CITY OF SUMMERVILLE, GEORGIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2017

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CITY OF SUMMERVILLE, GEORGIA
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Year Ended June 30, 2017

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

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, 2017, 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, 2017, 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 the Hotel/Motel 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 Special Purpose Local Option Sales and Use Tax Expenditures is the responsibility of management and are 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017 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 29, 2017

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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

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CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 1,798,898	$ 862,235	$ 2,661,133
Receivables (net of allowance for doubtful accounts)	86,435	833,689	920,124
Sales tax deposit	45,675	36,718	82,393
Inventories	15,253	213,169	228,422
Due from other governments	90,904	-	90,904
Restricted cash	1,002,177	722,920	1,725,097
Capital Assets:			
Land and improvements	929,590	13,132	942,722
Construction in process	494,027	56,127	550,154
Other capital assets, net of depreciation	3,427,840	20,754,487	24,182,327
Total Assets	7,890,799	23,492,477	31,383,276
Deferred Outflows of Resources			
Pension contributions	281,745	199,869	481,614
Total Deferred Outflows of Resources	281,745	199,869	481,614
Liabilities			
Accounts payable	73,204	230,955	304,159
Accrued wages and withholdings payable	39,025	-	39,025
Retainage payable	-	42,398	42,398
Internal balances	1,002,470	(1,002,470)	-
Interest payable	-	116,785	116,785
Customer deposits	1,025	356,187	357,212
Bond discount - net of amortization	-	(9,683)	(9,683)
Current portion of long-term debt	40,554	913,273	953,827
Non-Current Liabilities			
Compensated Absences	234,055	105,218	339,273
Due in more than one year	136,668	9,847,872	9,984,540
Net pension liability	1,369,605	971,600	2,341,205
Total Liabilities	2,896,606	11,572,135	14,468,741
Deferred Inflows of Resources			
Pension Contributions	59,905	42,497	102,402
Total Deferred Inflows of Resources	59,905	42,497	102,402
Net Position			
Net investment in capital assets	4,674,235	10,072,284	14,746,519
Restricted for -			
Drug enforcement activities	16,209	-	16,209
Capital acquisition and construction	435,853	82	435,935
Debt service	-	592,966	592,966
Special Programs	28,240	-	28,240
Committed			
Capital projects	104,106	-	104,106
Unrestricted	(42,610)	1,412,382	1,369,772
Total Net Position	$ 5,216,033	$ 12,077,714	$ 17,293,747

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
General government	$ 940,646	$ 139,356	$ 14,605	$ 523,242
Police	1,632,038	484,329	-	-
Fire	489,397	486,100	10,100	-
Animal control	26,867	-	-	-
Streets	833,810	1,492	-	259,525
Culture and recreation	840,794	33,951	75,000	-
Codes enforcement	60,350	9,176	-	-
Sanitation	240,928	220,496	-	-
Interest expense on long term debt	4,500	-	-	-
Total Governmental Activities	5,069,330	1,374,900	99,705	782,767
Business-type Activities:				
Water/Sewer	3,486,354	4,291,859	-	248,163
Gas	4,376,308	5,737,091	-	-
Total Business-type Activities	7,862,662	10,028,950	-	248,163
Total Government	$ 12,931,992	$ 11,403,850	$ 99,705	$ 1,030,930

General Revenues:
Property taxes, levies for general purposes
Franchise taxes
Insurance premium taxes
Malt beverage taxes
Hotel/Motel taxes
Investment income
Gain (Loss) on sale of capital assets
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in net position
Beginning net position, restated
Ending net position

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (263,443)	$ -	$ (263,443)
(1,147,709)	-	(1,147,709)
6,803	-	6,803
(26,867)	-	(26,867)
(572,793)	-	(572,793)
(731,843)	-	(731,843)
(51,174)	-	(51,174)
(20,432)	-	(20,432)
(4,500)	-	(4,500)
(2,811,958)	-	(2,811,958)
-	1,053,668	1,053,668
-	1,360,783	1,360,783
-	2,414,451	2,414,451
(2,811,958)	2,414,451	(397,507)
40,210	-	40,210
453,933	-	453,933
282,861	-	282,861
83,745	-	83,745
5,751	-	5,751
3,462	728	4,190
3,961	3,000	6,961
104,242	-	104,242
1,922,705	(1,922,705)	-
2,900,870	(1,918,977)	981,893
88,912	495,474	584,386
5,127,121	11,582,240	16,709,361
$ 5,216,033	$ 12,077,714	$ 17,293,747

