*CITY OF SYLVANIA, GEORGIA*

*AUDIT OF*
*FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED*
*DECEMBER 31, 2016*

*City of Sylvania, Georgia*
*Annual Financial Report*
*For the Year Ended December 31, 2016*

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# INDEPENDENT AUDITORS' REPORT

To the Mayor and Council
City of Sylvania, Georgia

**Report on the Financial Statements**
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sylvania, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

**Auditors' 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sylvania, Georgia, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-14, the budgetary comparison information on pages 51-53, and the schedule of changes in net pension liability and related ratios, schedule of contributions and schedule of funding progress information on pages 54-56 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvania, Georgia's basic financial statements. The combining and individual fund statements, the schedule of Hotel/Motel Tax and the schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds (pages 57 through 82) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included on pages 57 through 82 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 June 28, 2017, on our consideration of City of Sylvania, Georgia's internal control over financial reporting and 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 the 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 Sylvania, Georgia's internal control over financial reporting and compliance.

Cairns, Hodges & Company, P.C.

June 28, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Sylvania, Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2016. We discuss and analyze the City's financial performance within the context of the accompanying financial statements and disclosures following this section.

**Financial Highlights**

- The City's assets exceeded its liabilities by $9,507,115 (net position) for the calendar year reported.
- Total net position is comprised of the following:
  (1) Net investment in capital assets, of $8,469,186 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $1,185,824 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net deficit of $147,895, which is caused by the recording $1.8 million in net pension liability and $464,000 in post-employment benefits other than pensions.
- The City's governmental funds reported total ending fund balance of $2,229,704 this year. This compares to the prior year ending fund balance of $2,196,773 showing an increase of $32,931 during the current year. Unassigned general fund balance of $1,017,652 for calendar year 2016 shows an increase of $15,635 from the prior year balance.
- At the end of the current calendar year, unassigned fund balance for the General Fund was $1,017,652 or 34% of total General Fund expenditures.
- Overall, the City's financial position has declined due to the decline in the electric utility but due to reductions has begun to stabilize.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

**Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

***Government-wide Financial Statements***

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position.* This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities,* which reports how the City's net position changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or

paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by property taxes and sales taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and streets. Business-type activities include the water and sewer system, the electric system, the gas system and sanitation services.

The government-wide financial statements are presented on pages 15 & 16 of this report.

***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 17-20 of this report.

Individual fund information for non-major governmental funds is found in combining and individual fund statements in a later section of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. The four City proprietary funds are classified as enterprise funds. The enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer, gas and electric utilities and sanitation services.

The basic enterprise fund financial statements are presented on pages 21-24 of this report.

***Notes to the Basic Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning some of the City's budget presentations as well as some comparative information. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 57.

**Financial Analysis of the City as a Whole**

The City's net position at December 31, 2016, is $9,507,115. The following table provides a summary of the City's net position:

**Summary of Net Assets**

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Assets: | | | | | | |
| Current assets | $ 1,289,352 | $ 7,004,673 | $ 8,294,025 | $ 1,378,500 | $ 6,992,659 | $ 8,371,159 |
| Restricted assets | 1,177,806 | 742 | 1,178,548 | 1,148,511 | 735 | 1,149,246 |
| Capital assets | 3,160,343 | 7,196,011 | 10,356,354 | 3,116,902 | 7,290,278 | 10,407,180 |
| Total assets | 5,627,501 | 14,201,426 | 19,828,927 | 5,643,913 | 14,283,672 | 19,927,585 |
| Deferred outflows of resources - pension | 368,385 | 257,715 | 626,100 | 266,866 | 187,725 | 454,591 |
| Liabilities: | | | | | | |
| Current liabilities | 233,530 | 6,410,698 | 6,644,228 | 341,170 | 5,846,323 | 6,187,493 |
| Long-term liabilities | 1,344,688 | 2,880,416 | 4,225,104 | 1,256,424 | 2,715,540 | 3,971,964 |
| Total liabilities | 1,578,218 | 9,291,114 | 10,869,332 | 1,597,594 | 8,561,863 | 10,159,457 |
| Deferred inflows of resources - pension | 46,238 | 32,342 | 78,580 | 62,833 | 44,199 | 107,032 |
| Net position: | | | | | | |
| Net investment in capital assets | 3,104,402 | 5,364,784 | 8,469,186 | 3,045,740 | 5,535,999 | 8,581,739 |
| Restricted | 1,185,082 | 742 | 1,185,824 | 1,177,680 | 735 | 1,178,415 |
| Unrestricted | 81,946 | (229,841) | (147,895) | 26,932 | 328,601 | 355,533 |
| Total net position | $ 4,371,430 | $ 5,135,685 | $ 9,507,115 | $ 4,250,352 | $ 5,865,335 | $ 10,115,687 |

The City continues to maintain an adequate current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 5.53 to 1, which is an increase from 2015 due to a decrease in accounts payable and capital lease payable. For business-type activities, the current ratio is 1.10 to 1 due to an increase in accounts payable. For the City overall, the current ratio is 1.25 to 1.

