Employment Benefits (Obligations for Life Insurance)

Plan Description. Through the passage of local ordinance, the City of Summerville OPEB plan, a single employer defined benefit plan provides continuation of life insurance coverage to retired employees. All full time employees of the City are eligible for these benefits. The employer covers all costs. The normal retirement date of a participant is the first day of the calendar month coincident with or next following their 65th birthday. A participant may retire on an early retirement date which may be the first day of any calendar month prior to their normal retirement date, provided they have then attained their 50th birthday and completed 10 years of credited service. A participant may continue in employment beyond his normal retirement date; such participant's postponed retirement date will be the first day of the calendar month coincident with or next following his actual retirement. Life insurance is provided for the life of the employee and is equal to a $30,000 benefit if the deceased beneficiary was less than 65 years of age at time of death, a $19,500 benefit when deceased beneficiary was 65 to 69 years of age at time of death, a $15,000 benefit when the deceased beneficiary was 70 to 74 years of age at time of death, and a $10,500 benefit when the deceased beneficiary was greater than 75 years of age at time of death. The plan is administered through the City's current insurance provider and no separate audit report is available. The City has the authority to amend the provisions of this plan.

Current parameters dictate that the plan be valuated once every three years. The most recent valuation date is June 30, 2016. The number of participants as of June 30, 2016, is as follows:

Active employees'	81
Retired employees'	26
	107

Funding Policy. The City currently pays for life insurance benefits on a pay-as-you-go basis. The City's annual OPEB cost, the percentage contributed, and the net obligation are as follows:

Schedule of Employee Contributions

Period Ended	OPEB Cost	Percentage Contributed	Net OPEB Obligation	Amount Contributed
6/30/2016	$ 25,930	50.80%	$ 39,739	$ 13,173
6/30/2015	$ 19,468	53.80%	$ 26,982	$ 10,474
6/30/2014	$ 19,468	53.80%	$ 17,988	$ 10,474

16. Post Employment Benefits (Obligations for Life Insurance) - continued

The funded status of the OPEB plan is as follows:

Schedule of Funding Progress

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability	Unfunded Liability (UL)	Funded Ratio	Annual Covered Payroll	UL as % of Covered Payroll
7/1/2015	0	285,273	285,273	0%	N/A	N/A
7/1/2014	0	230,363	230,363	0%	N/A	N/A
7/1/2013	0	230,363	230,363	0%	N/A	N/A

Annual Other Postemployment Benefit Cost. The City's OPEB cost is actuarially calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid each year, is projected to provide funding for future benefits. The following table shows the components of the City's OPEB cost for the current year, amount contributed and changes in OPEB obligation.

Annual OPEB Cost	2015/2016
ARC	$ 26,372
Interest on net OPEB obligation	1,214
Adjustment on the ARC	(1,656)
Total Annual OPEB cost	25,930

Net OPEB Obligation	
Annual OPEB cost	$ 25,930
Contributions made	(13,173)
Increase (decrease) in net OPEB Obligation	12,757
Net OPEB obligation, beginning of period	26,982
Net OPEB obligation, end of period	$ 39,739

Actuarial Methods and Assumptions. - Actuarial assumptions used in the plan are as follows:

Economic Assumptions:	
Interest rates	
Discount Rate	4.5%
Inflation Rate	3.0%
Salary Increases	3.0%
Post Retirement Benefit Increases	None
Demographic Assumptions:	
Mortality	RP-2000 Combined Mortality Table
Termination	None. Vested employees entitled
Spousal Participation	None
Administrative expense	None
Averages for Active	
Age	45.2
Service	11.2
Averages for Inactive	
Age	72.9

16. Post Employment Benefits (Obligations for Life Insurance) – continued

Actuarial Methods

Normal Cost and Actuarial Accrued Liability	Projected Unit Credit
Actuarial Value of Assets	Same as Market Value
Amortization of Unfunded Accrued Actuarial Liability (UAAL)	UAAL is amortized over thirty years using level dollar payments based on an open group

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. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations are designed to reflect a long-term perspective, and consistent with that perspective, are designed to minimize short-term volatility of accrued liabilities and the actuarial value of assets.

17. Construction Commitments

The City's construction projects as of June 30, 2016 are as follows:

Business-type Activities

The City is in the process of performing upgrades to the wastewater treatment plant. This project is being financed by revenue bond proceeds and a loan from Georgia Environmental Facilities Authority. Additionally, natural gas line extensions are under construction in order to provide natural gas to numerous chicken farming operations in the area. The City is in the process of replacing all of its water and gas meters from manual-read meters to radio-read meters in order to increase efficiency and accuracy in the measuring and billing of utilities consumed by customers.