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
BALANCE SHEETGOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Capital Project 2014 SPLOST Fund	Confiscated Drug Fund	Hotel/Motel Tax Fund	Total Governmental Funds
Assets					
Cash and cash investments	$ 1,423,054	$ 354,402	$ 16,209	$ 5,233	$ 1,798,898
Receivables (net of allowance for uncollectibles)	86,435	-	-	-	86,435
Inventory	15,253	-	-	-	15,253
Prepaid expenses	45,675	-	-	-	45,675
Cash - restricted	1,002,177	-	-	-	1,002,177
Due from other funds	43,445	-	-	-	43,445
Due from other governments	-	90,904	-	-	90,904
Total Assets	$ 2,616,039	$ 445,306	$ 16,209	$ 5,233	$ 3,082,787
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 73,204	$ -	$ -	$ -	$ 73,204
Accrued wages payable and withholdings	39,025	-	-	-	39,025
Due to other funds	1,036,462	9,453	-	-	1,045,915
Customer deposits	1,025	-	-	-	1,025
Total Liabilities	1,149,716	9,453	-	-	1,159,169
Fund Balances					
Nonspendable:					
Inventory	15,253	-	-	-	15,253
Restricted for:					
Drug enforcement activities	-	-	16,209	-	16,209
Acquisition and construction of capital assets	-	435,853	-	-	435,853
Recreation	1,151	-	-	-	1,151
Clean and lien	21,856	-	-	-	21,856
Tourism	-	-	-	5,233	5,233
Unassigned	1,428,063	-	-	-	1,428,063
Total Fund Balance	1,466,323	435,853	16,209	5,233	1,923,618
Total Liabilities and Fund Balances	$ 2,616,039	$ 445,306	$ 16,209	$ 5,233	$ 3,082,787

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, 2017

Total Governmental Fund Balances		$ 1,923,618
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.		4,851,457
A portion of pension plan contributions are for future use and are considered deferred outflows of resources.		281,745
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		(59,905)
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	$ (40,554)	
Due after one year	(370,723)	
Net pension liability	(1,369,605)	
		(1,780,882)
Net Position of Governmental Activities		$ 5,216,033

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, 2017

	General Fund	Capital Project 2014 SPLOST Fund	Confiscated Drug Fund	Hotel/Motel Tax Fund	Total Governmental Funds
Revenues					
Taxes	$ 820,539	$ -	$ -	$ 5,751	$ 826,290
Licenses and permits	46,016	-	-	-	46,016
Intergovernmental	299,735	523,242	-	-	822,977
Charges for services	758,038	-	-	-	758,038
Fines and forfeitures	484,329	-	-	-	484,329
Contributions	147,271	-	-	-	147,271
Investment earnings	3,445	-	17	-	3,462
Miscellaneous	144,026	-	-	-	144,026
Total Revenues	2,703,399	523,242	17	5,751	3,232,409
Expenditures					
Current					
General government	889,458	-	-	518	889,976
Police	1,557,215	-	4,376	-	1,561,591
Fire	397,390	-	-	-	397,390
Animal control	25,200	-	-	-	25,200
Streets	858,849	-	-	-	858,849
Culture and recreation	684,290	-	-	-	684,290
Codes enforcement	60,350	-	-	-	60,350
Sanitation	240,928	-	-	-	240,928
Debt Service					
Principal	32,859	89,601	-	-	122,460
Interest	4,500	55,653	-	-	60,153
Capital Outlay					
General government	-	-	-	-	-
Police	-	128	-	-	128
Fire	37,782	11,820	-	-	49,602
Streets	-	106,181	-	-	106,181
Culture and recreation	277,736	10,557	-	-	288,293
Water/Sewer and Gas	-	103,022	-	-	103,022
Total Expenditures	5,066,557	376,962	4,376	518	5,448,413
Excess (Deficiency) of Revenues Over Expenditures	(2,363,158)	146,280	(4,359)	5,233	(2,216,004)
Other Financing Sources (Uses)					
Transfers In(out)	2,322,181	(151,201)	-	-	2,170,980
Proceeds from lease	37,016	-	-	-	37,016
Sale of assets	3,961	-	-	-	3,961
Total Other Financing Sources (Uses)	2,363,158	(151,201)	-	-	2,211,957
Net Changes in Fund Balance	-	(4,921)	(4,359)	5,233	(4,047)
Fund Balances - Beginning of Year	1,466,323	440,774	20,568	-	1,927,665
Fund Balances - End of Year	$ 1,466,323	$ 435,853	$ 16,209	$ 5,233	$ 1,923,618