The City reported positive balances in net position for governmental and business-type activities. Net position increased $121,078 for governmental activities and decreased $729,850 for business-type activities. The City's overall financial position has been declining and the City continues to be threatened financially due to the volatility in the energy market, which could result in a decrease in the operating profits of the electric and gas utilities.

Note that approximately 71% of the governmental activities' net position is invested in capital. The City uses these capital assets to provide services to its citizens. However, with business type activities, the City has invested approximately 105% of its net position in capital. Capital assets in the business-type activities also provide utility services, but they also generate revenues for this fund. Eighty-nine percent of the City's total net position is included in capital assets.

The following table provides a comparative summary of the City's changes in net position:

**Summary of Changes in Net Position**

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Percentage of Total | Governmental Activities | Business-type Activities | Total | Percentage of Total |
| Revenues: | | | | | | | | |
| Program: | | | | | | | | |
| Charges for services | $ 260,786 | $ 31,915,926 | $ 32,176,712 | 95.9% | $ 252,463 | $ 32,237,318 | $ 32,489,781 | 94.5% |
| Operating grants | 74,273 | | 74,273 | 0.2% | 313,139 | | 313,139 | 0.9% |
| Capital grants and other | 311,229 | 80,170 | 391,399 | 1.2% | 243,201 | 435,193 | 678,394 | 2.0% |
| General: | | | | | | | | |
| Taxes | 839,441 | | 839,441 | 2.5% | 855,584 | | 855,584 | 2.5% |
| Other | 29,947 | 29,109 | 59,056 | 0.2% | 30,170 | 20,651 | 50,821 | 0.1% |
| Total revenues | 1,515,676 | 32,025,205 | 33,540,881 | 100% | 1,694,557 | 32,693,162 | 34,387,719 | 100% |
| Program expenses: | | | | | | | | |
| General government | 529,714 | | 529,714 | 1.6% | 626,048 | | 626,048 | 1.8% |
| Judicial | 69,540 | | 69,540 | 0.2% | 59,816 | | 59,816 | 0.2% |
| Public safety - fire | 589,749 | | 589,749 | 1.7% | 719,263 | | 719,263 | 2.1% |
| Public safety - police | 940,150 | | 940,150 | 2.8% | 980,633 | | 980,633 | 2.8% |
| Public safety - animal control | 10,957 | | 10,957 | 0.0% | 16,385 | | 16,385 | 0.0% |
| Public works - streets | 403,115 | | 403,115 | 1.2% | 440,879 | | 440,879 | 1.3% |
| Public works - garage | 181,770 | | 181,770 | 0.5% | 160,666 | | 160,666 | 0.5% |
| Public works - airport infrastru | 6,051 | | 6,051 | | | | | |
| Health and welfare | 146,797 | | 146,797 | 0.4% | 143,208 | | 143,208 | 0.4% |
| Culture and recreation | 27,985 | | 27,985 | 0.1% | 32,152 | | 32,152 | 0.1% |
| Housing and development | 65,335 | | 65,335 | 0.2% | 58,285 | | 58,285 | 0.2% |
| Interest | 2,071 | | 2,071 | 0.0% | 3,702 | | 3,702 | 0.0% |
| Water and sewer | | 1,092,907 | 1,092,907 | 3.2% | | 986,926 | 986,926 | 2.8% |
| Electric | | 27,129,637 | 27,129,637 | 79.4% | | 27,054,900 | 27,054,900 | 77.1% |
| Gas | | 2,506,535 | 2,506,535 | 7.3% | | 3,316,840 | 3,316,840 | 9.5% |
| Solid waste | | 447,140 | 447,140 | 1.3% | | 474,212 | 474,212 | 1.4% |
| Total expenses | 2,973,234 | 31,176,219 | 34,149,453 | 100% | 3,241,037 | 31,832,878 | 35,073,915 | 100% |
| Excess (deficiency) | (1,457,558) | 848,986 | (608,572) | | (1,546,480) | 860,284 | (686,196) | |
| Transfers | 1,578,636 | (1,578,636) | - | | 1,534,702 | (1,534,702) | - | |
| Change in net position | 121,078 | (729,650) | (608,572) | | (11,778) | (674,418) | (686,196) | |
| Beginning net position - as restated for 2015 | 4,250,352 | 5,865,335 | 10,115,687 | | 4,262,130 | 6,539,753 | 10,801,883 | |
| Ending net position | $ 4,371,430 | $ 5,135,685 | $ 9,507,115 | | $ 4,250,352 | $ 5,865,335 | $ 10,115,687 | |

## GOVERNMENTAL REVENUES

The City has a diversified revenue stream. The City is heavily reliant on property taxes to support governmental operations and capital. Property taxes provided only 23% of the City's total governmental revenues. Local option sales taxes are the second largest revenue source with approximately $177 thousand of revenues or 12% of the total. The insurance premium taxes generate $163,088 and $105,011 from alcohol taxes. Also, note that program revenues cover approximately 22% of governmental operating expenses. This means that the government's taxpayers, the City's other general governmental revenues, and transfers from business-type activities fund 78% of the governmental activities. As a result, the general economy and the City businesses have a major impact on the City's revenue streams.