18. Restatement of Prior Year Net Position/Fund Balance

For fiscal year 2016, the City implemented GASB Statement No. 65 which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Previously bond and note issuance costs were amortized over the life of the bond or note but now should be expenses when the transaction takes place. The effects of the restatement to the City's financial statements are listed below.

	Business-Type Activities
Net position 6/30/15	$ 9,459,905
Restatement	(138,517)
Net position 6/30/15, as restated	$ 9,321,388

19. Prior Period Adjustments

Prior period adjustments were made to restate the beginning net position and fund balances at June 30, 2016 as follows:

Adjustment:	Governmental Activities:	Business-Type Activities:
Customer deposits incorrectly stated	$ -	$ 604,567
Costs on projects incorrectly recorded	-	1,016,296
Liability for franchise fee overstated	-	17,360
Sick leave recorded as liability not to be paid	-	96,593
Sales tax revenue not recorded	378,468	-
Expenditure for payroll taxes and penalties	(149,442)	-
Total fund statement adjustments	229,026	1,734,816
Sick leave recorded as liability not to be paid	214,692	-
Total government-wide adjustments	$ 443,718	$ 1,734,816

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUMMERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2016

Pension Benefit Plan
Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning January 1, 2016	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(2-1) Unfunded AAL (UAAL)	(1 / 2) Funded Ratio	(3) Covered Payroll	{(2)-(1)} / (3) UAAL as a Precentage of Covered Payroll
2016	$ 9,278,783	$ 10,159,545	$ 880,762	91.33%	$ 3,024,200	29.12%
2015	$ 8,847,849	$ 9,726,344	$ 878,495	90.97%	$ 2,527,517	34.76%
2014	$ 8,403,814	$ 9,588,647	$ 1,184,833	87.64%	$ 2,473,493	47.90%

See assumptions used for the Schedule of Funding Progress in Note 10 to the Financial Statements

CITY OF SUMMERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2016

	2016	2015
Total Pension Liability		
Service cost	$ 185,550	$ 158,648
Interest	785,178	781,253
Difference between expected and actual experience	320,465	(162,749)
Change of assumptions	-	(184,416)
Benefit payments, including refunds of employee contributions	(548,419)	(535,764)
	-	
Net Change in Total Pension Liability	742,774	56,972
Total Pension Liability - Beginning	10,405,539	10,348,567
Total Pension Liability - Ending (a)	$ 11,148,313	$ 10,405,539
Plan Fiduciary Net Position		
Contributions-employer	$ 394,654	$ 371,069
Contributions-employee	-	-
Net investment income	104,743	899,328
Benefit payments, including refunds of employee contributions	(548,419)	(535,764)
Administrative expense	(16,925)	(13,403)
Other	-	-
Net Change in plan fiduciary net position	(65,947)	721,230
Plan fiduciary net position-beginning	8,647,505	7,926,275
Plan fiduciary net position-ending (b)	$ 8,581,558	$ 8,647,505
Net pension liability-ending (a-b)	$ 2,566,755	$ 1,758,034
Plan fiduciary net position as a percentage of the total pension liability	76.98%	83.10%
Covered-employee payroll	3,024,200	2,527,517
Net pension liability as a percentage of covered-employee payroll	84.87%	69.56%

See assumptions used for the Schedule of Changes in Note 10 to the Financial Statements

CITY OF SUMMERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
June 30, 2016

		2016	2015
Actuarially determined contribution	*	$ -	$ 400,339
Contributions in relation to the actuarially determined contribution	*	-	467,971
Contribution deficiency (excess)	*	$ -	$ (67,632)
Covered-employee payroll	*	$ -	$ 2,527,517
Contributions as a percentage of covered-employee payroll	*	-	18.52%

Notes to Schedule

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

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
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 by 10% of the amount that the value exceeds or is less than the market value at end of year.
Inflation	3.0%
Salary increases	3.25%, plus mservice based merit increases
Investment rate of return	7.75%,

COMPLIANCE SECTION

CHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
American Institute of
Certified Public Accountants
Trion, Georgia

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*

The Honorable Mayor and City Council
City of Summerville, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Summerville, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Summerville, Georgia's basic financial statements and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Summerville, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Summerville, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Summerville, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency described as 16-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Summerville, 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.