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, 2017

Net Changes in Fund Balances - Total Governmental Funds		$ (4,047)
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	$ 483,250	
Depreciation expense recorded in the Statement of Activities	(271,167)	
		212,083
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.		(25,731)
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.		32,027
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.		(189,095)
Changes in the value of the pension plan are not reflected in the governmental funds. However, they are accounted for in the governmental activities.		40,078
Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the statement of position.		(37,015)
Governmental funds do not report changes in long-term liabilities, while governmental activities report such liabilities and the changes in them:		
Compensated absences	(48,208)	
Net pension liability	108,820	
		60,612
Changes In Net Position of Governmental Activities		$ 88,912

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
GENERAL FUNDSTATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	$ 771,000	$ 771,000	$ 820,539	$ 49,539
Licenses and permits	40,000	41,000	46,016	5,016
Intergovernmental	85,000	285,210	299,735	14,525
Charges for services	689,177	722,574	758,038	35,464
Fines and forfeitures	458,600	453,600	484,329	30,729
Contributions	106,350	144,534	147,271	2,737
Investment earnings	3,000	3,000	3,445	445
Miscellaneous	88,300	469,274	144,026	(325,248)
Total Revenues	2,241,427	2,890,192	2,703,399	(186,793)
Expenditures				
Current:				
General government	897,556	889,206	889,458	(252)
Police	1,589,070	1,588,372	1,557,215	31,157
Fire	437,724	461,900	435,172	26,728
Animal control	25,200	25,200	25,200	-
Streets	775,281	1,021,746	858,849	162,897
Culture and recreation	661,592	1,056,869	962,026	94,843
Codes enforcement	45,439	49,219	60,350	(11,131)
Sanitation	220,000	220,000	240,928	(20,928)
Debt service:				
Principal	-	-	32,859	(32,859)
Interest	-	-	4,500	(4,500)
Total Expenditures	4,651,862	5,312,512	5,066,557	245,955
Excess (Deficiency) of Revenues over Expenditures	(2,410,435)	(2,422,320)	(2,363,158)	59,162
Other Financing Sources (Uses)				
Transfers In	83,373	2,360,692	2,322,181	(38,511)
Proceeds from lease	-	-	37,016	37,016
Sale of assets	10,000	10,000	3,961	(6,039)
Total Other Financing Sources (Uses)	93,373	2,370,692	2,363,158	(7,534)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(2,317,062)	(51,628)	-	51,628
Fund Balances - Beginning as previously reported	1,466,323	1,466,323	1,466,323	-
Fund Balances - End of Year	$ (850,739)	$ 1,414,695	$ 1,466,323	$ 51,628

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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Forfeitures	$ 7,980	$ 7,980	$ -	$ (7,980)
Investment earnings	20	20	17	(3)
Total Revenues	8,000	8,000	17	(7,983)
Expenditures				
Police	8,000	8,000	4,376	3,624
Total Expenditures	8,000	8,000	4,376	3,624
Excess of Revenues Over Expenditures	-	-	(4,359)	(4,359)
Net Change in Fund Balance	-	-	(4,359)	(4,359)
Fund Balance - Beginning of Year	20,568	20,568	20,568	-
Fund Balance - End of Year	$ 20,568	$ 20,568	$ 16,209	$ (4,359)

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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 575,000	$ 500,000	$ 523,242	$ 23,242
Miscelleneous	-	75,000	-	(75,000)
Total Revenues	575,000	575,000	523,242	(51,758)
Expenditures				
Capital outlays	575,000	575,000	376,962	198,038
Total Expenditures	575,000	575,000	376,962	198,038
Net Change in Fund Balance	-	-	146,280	146,280
Other Financing Sources (Uses)				
Transfers In(out)	-	-	(151,201)	(151,201)
Total Other Financing Sources (Uses)	-	-	(151,201)	(151,201)
Fund Balances - Beginning	440,774	440,774	440,774	-
Fund Balances - End of Year	$ 440,774	$ 440,774	$ 435,853	$ (4,921)

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 - HOTEL/MOTEL TAX
For theYear Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ -	$ 6,000	$ 5,751	$ (249)
Total Revenues	-	6,000	5,751	(249)
Expenditures				
Tourism	-	6,000	518	5,482
Total Expenditures	-	6,000	518	5,482
Excess of Revenues Over Expenditures	-	-	5,233	5,233
Net Change in Fund Balance	-	-	5,233	5,233
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 5,233	$ 5,233

See accompanying notes to basic financial statements.