## GOVERNMENTAL FUNCTIONAL EXPENSES

The police function spends about 32% of the governmental funds budget; the fire function spends about 19% of the governmental funds budget; and the street's function spends about 14% of the total governmental funds budget.

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that has been placed on the City's taxpayers by each of these functions.

**Governmental Activities**

| | Total Cost of Services | Net Cost of Services |
|---|---|---|
| General government | $ 529,714 | $ 308,483 |
| Judicial | 69,540 | 69,540 |
| Public safety - fire | 589,749 | 479,600 |
| Public safety - police | 940,150 | 761,727 |
| Public safety - animal control | 10,957 | 10,957 |
| Public works - streets | 403,115 | 355,691 |
| Public works - garage | 181,770 | 181,770 |
| Public works - airport infrastructure | 6,051 | 6,051 |
| Health and welfare | 146,797 | 58,095 |
| Cultural and recreation | 27,985 | 27,726 |
| Housing and development | 65,335 | 65,235 |
| Interest | 2,071 | 2,071 |
| Total | $ 2,973,234 | $ 2,326,946 |

After reducing gross expenses by program revenues, the police function totals 33% of the net cost of services and the fire function totals 20% of these costs. Finally, the street function is 15% of the total.

## BUSINESS-TYPE ACTIVITIES
### Revenues vs. Costs

The operating revenues for the utility funds were 2% below 2015 and operating expenses were 2% below 2015. Within the total business type activities of the City, these activities reported $1,132,540 in operating income compared to operating income of $603,777 in the prior year, which is an increase of 87% from 2015.

However, after transfers in and out between other funds and non-operating revenues and expenses, these funds reported a decrease in net position of $729,650 in 2016 compared to net decrease in net position of $674,418 in 2015. Each specific fund reported the following changes in net position:

| | 2016 Amounts | 2015 Amounts |
|---|---|---|
| Water and sewer fund | $ 130,337 | $ 247,854 |
| Electric utility fund | (823,909) | (906,815) |
| Gas utility fund | (71,573) | (99,889) |
| Solid Waste Collection fund | 35,495 | 84,432 |

Water and sewer has operating income for 2016 of $114,795, which is a decrease of $3,613 from 2015. During 2016, the revenues were 8.5% higher due to an increase in rates. The 2016 expenses increased 10%.

The electric utility fund reported an increase in revenues of 1.9% or $506 thousand. This increase is due to an increase in rates. Expenses reported a decrease of less than 1% or approximately $110 thousand. The decrease in expenses relates to a decrease in electricity purchased. The electricity utility transferred approximately $1.3 million to other funds. Transfers between the utility funds and the general fund are common since all operating cash (i.e., receipts and disbursements) are recorded and included in the general fund. The interfund transfer is a function of activity and is forced to balance based on cash activity in individual funds.

The gas utility fund operating revenue decreased in calendar year 2016 by approximately $918 thousand or 26% and operating expenses decreased approximately $810 thousand or 24%. Operating revenues and expenses decreased due to decreased demand, especially from industrial customers. This fund transferred $212,555 to the other funds as explained above.

The solid waste collection fund operating revenue decreased in calendar year 2016 by $3,117 and operating expenses decreased $26,581 or 5.6%. The decrease in the fund's expenses is due to a decrease in employee benefits.

## Financial Analysis of the City's Funds

### *Governmental Funds*

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $2,229,704. Of this year-end total, $1,017,652 is unassigned indicating availability for continuing City service requirements and $1,188,547 is legally restricted for program purposes.

The total ending fund balances of governmental funds shows an increase of $32,931 compared to a increase of $95,276 in the prior year amount. This increase is due to an increase in interfund transfers.

*Major Governmental Funds*

The general fund is the City's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance increased by approximately $25 thousand. In calendar year 2015, the fund balance increased by approximately $182 thousand.

Overall, general fund revenues were 11% below the 2015 revenues. Total taxes decreased $11,175 from calendar 2015. This decrease was due to property reassessments. General fund licenses and permits increased $3,069 when compared to calendar 2015. Intergovernmental decreased $167,838 from calendar 2015 due to an intergovernmental agreement with the county for fire protection that was terminated

On the expenditure side, the 2016 expenditures decreased $64,480 below the 2015 amount. The judicial function had an increase in expenditures of 17% due to an increase in citations issued. The police and fire functions remained relatively the same as compared to 2015. The street function's expenditures increased 5% when compared to 2015 due to an increase in repairs & maintenance.