Chrysan Thomas

CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
November 9, 2016

CHRYSAN THOMAS
Certified Public Accountant
Professional Corporation
Member
American Institute of
Certified Public Accountants
Trion, Georgia

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and
Members of the City Council
City of Summerville, Georgia

Report on Compliance for Each Major Federal Program

We have audited The City of Summerville, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The City of Summerville, Georgia's major federal programs for the year ended June 30, 2016, The City of Summerville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to it federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The City of Summerville, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City of Summerville, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The City of Summerville, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, The City of Summerville, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

P.O. Box 1066 Trion, Georgia 30753 (706) 734-4377 chrysan@chrysanthomascpa.com

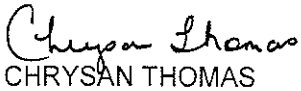
Report on Internal Control Over Compliance

Management of The City of Summerville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The City of Summerville, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The City of Summerville, Georgia's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CHRYSAN THOMAS
Certified Public Accountant

Trion, Georgia
November 9, 2016

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURE
U.S.Department of Agriculture			
Community Facilities Loans and Grants	10.776	N/A	$ 440,960
U.S.Department of Housing and Urban Development			
Passed through Georgia Department of Community Affairs			
CDBG- Multi-Activity	14.228	14p-x-027-x-5697	352,887
U.S.Department of Transportation			
Passed through Georgia Department of Natural Resources			
Recreational Trails Program	20.219	NRT-12(18)	8,778
Environmental Protection Agency			
Passed through Georgia Environmental Finance Authority			
Capitalization Grants for Clean Water State Revolvin(	66.458	CWSRF 13-005	218,625
Total Federal Awards			$ 1,021,250

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Summerville under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles*, and *Audit Requirements* for *Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Summerville, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Summerville.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) City of Summerville has not elected to use the 10 percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:
- Material weakness(es) identified? **No**
- Significant deficiencies identified that are not considered to be material weakness(es)? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:
- Material weakness(es) identified: **No**
- Significant deficiencies identified that are not considered to be material weakness(es)? **None reported**

Type of Auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) : **No**

Major program:

U.S. Department of Agriculture
Community and Facilities Loan and Grants
CFDA #10.766

Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

Auditee qualified as a low-risk auditee? **No**

Financial Statement Findings

FS16-01 **Criteria:** Proprietary funds are used to account for the operating revenues and expenses resulting from providing goods and services, primarily water, sewer and gas to individuals, businesses, and other governments within Chattooga and Floyd Counties. Due to the nature of these funds, it is important that adequate records be maintained to account for receipts, disbursements, and any customer deposit funds that are held to be returned at a later date. Such liability listings should be reconciled to the respective cash balances maintained.

Condition: The record keeping for the customer deposits and franchise taxes are not being reconciled to actual liabilities which are due. The complete detail listing for customer deposit and franchise taxes payable provided did not equal the balance in the general ledger accounts at June 30, 2016. In the Proprietary funds, incorrect amounts were reflected and went undetected. This resulted in an overstatement of liability and understatement of income. In these funds the controls are not in place to monitor that liability is properly reflected.

Cause: This overstatement of liability amount is due to the lack of maintenance of proper subsidiary listings and tracking of receipts and disbursements. Neither were there procedures in place for routine reviews of the reconciling balances on a monthly or annual basis. Therefore, government officials were unaware the record keeping was not being properly done on a timely basis and errors were occurring.

Effect: Accounting data could be misstated and revenue amounts understated.

Recommendation: We recommend reconciliation be used between liability listing and general ledger accounts and procedures be implemented to require reports be prepared and reconciled on a weekly, monthly, and annual basis. Reviews and monitoring of these procedures on a timely basis should also be implemented.

Response: We agree with the finding. We are now reconciling all liabilities and comparing detail listings to general ledger accounts. We have implemented a system to proper review and monitor our procedures. We will ensure that procedures are clearly conveyed to all employees.

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
Year ended June 30, 2016

Projects	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Current Non-SPLOST Expenditures on SPLOST Projects
2014 SPLOST						
Admin	$ -	$ -	$ -	$ -	$ -	$ -
Public Safety	-	-	50,847	46,547	97,394	-
Public Works	-	-	29,397	7,168	36,565	-
Recreation	-	-	199,031	41,374	240,405	-
Water and Sewer	-	-	222,067	335,189	557,256	115,138
Gas	-	-	84,853	196,689	281,542	-
Total	$ -	$ -	$ 586,195	$ 626,967	$ 1,213,162	$ 115,138