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PROPRIETARY (ENTERPRISE) FUNDS

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Water & Sewer	Gas	Total
Assets			
Current Assets			
Cash and cash investments	$ -	$ 862,235	$ 862,235
Receivables, Net	528,394	305,295	833,689
Due from other funds	-	1,036,462	1,036,462
Prepaid expense	16,855	19,863	36,718
Inventories	152,203	60,966	213,169
Total Current Assets	697,452	2,284,821	2,982,273
Noncurrent Assets			
Restricted Assets			
Cash	640,813	82,107	722,920
Capital Assets			
Land and improvements	13,132	-	13,132
Construction in progress	45,356	10,771	56,127
Distribution and collection systems	47,924,422	5,449,639	53,374,061
Buildings	195,110	59,416	254,526
Equipment	1,160,223	454,858	1,615,081
Less accumulated depreciation	(29,818,184)	(4,670,997)	(34,489,181)
Total Noncurrent Assets	20,160,872	1,385,794	21,546,666
Total Assets	20,858,324	3,670,615	24,528,939
Deferred Outflows of Resources			
Deferred resources related to pension	107,881	91,988	199,869
Liabilities			
Current Liabilities			
Accounts payable	15,447	215,508	230,955
Interest payable	115,610	1,175	116,785
Retainage payable	-	42,398	42,398
Customer deposits	138,186	218,001	356,187
Due to other funds	33,992	-	33,992
Bonds, Notes, and Loans Payable	855,156	58,117	913,273
Total Current Liabilities	1,158,391	535,199	1,693,590
Noncurrent Liabilities			
Compensated absences	53,164	52,054	105,218
Net pension liability	524,430	447,170	971,600
Bonds, Notes and Loans Payable	9,070,152	768,037	9,838,189
Total Noncurrent Liabilites	9,647,746	1,267,261	10,915,007
Total Liabilties	10,806,137	1,802,460	12,608,597
Deferred Inflows of Resources			
Deferred resources related to pension	22,938	19,559	42,497
Total Deferred Inflows	22,938	19,559	42,497
Net Position			
Net investment in capital assets	9,594,751	477,533	10,072,284
Restricted			
Acquisition and construction of capital assets	82	-	82
Debt service	592,966	-	592,966
Unrestricted	(50,669)	1,463,051	1,412,382
Total Net Position	$ 10,137,130	$ 1,940,584	$ 12,077,714

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, 2017

	Water & Sewer	Gas	Total
Operating Revenues			
Charges for services	$ 4,291,859	$ 5,737,091	$ 10,028,950
Other	-	-	-
Total operating revenues	4,291,859	5,737,091	10,028,950
Operating Expenses			
Salaries, wages and employee benefits	1,278,722	780,279	2,059,001
Cost of gas for resale	-	3,222,635	3,222,635
Services and supplies	1,079,685	201,897	1,281,582
Administrative expense	82,358	108,386	190,744
Depreciation	703,167	48,555	751,722
Amortization	1,614	-	1,614
Total Operating Expenses	3,145,546	4,361,752	7,507,298
Operating Income	1,146,313	1,375,339	2,521,652
Nonoperating Revenues (Expenses)			
Investment income	644	84	728
Interest expense	(340,808)	(14,556)	(355,364)
Grant revenue	248,163	-	248,163
Gain on disposal of capital assets	3,000	-	3,000
Total Nonoperating Revenues (Expenses)	(89,001)	(14,472)	(103,473)
Income before other revenues	1,057,312	1,360,867	2,418,179
Capital contributions	232,151	16,124	248,275
Transfers out	(1,041,726)	(1,129,254)	(2,170,980)
Change in Net Position	247,737	247,737	495,474
Net Position - Beginning of Year	9,889,393	1,692,847	11,582,240
Net Position - End of Year	$ 10,137,130	$ 1,940,584	$ 12,077,714

See accompanying notes to basic financial statements.