The General Fund's ending fund balance increased 3%, and represents the equivalent of 35% of annual expenditures.

***The Proprietary Funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The analysis is presented above.

**Budgetary Highlights**

***The General Fund*** –The City realized 110% of the final revenue budget. Taxes were below budget because title ad valorem tax was lower than budgeted. Fines and forfeitures were above budget due to a higher number of citations written. Intergovernmental revenues were higher due to a FEMA firefighter grant.

The City spent 98% of the appropriated budget.

**Capital Assets and Debt Administration**

*Capital Assets*

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2016, was $3,104,402 and $5,364,784 respectively. The represents a 0.2% increase in net investment for governmental-type and a 3% decrease for business-type activities. The overall decrease was approximately 2% for the City as a whole. See Note 7 for additional information about changes in capital assets during the calendar year and on hand at the end of the year. The following table provides a summary of capital asset activity.

*Continued on next page.*

| | Capital Assets | | | | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | | Business - Type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Non-depreciable assets: | | | | | | |
| Land | $ 278,506 | $ 278,506 | $ 23,057 | $ 23,057 | $ 301,563 | $ 301,563 |
| Construction in progress | - | - | 30,099 | 2,223,112 | 30,099 | 2,223,112 |
| | 278,506 | 278,506 | 53,156 | 2,246,169 | 331,662 | 2,524,675 |
| Depreciable assets: | | | | | | |
| Buildings | 2,111,561 | 2,111,561 | - | - | 2,111,561 | 2,111,561 |
| Land and building improvements | 130,913 | 130,913 | - | - | 130,913 | 130,913 |
| Machinery and equipment | 641,477 | 531,567 | - | - | 641,477 | 531,567 |
| Vehicles | 1,142,001 | 1,111,564 | - | - | 1,142,001 | 1,111,564 |
| Furniture and fixtures | 89,483 | 89,483 | - | - | 89,483 | 89,483 |
| Infrastructure | 2,962,427 | 2,851,326 | - | - | 2,962,427 | 2,851,326 |
| Water system | - | - | 9,942,696 | 7,194,098 | 9,942,696 | 7,194,098 |
| Electric system | - | - | 5,282,577 | 5,269,677 | 5,282,577 | 5,269,677 |
| Gas system | - | - | 990,781 | 990,781 | 990,781 | 990,781 |
| Solid waste operations | - | - | 558,636 | 558,636 | 558,636 | 558,636 |
| Total depreciable assets | 7,077,862 | 6,826,414 | 16,774,690 | 14,013,192 | 23,852,552 | 20,839,606 |
| Less accumulated depreciation | 4,196,025 | 3,988,018 | 9,631,835 | 8,969,084 | 13,827,860 | 12,957,102 |
| Book value - depreciable assets | 2,881,837 | 2,838,396 | 7,142,855 | 5,044,108 | 10,024,692 | 7,882,504 |
| Percentage depreciated | 59% | 58% | 57% | 64% | 58% | 62% |
| Book value - all assets | $ 3,160,343 | $ 3,116,902 | $ 7,196,011 | $ 7,290,277 | $ 10,356,354 | $ 10,407,179 |

At December 31, 2016, the depreciable capital assets for governmental activities were 59% depreciated compared to 58% at December 31, 2015.

With the City's business type activities, 57% of the asset values were depreciated at December 31, 2016, compared to 64% at December 31, 2015.

***Long-term Debt***

At the end of the calendar year, the City had capital lease obligations outstanding of $55,940 for governmental activities and $171,670 outstanding for business-type activities. The business type activities also owed $1,659,557 in GEFA notes payable.

During the year, the City retired $73,512 of outstanding capital lease obligations and incurred $13,700 in new capital lease obligations.

| | Governmental Activities | | Business-type Activities | | Totals | | % |
|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | Change |
| Capital leases | $ 55,940 | $ 71,162 | $ 171,670 | $ 216,260 | $ 227,610 | $ 287,422 | -21% |
| Notes | - | - | 1,659,557 | 1,538,019 | 1,659,557 | 1,538,019 | 8% |
| Total | $ 55,940 | $ 77,343 | $ 1,831,227 | $ 59,584 | $ 1,887,167 | $ 1,825,441 | 3% |

See Note 12 for additional information about the City's long-term debt.

**Economic Conditions Affecting the City**

The City is physically located in the southeastern portion of the State of Georgia. The 2010 US Census reported the City's population as 2,605, which is a slight decrease from year 2000. The population in the City is projected by the Coastal Georgia Regional Development Center to grow by 43 percent in the next ten years. This anticipated growth will challenge City leaders to not only maintain the quality of life Sylvania citizens expect, but will bring confronting issues.

The City is the county seat for Screven County, Georgia. The County's median household income is $32,155 according to the 2010 US Census. In 2016, Screven County's unemployment rate was 6.7%. In Georgia, the unemployment rate for the same period was 5.1%.

Since the City relies primarily on property and sales taxes for its operating revenue, changes in the economy definitely affect these revenue streams. Since sales taxes are an "elastic revenue stream" in a sluggish economy, the sales tax revenues are reduced immediately. Property taxes are considered "inelastic" in the short-term; this revenue stream is more stable. Fortunately, the City, because of its revenue stream make-up, has been able to survive financially in a slow economy.

The City's electric utility fund sells an estimated 76% of its power to industrial customers, with 69% of total sales from one customer. Since the gross profit from these industrial customers has decreased it has caused the City to reevaluate programs and services. The 2013 budget was significantly reduced to address the significant decrease in revenues and most of those cost reductions continued in 2016.

The County per capita personal income in 2014 was $18,650, which is 75% of the State of Georgia's per capita personal income. Per capita income is total personal income (including wages, dividends, interest, rent, and government payments) divided by the total population. It is commonly used as an indicator of the quality of consumer markets and the economic well being of a community.

From an economic development perspective, the City continues success through our Downtown Development Authority (DDA). The DDA has been recognized by the National Trust for Historic Places for seven years for having met all the standards for certification. The City is constantly trying to secure funding to replace the City's aging infrastructure. In 2014, the City was awarded a Community Development Block Grant for sewer line improvements and again in 2016. In 2015, $1.7 million of improvements were made to the wastewater treatment plant through a GEFA loan. Manufacturing plays an important role in the fabric of the City and in 2016 KOYO Bearings added a new line which in turn brought their employment numbers up to 446. This was an additional 30 jobs. Also in 2016, ELK Industries announced the opening of a distribution warehouse for their lighting products. This company is located within the city limits and the city supplies utilities. Other industries leading job growth in the City include professional, scientific, management and administration jobs.

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Manager at:

City of Sylvania
104 South Main Street
Sylvania, GA 30467

**City of Sylvania, Georgia**
*Statement of Net Position*
*December 31, 2016*

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 1,013,540 | $ 142,263 | $ 1,155,803 | $ 31,308 |
| Investments | | 3,021,529 | 3,021,529 | |
| Receivables | | | | |
| Accounts | 75,999 | 3,820,941 | 3,896,940 | |
| Property taxes | 101,592 | | 101,592 | |
| Other | 7,625 | | 7,625 | |
| Interest | 1,471 | | 1,471 | |
| Notes | 65,620 | | 65,620 | |
| Prepaid items | 23,505 | 19,940 | 43,445 | |
| **Restricted assets** | | | | |
| Cash | 1,177,806 | | 1,177,806 | |
| Investments | | 742 | 742 | |
| **Capital assets** (Note 7) | | | | |
| Nondepreciable capital assets | 278,506 | 53,156 | 331,662 | |
| Depreciable capital assets, net | 2,881,837 | 7,142,855 | 10,024,692 | |
| **Total assets** | 5,627,501 | 14,201,426 | 19,828,927 | 31,308 |
| **Deferred outflows of resources** | | | | |
| Pension: | | | | |
| Difference between expected and actual experience | 103,249 | 72,230 | 175,479 | |
| Difference between projected and actual earnings on investments | 119,600 | 83,670 | 203,270 | |
| Contributions after measurement date | 145,536 | 101,815 | 247,351 | |
| **Total deferred outflows of resources** | 368,385 | 257,715 | 626,100 | 0 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | 106,840 | 5,949,321 | 6,056,161 | |
| Accrued salaries and wages | 11,558 | 7,914 | 19,472 | |
| Sales tax payable | | 18,321 | 18,321 | |
| Accrued interest payable | 306 | 2,931 | 3,237 | |
| Unearned revenue | 32,655 | | 32,655 | |
| Customer deposits payable | | 266,670 | 266,670 | |
| Compensated absences payable | 57,058 | 51,412 | 108,470 | |
| Post-employment benefits payable | 8,268 | | 8,268 | |
| Capital leases payable | 16,845 | 43,675 | 60,520 | |
| Notes payable | | 70,454 | 70,454 | |
| **Long-term liabilities** (Note 11) | | | | |
| Compensated absences payable (net of current portion) | 69,592 | 116,915 | 186,507 | |
| Net pension liability | 1,074,751 | 751,880 | 1,826,631 | |
| Post-employment benefits payable (net of current portion) | 161,249 | 294,523 | 455,772 | |
| Capital leases payable (net of current portion) | 39,096 | 127,995 | 167,091 | |
| Notes payable (net of current portion) | | 1,589,103 | 1,589,103 | |
| **Total liabilities** | 1,578,218 | 9,291,114 | 10,869,332 | 0 |
| **Deferred inflows of resources** | | | | |
| Pension: | | | | |
| Difference between expected and actual experience | 24,751 | 17,313 | 42,064 | |
| Changes of assumptions | 21,487 | 15,029 | 36,516 | |
| **Total deferred inflows of resources** | 46,238 | 32,342 | 78,580 | 0 |
| **Net Position** | | | | |
| Net investment in capital assets ( Note 15) | 3,104,402 | 5,364,784 | 8,469,186 | |
| Restricted for MEAG power generation | | 742 | 742 | |
| Restricted for program purposes | 1,185,082 | | 1,185,082 | 31,308 |
| Unrestricted | 81,946 | (229,841) | (147,895) | |
| **Total net position** | $ 4,371,430 | $ 5,135,685 | $ 9,507,115 | $ 31,308 |