CITY OF SUMMERVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Water & Sewer	Gas	Total
Cash Flows from Operating Activities			
Cash received from customers	$ 4,344,303	$ 5,698,113	$ 10,042,416
Cash payments to suppliers	(1,229,823)	(3,544,120)	(4,773,943)
Cash payments to employees for services	(1,281,181)	(783,929)	(2,065,110)
Net Cash Provided (Used) by Operating Activities	1,833,299	1,370,064	3,203,363
Cash Flows from Noncapital Financing Activities			
Transfer to other funds	(1,006,390)	(421,327)	(1,427,717)
Net Cash Provided(Used) by noncapital financing activities	(1,006,390)	(421,327)	(1,427,717)
Cash Flows from Capital and Related Financing Activities			
Proceeds from capital debt	111,245	651,543	762,788
Capital contributions	232,151	16,124	248,275
Grant revenue	248,163	-	248,163
Purchase of capital assets	(346,521)	(178,520)	(525,041)
Principal paid on capital debt	(786,243)	(622,081)	(1,408,324)
Interest paid on capital debt	(352,878)	(14,783)	(367,661)
Proceeds from sale of capital assets	3,000	-	3,000
Net Cash Provided (Used) by Capital and Related Financing Activites	(891,083)	(147,717)	(1,038,800)
Cash Flows from Investing Activities			
Interest on cash and cash investments	644	84	728
Increase (Decrease) in Cash and Cash Investments	(63,530)	801,104	737,574
Cash and Cash Investments - Beginning of Year	704,343	143,238	847,581
Cash and Cash Investments - End of Year	$ 640,813	$ 944,342	$ 1,585,155
Reconciliation of Income (Loss) from operations to net cash provided (used) by operating activities			
Operating Income (Loss)	$ 1,146,313	$ 1,375,339	$ 2,521,652
Depreciation	704,781	48,555	753,336
Change in operating assets and liabilities:			
(Increase) Decrease in accounts receivable	45,788	(31,116)	14,672
(Increase) Decrease in deferred outflows	75,223	71,498	146,721
(Increase) Decrease in inventory	52,189	(19,723)	32,466
(Increase) Decrease in deposits	(16,855)	(14,462)	(31,317)
Increase (Decrease) in accounts payable	(114,355)	29,173	(85,182)
Increase (Decrease) in customer deposits	6,656	(7,862)	(1,206)
Increase (Decrease) in deferred inflows	(15,944)	(15,157)	(31,101)
Increase (Decrease) in net pension liability	(50,497)	(66,181)	(116,678)
Net Cash Provided (Used) by Operating Activities	$ 1,833,299	$ 1,370,064	$ 3,203,363

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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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, 2017, 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**

B. 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.

Hotel/Motel Tax Fund – The Hotel/Motel tax fund accounts for the receipt of taxes collected to promote 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.

1. Summary of Significant Accounting Policies - continued

H. Capital Assets

Capital assets that cost more than $5,000 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.

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."

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

L. Fund Equity – continued

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.
- 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.

1. Summary of Significant Accounting Policies - continued

M. Deferred Outflows/Inflows of Resources – continued

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. Inventories 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.

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, 2017.

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, 2017, 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, 2017, 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	$ 141,784	$ 1,576,565	$ 1,718,349
Less: Allowance for Uncollectibles	(55,349)	(742,876)	(798,225)
Net Total Receivables	$ 86,435	$ 833,689	$ 920,124

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, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

Receivable Fund	Payable Fund	Amount
Gas Fund	General Fund	$ 1,036,462
General Fund	Water and Sewer	33,992
General Fund	Capital Projects	9,453
		$ 1,079,907

Transfers and Payments

Routine transfers and payments between funds are to subsidize operations and capital acquisitions. Interfund transfers for the year ending June 30, 2017 are as follows:

Source Fund	Transfer to Fund	Amount
Gas Fund	General Fund	$ 1,129,254
Water Fund	General Fund	1,041,726
		$ 2,170,980

6. Capital Assets

Governmental Activities:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital Assets not being Depreciated:				
Land	$ 929,590	$ -	$ -	$ 929,590
Construction in Progress	54,350	439,677	-	494,027
Total	983,940	439,677	-	1,423,617
Capital Assets being Depreciated:				
Infrastructure	232,004	-	-	232,004
Buildings	2,960,686	-	(75,293)	2,885,393
Improvements	311,790	-	-	311,790
Equipment	5,667,112	43,573	(16,801)	5,693,884
Total	9,171,592	43,573	(92,094)	9,123,071
Less Accumulated Depreciation:				
Infrastructure	(6,958)	(7,630)	-	(14,588)
Buildings	(2,246,797)	(41,981)	54,948	(2,233,830)
Improvements	(62,886)	(10,549)	-	(73,435)
Equipment	(3,173,786)	(211,007)	11,415	(3,373,378)
Total	(5,490,427)	(271,167)	66,363	(5,695,231)
Total Capital Assets being Depreciated, Net	3,681,165	(227,594)	(25,731)	3,427,840
Total Governmental Activities, Capital Assets, Net	$ 4,665,105	$ 212,083	$ (25,731)	$ 4,851,457

Business-type Activities:	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital Assets not being Depreciated:				
Land	$ 13,132	$ -	$ -	$ 13,132
Construction in Progress	2,355,915	453,028	(2,752,816)	56,127
Total	2,369,047	453,028	(2,752,816)	69,259
Capital Assets being Depreciated:				
Buildings	254,527	-	-	254,527
Systems	50,873,215	2,752,816	(251,970)	53,374,061
Equipment	1,551,322	73,738	(9,979)	1,615,081
Total	52,679,064	2,826,554	(261,949)	55,243,669
Less Accumulated Depreciation:				
Buildings	(81,038)	(8,706)	-	(81,744)
Systems	(32,987,672)	(639,833)	250,246	(33,377,259)
Equipment	(928,974)	(103,183)	9,979	(1,022,178)
Total	(33,997,684)	(751,722)	260,225	(34,489,181)
Total Capital Assets being Depreciated, Net	18,681,380	2,074,832	(1,724)	20,754,488
Total Business-type Activities Capital Assets, Net	$ 21,050,427	$ 2,527,860	$ (2,754,540)	$ 20,823,747

6. Capital Assets - continued

Depreciation for the year by functions was as follows:

General Government	$ 27,700	
Public Safety	18,930	
Fire	42,405	
Streets	30,721	
Recreation	149,744	
Animal Control	1,667	
Total Government Activities		$ 271,167
Water/Sewer		703,167
Gas		48,555
Total Business Activities		751,722
Total Depreciation		$ 1,022,889

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, 2017:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Capital Leases	$ 172,233	$ 37,016	$ 32,027	$ 177,222	$ 40,554
Compensated Absences	185,848	105,767	57,559	234,056	-
Total Governmental Activities	$ 358,081	$ 142,783	$ 89,586	$ 411,278	$ 40,554
Business-Type Activities:					
Capital Leases	$ 796,692	$ -	$ 620,209	$ 176,483	$ 34,806
Loans Payable	4,209,988	111,245	181,243	4,139,990	225,156
Revenue Bonds	6,400,000	651,543	606,872	6,444,671	653,311
Compensated Absences	94,322	66,199	55,304	105,217	-
Total Business-Type Activities	$ 11,501,002	$ 828,987	$ 1,463,628	$ 10,866,361	$ 913,273

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, 2017, $6,920,000 was considered defeased.

Revenue Bonds

On May 17, 2017, the City issued City of Summerville Junior Lien Combined Public Facility Revenue Bond, Series 2015. The principal face amount is $651,543, with monthly payments of $3,740 including interest at 3.375% with the first payment due June 2017. This bond was issued for the purpose of refinancing a lease for the gas meter swap project. This bond is secured by the revenues derived from operations of the utility system.

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 fully drawn down. Principal forgiveness of $122,000 was granted at time of project completion. This loan entered into repayment phase as of February 1, 2017; due in monthly installments of $5,246, bearing interest at .5%, with a maturity date of February 2, 2037.

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.

7. Long Term Debt - continued

The annual requirements to amortize the long-term debt as of June 30, 2017, including interest payments, are as follows:

	REVENUE BONDS		GEFA LOAN	
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2018	$ 653,311	$ 252,790	$ 225,156	$ 103,627
2019	684,110	226,854	231,353	97,430
2020	709,882	199,748	237,762	91,021
2021	735,790	171,508	244,396	84,387
2022	761,673	142,296	251,260	77,523
2023-2027	2,522,673	268,645	1,367,971	275,943
2028-2032	174,769	49,631	1,207,861	86,328
2033-2038	202,463	17,503	374,231	4,300
TOTAL	$ 6,444,671	$ 1,328,975	$ 4,139,990	$ 820,559

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 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. 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 were completed and have a cost of $154,464. The effective interest rate is 3.29%.

The City entered into a lease agreement with Branch Banking & Trust as lessee for financing the acquisition of a vehicle for the police department for $37,016. The effective interest rate is 3.92%.