The accompanying notes are an integral part of the financial statements.

**City of Sylvania, Georgia**
***Statement of Activities***
***For the Year Ended December 31, 2016***

| Function/Program | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants, Contributions and Interest | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Primary Government: Business-Type Activities | Primary Government: Total | Component Unit |
|---|---|---|---|---|---|---|---|---|
| **Primary government** | | | | | | | | |
| **Governmental activities** | | | | | | | | |
| General government | $ 529,714 | $ 70,144 | | $ 151,087 | $ (308,483) | | $ (308,483) | |
| Judicial | 69,540 | | | | (69,540) | | (69,540) | |
| Public safety | | | | | | | | |
| Fire | 589,749 | | | 110,149 | (479,600) | | (479,600) | |
| Police | 940,150 | 161,723 | | 16,700 | (761,727) | | (761,727) | |
| Animal control | 10,957 | | | | (10,957) | | (10,957) | |
| Public works | | | | | | | | |
| Streets | 403,115 | 14,390 | | 33,034 | (355,691) | | (355,691) | |
| Garage | 181,770 | | | | (181,770) | | (181,770) | |
| Airport infrastructure | 6,051 | | | | (6,051) | | (6,051) | |
| Health and welfare | 146,797 | 14,429 | $ 74,273 | | (58,095) | | (58,095) | |
| Culture and recreation | 27,985 | | | 259 | (27,726) | | (27,726) | |
| Housing and development | 65,335 | 100 | | | (65,235) | | (65,235) | |
| Interest | 2,071 | | | | (2,071) | | (2,071) | |
| **Total governmental activities** | 2,973,234 | 260,786 | 74,273 | 311,229 | (2,326,946) | $ 0 | (2,326,946) | |
| **Business-type activities** | | | | | | | | |
| Water and sewer | 1,092,907 | 1,180,366 | | 80,170 | | 167,629 | 167,629 | |
| Electric utility | 27,129,637 | 27,603,143 | | | | 473,506 | 473,506 | |
| Nonmajor proprietary | 2,953,675 | 3,132,417 | | | | 178,742 | 178,742 | |
| **Total business-type activities** | 31,176,219 | 31,915,926 | 0 | 80,170 | 0 | 819,877 | 819,877 | |
| **Total primary government** | $ 34,149,453 | $ 32,176,712 | $ 74,273 | $ 391,399 | (2,326,946) | 819,877 | (1,507,069) | |
| **Component Unit** | | | | | | | | |
| Downtown Development Authority of Sylvania | $ 41,935 | $ 12,279 | $ 26,115 | $ 0 | | | | $ (3,541) |
| **General Revenues** | | | | | | | | |
| Property taxes levied for general government purposes | | | | | 347,401 | | 347,401 | |
| Local option sales and use taxes | | | | | 177,291 | | 177,291 | |
| Insurance premium taxes | | | | | 163,088 | | 163,088 | |
| Alcohol taxes | | | | | 105,011 | | 105,011 | |
| Hotel-motel taxes | | | | | 15,297 | | 15,297 | |
| Franchise taxes | | | | | 31,353 | | 31,353 | |
| Investment earnings | | | | | 6,392 | 29,109 | 35,501 | |
| Miscellaneous | | | | | 23,555 | | 23,555 | |
| **Total general revenues** | | | | | 869,388 | 29,109 | 898,497 | 0 |
| **Transfers** | | | | | 1,578,636 | (1,578,636) | 0 | |
| **Total general revenues and transfers** | | | | | 2,448,024 | (1,549,527) | 898,497 | 0 |
| **Change in net position** | | | | | 121,078 | (729,650) | (608,572) | (3,541) |
| **Net position beginning of year** | | | | | 4,250,352 | 5,865,335 | 10,115,687 | 34,849 |
| **Net position end of year** | | | | | $ 4,371,430 | $ 5,135,685 | $ 9,507,115 | $ 31,308 |

The accompanying notes are an integral part of the financial statements.