Included are the following amounts applicable to capital leases:

Equipment	$ 694,873
Accumulated depreciation	(196,852)
Net leased property	$ 498,021

8. Lease Obligations - continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30	Governmental Activities	Business-type Activities
2018	$ 45,584	$ 39,762
2019	45,584	39,760
2020	45,583	39,761
2021	45,583	39,760
2022	8,224	15,615
2023-2024	8,224	16,838
Total Minimum Lease Payments	198,782	191,496
Less Amounts Representing Interest	(13,336)	(15,013)
Present Value of Future Minimum Lease Payments	$ 185,446	$ 176,483

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.

As of June 30, 2017, restricted assets consist of the following:

Governmental Activities:

Cash – Council Restricted	$ 875,059
Cash – Clean & Lien	21,856
Cash – Recreation Dept.	1,150
Cash – Debt Forgiveness	6
Cash – Capital Acquisitions/Improvements	104,106
Total	$ 1,002,177

Business-type Activities:

Cash – Customer Deposits	$ 87,474
Cash – Capital Acquisition/Improvements	42,480
Cash – Debt Service	592,966
Total	$ 722,920

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.

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, 2017, the estimated minimum annual contribution under these funding standards is $341,891.

According to the most recent annual plan valuation dated January 1, 2017, the recommended contribution to the plan for 2017 is $416,605 ($0 employee and $416,605 employer; 0% employee and 13.52% employer of covered payroll respectively), and for 2016 was $397,161 ($0 employee and $397,161 employer; 0% employee and 12.92% employer of covered payroll respectively). Covered payroll for 2017 and 2016 is $3,033,588 and $3,024,200 respectively.

Net Pension Liability

The City's net pension liability (NPL) was measured as of January 1, 2017, 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, 2016.

10. **Pension Plan - continued**

Net Pension Liability - continued

	Changes in Net Pension Liability		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2015	$ 11,148,313	$ 8,581,558	$ 2,566,755
Changes for the year:			
Service Cost	172,521	-	172,521
Interest	842,581	-	842,581
Differences between expected and actual experience	31,346	-	31,346
			-
Contributions-employer	-	338,286	(338,286)
Contributions-employee	-	-	-
Net investment income	-	948,841	(948,841)
Benefit payments, including refunds of employee contributions	(552,607)	(552,607)	-
Administrative expense	-	(15,129)	15,129
Other changes	-	-	-
Net changes	493,841	719,391	(225,550)
Balances at September 30, 2016	$ 11,642,154	$ 9,300,949	$ 2,341,205

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.

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	$ 3,833,095	$ 2,341,205	$ 1,104,172

10. **Pension Plan - continued**

Discount Rate - continued

As of January 1, 2017, employee membership data related to the current plan membership was as follows:

Retirees and beneficiaries receiving benefits	73
Terminated plan participants entitled to but not yet receiving benefits	25
Active plan participants	
Vested	46
Nonvested	40
Total number of plan participants	184

Significant Actuarial Assumptions

Actuarially determined contribution rates are calculated as of January 1, 2017

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	Entry age
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, 2017, the City recognized pension expense of $370,054. 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	$ 183,743	$ (40,687)
Changes of assumptions	-	(46,104)
Net difference between projected and actual earnings on pension plan investment	-	(15,611)
Contribution made after measurement date	297,871	-
Total	$ 481,614	$ (102,402)

$305,189 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year end June 30,	
2018	$ (3,994)
2019	82,797
2020	61,070
2021	(58,532)
Total	$ 81,341

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Nominal Real Rate of Return
Domestic equity	50%	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, 2017.

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 valued once every three years. The most recent valuation date is June 30, 2016. The number of participants as of June 30, 2017, 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
6/30/2017	$ 25,930	50.80%	$ 39,739	$ 13,173
6/30/2016	$ 25,930	50.80%	$ 39,739	$ 13,173
6/30/2015	$ 19,468	53.80%	$ 26,982	$ 10,474

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

Funding Policy - 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
7/1/2016	0	285,273	285,273	0%	N/A	N/A
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

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

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

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

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

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, 2017 are as follows:

Governmental Activities

The City is in the process of a sidewalk project which is being financed primarily from state funds. The City is also in the process of rebuilding the Fairway Recreation Center primarily from insurance proceeds.