**City of Sylvania, Georgia**
***Balance Sheet***
***Governmental Funds***
***December 31, 2016***

| | General | UDAG | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 1,013,540 | | | $ 1,013,540 |
| Restricted cash and cash equivalents | 3,465 | $ 895,763 | $ 278,578 | 1,177,806 |
| Receivables: | | | | |
| Accounts | 75,165 | | 834 | 75,999 |
| Property taxes | 101,592 | | | 101,592 |
| Other | 7,625 | | | 7,625 |
| Notes | | 65,620 | | 65,620 |
| Interest | 1,471 | | | 1,471 |
| Interfund balances | 31,970 | | 1,826 | 33,796 |
| Prepaid items | 23,505 | | | 23,505 |
| **Total assets** | $ 1,258,333 | $ 961,383 | $ 281,238 | $ 2,500,954 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 81,271 | | $ 25,569 | $ 106,840 |
| Accrued expenditures | 11,558 | | | 11,558 |
| Interfund balances | 1,826 | | 31,970 | 33,796 |
| Unearned revenues | 32,655 | | | 32,655 |
| **Total liabilities** | 127,310 | $ 0 | 57,539 | 184,849 |
| **Deferred inflows of resources** | 86,401 | | | 86,401 |
| **Total liabilities and deferred inflows of resources** | 213,711 | 0 | 57,539 | 271,250 |
| **Fund balances** | | | | |
| Nonspendable - prepaid items | 23,505 | | | 23,505 |
| Restricted for: | | | | |
| Capital projects | | | 220,891 | 220,891 |
| Public safety | | | 2,808 | 2,808 |
| Recreation | 3,465 | | | 3,465 |
| Housing and development | | 961,383 | | 961,383 |
| Unassigned | 1,017,652 | | | 1,017,652 |
| **Total fund balances** | 1,044,622 | 961,383 | 223,699 | 2,229,704 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 1,258,333 | $ 961,383 | $ 281,238 | $ 2,500,954 |

The accompanying notes are an integral part of the financial statements.

**City of Sylvania, Georgia**
***Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position***
***December 31, 2016***

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 2,229,704 |
| **Amounts reported for governmental activities in the statement of net position are different because:** | | |
| Property taxes are deferred in the governmental funds because they are not available but they are reported as revenue in the statement of activities | | 86,401 |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net position the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense. | | |
| Cost of capital assets | $ 7,356,367 | |
| Less accumulated depreciation | (4,196,024) | 3,160,343 |
| The deferred outflows of resources below are not current assets or financial resources and the deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds. Balances at December 31, 2016 are: | | |
| Deferred outflows | | 368,385 |
| Deferred inflows | | (46,238) |
| Liabilities, including notes payable, compensated absences and post-employment benefits are not due and payable in the current period and therefore are not reported at the fund financial reporting level, however, these liabilities are reported at the government-wide reporting level: | | |
| Capital lease liability | (55,941) | |
| Accrued interest payable | (306) | |
| Compensated absences payable | (126,650) | |
| Net pension obligation | (1,074,751) | |
| Post-employment benefits payable | (169,517) | (1,427,165) |
| **Net position of governmental activities** | | $ 4,371,430 |

The accompanying notes are an integral part of the financial statements.

City of Sylvania, Georgia
*Statement of Revenues, Expenditures and Changes in Fund Balances*
*Governmental Funds*
*For the Year Ended December 31, 2016*