Business-type Activities

The City is in the process of performing improvements to the sewer system. This project is being financed by CDBG grant funds.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SUMMERVILLE, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2017

Pension Benefit Plan
Schedule of Funding Progress

Actuarial Valuation For Plan Year Beginning January 1, 2017	(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
2017	$ 9,713,687	$ 10,592,478	$ 878,791	91.70%	$ 3,033,588	28.97%
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, 2017

	2017	2016	2015
Total Pension Liability			
Service cost	$ 172,521	$ 185,550	$ 158,648
Interest	842,581	785,178	781,253
Difference between expected and actual experience	31,346	320,465	(162,749)
Change of assumptions	-	-	(184,416)
Benefit payments, including refunds of employee contributions	(552,607)	(548,419)	
	-	-	(535,764)
Net Change in Total Pension Liability	493,841	742,774	56,972
Total Pension Liability - Beginning	11,148,313	10,405,539	10,348,567
Total Pension Liability - Ending (a)	$ 11,642,154	$ 11,148,313	$ 10,405,539
Plan Fiduciary Net Position			
Contributions-employer	$ 338,286	$ 394,654	$ 371,069
Contributions-employee	-	-	-
Net investment income	948,841	104,743	899,328
Benefit payments, including refunds of employee contributions	(552,607)	(548,419)	(535,764)
Administrative expense	(15,129)	(16,925)	(13,403)
Other	-	-	-
Net Change in plan fiduciary net position	719,391	(65,947)	721,230
Plan fiduciary net position-beginning	8,581,558	8,647,505	7,926,275
Plan fiduciary net position-ending (b)	$ 9,300,949	$ 8,581,558	$ 8,647,505
Net pension liability-ending (a-b)	$ 2,341,205	$ 2,566,755	$ 1,758,034
Plan fiduciary net position as a percentage of the total pension liability	79.89%	76.98%	83.10%
Covered-employee payroll	3,033,588	3,024,200	2,527,517
Net pension liability as a percentage of covered-employee payroll	77.18%	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, 2017

		2017	2016	2015
Actuarially determined contribution	*	$ -	$ 366,227	$ 400,339
Contributions in relation to the actuarially determined contribution	*	-	335,708	467,971
Contribution deficiency (excess)	*	$ -	$ 30,519	$ (67,632)
Covered-employee payroll	*	$ -	$ 3,024,200	$ 2,527,517
Contributions as a percentage of covered-employee payroll	*	0.0%	11.1%	18.52%

Notes to Schedule

*2017 information will be determined after fiscal year end and will be included in 2018 valuation report

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
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	3.25
Salary increases	3.25%, plus service based merit increases
Investment rate of return	7.75%,

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COMPLIANCE SECTION

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

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

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, 2017, 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 29, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. 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 17-01.

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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 29, 2017

CITY OF SUMMERVILLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2017

Financial Statement Findings

FS17-01 **Criteria:** Segregation of employee's duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of certain duties. With regard to segregation of duties, critical duties can be categorized in four types of functions: 1) authorization; 2) custody; 3) record keeping; and 4) reconciliation. In a perfect system, no one person should handle more than one type of function.

When duties cannot be separated, compensating controls should be in place. Compensating controls is an internal control that is intended to reduce the risk of an existing or potential control weakness.

Condition: There is lack of appropriate segregation of duties and a lack of appropriate reviews and approvals of transactions in some offices of the City. In the police department one person had total control over the confiscated account. She made deposits, withdrawals, received bank statements, reconciled bank statements and gave detail transactions to be recorded in the City's general ledger. There was no oversight, reviews or monitoring in place.

Cause: The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

Effect: Without the implementation of the above internal control functions there is an increased risk of the misappropriation of funds. There were not procedures in place for routine reviews or monitoring of the accounting records on a daily, monthly or annual basis. Therefore, funds were misappropriated and went undetected.

Recommendation: We recommend procedures be implemented which would provide for improved internal controls in the above areas. We also 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 have implemented procedures to improve our accounting system as well as separating duties of our employees when possible. 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, 2017

Projects	Original Estimated Cost	Revised Estimated Cost	Prior Years	Current Year	Total	Current Non-SPLOST Expenditures on SPLOST Projects
2014 SPLOST						
Admin	$ -	$ -	$ -	$ -	$ -	$ -
Public Safety	-	-	97,394	11,948	109,342	-
Public Works	-	-	36,565	106,181	142,746	-
Recreation	-	-	240,405	10,557	250,962	-
Water and Sewer	-	-	557,256	232,152	789,408	-
Gas	-	-	281,542	16,124	297,666	-
Total	$ 4,290,000	$ 4,290,000	$ 1,213,162	$ 376,962	$ 1,590,124	$ -