| | General | UDAG | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 830,606 | | $ 15,297 | $ 845,903 |
| Intergovernmental | 234,156 | | 151,087 | 385,243 |
| Licenses and permits | 64,441 | | | 64,441 |
| Charges for services | 38,086 | | | 38,086 |
| Fines and forfeitures | 157,291 | | 968 | 158,259 |
| Investment earnings | 2,386 | $ 4,006 | 259 | 6,651 |
| Miscellaneous | 23,555 | | | 23,555 |
| **Total revenues** | 1,350,521 | 4,006 | 167,611 | 1,522,138 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| General government | | | | |
| Legislative | 19,881 | | | 19,881 |
| Executive - Mayor | 6,894 | | | 6,894 |
| Executive - Manager | 197,754 | | | 197,754 |
| Financial administration | 297,883 | | | 297,883 |
| Purchase/contract services | 5,298 | | | 5,298 |
| Judicial | 69,540 | | | 69,540 |
| Public safety: | | | | |
| Police | 957,077 | | 391 | 957,468 |
| Fire | 640,018 | | | 640,018 |
| Animal control | 10,451 | | | 10,451 |
| Public works: | | | | |
| Streets | 380,899 | | | 380,899 |
| Garage | 181,019 | | | 181,019 |
| Health and welfare | 124,320 | | | 124,320 |
| Culture and recreation | 14,064 | | | 14,064 |
| Housing and development - | | | | |
| Economic development and assistance | 48,695 | | 15,297 | 63,992 |
| **Capital outlays** | | | 81,118 | 81,118 |
| **Debt service:** | | | | |
| Principal retirement | 28,921 | | | 28,921 |
| Interest and fiscal charges | 2,023 | | | 2,023 |
| **Total expenditures** | 2,984,737 | 0 | 96,806 | 3,081,543 |
| **Excess (deficit) of revenues to expenditures** | (1,634,216) | 4,006 | 70,805 | (1,559,405) |
| **Other financing sources (uses)** | | | | |
| Inception of capital lease | 13,700 | | | 13,700 |
| Interfund transfers | 1,646,045 | | (67,409) | 1,578,636 |
| **Total other financing sources (uses)** | 1,659,745 | 0 | (67,409) | 1,592,336 |
| **Net change in fund balances** | 25,529 | 4,006 | 3,396 | 32,931 |
| **Fund balances beginning of year** | 1,019,093 | 957,377 | 220,303 | 2,196,773 |
| **Fund balances end of year** | $ 1,044,622 | $ 961,383 | $ 223,699 | $ 2,229,704 |

The accompanying notes are an integral part of the financial statements.

**City of Sylvania, Georgia**
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities*
*For the Year Ended December 31, 2016*

| | | |
|---|---|---|
| **Net changes in fund balances - total governmental funds** | | $ 32,931 |
| **Amounts reported for governmental activities in the statement of activities are different because** | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period. | | |
| Depreciation expense | $ (213,582) | |
| Capital outlay | 257,023 | 43,441 |
| Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Deferred at 12/31/16 | 86,401 | |
| Deferred at 12/31/15 | (92,863) | (6,462) |
| Interest expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Liability at 12/31/16 | (306) | |
| Liability at 12/31/15 | 258 | (48) |
| The issuance of long-term debt (e.g., notes payable, capital leases) provides current financial resources to the governmental funds, but the receipt of proceeds from long-term debt increases long-term liabilities in the statement of net position. | | (13,700) |
| 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. | | 28,921 |
| Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Liability at 12/31/16 | (126,650) | |
| Liability at 12/31/15 | 119,600 | (7,050) |
| Net pension liability reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Net pension liability | | |
| Balance at 12/31/16 | $ (1,074,751) | |
| Balance at 12/31/15 | 955,965 | (118,786) |
| Deferred inflows/outflows of resources from pensions | | |
| Balance at 12/31/16 | 322,147 | |
| Balance at 12/31/15 | (204,033) | 118,114 |
| Post-employment benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Liability at 12/31/16 | (169,517) | |
| Liability at 12/31/15 | 213,234 | 43,717 |
| **Change in net position of governmental activities** | | $ 121,078 |

The accompanying notes are an integral part of the financial statements.

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

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Electricity Utility | Other Proprietary Funds | Total |
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | $ 40,909 | $ 101,354 | | $ 142,263 |
| Investments | | 3,021,529 | | 3,021,529 |
| Accounts receivable | 136,164 | 3,263,599 | $ 421,178 | 3,820,941 |
| Prepaid insurance | 11,249 | 5,453 | 3,238 | 19,940 |
| **Total current assets** | 188,322 | 6,391,935 | 424,416 | 7,004,673 |
| **Noncurrent assets** | | | | |
| **Restricted assets** | | | | |
| Investments - MEAG Competitive Trust | | 742 | | 742 |
| **Capital assets** | | | | |
| Nondepreciable capital assets | 46,649 | | 6,507 | 53,156 |
| Depreciable capital assets, net | 4,804,552 | 1,898,855 | 439,448 | 7,142,855 |
| **Total noncurrent assets** | 4,851,201 | 1,899,597 | 445,955 | 7,196,753 |
| **Total assets** | 5,039,523 | 8,291,532 | 870,371 | 14,201,426 |
| **Deferred outflows of resources** | | | | |
| Pension: | | | | |
| Difference between expected and actual experience | 22,099 | 21,093 | 29,038 | 72,230 |
| Difference between projected and actual earnings on investments | 25,599 | 24,434 | 33,637 | 83,670 |
| Contributions after measurement date | 31,151 | 29,733 | 40,931 | 101,815 |
| **Total deferred outflows of resources** | 78,849 | 75,260 | 103,606 | 257,715 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable | 38,128 | 5,668,846 | 242,347 | 5,949,321 |
| Sales tax payable | | 18,321 | | 18,321 |
| Accrued interest payable | 2,931 | | | 2,931 |
| Accrued payroll | 1,852 | 3,134 | 2,928 | 7,914 |
| Customer deposits payable | | 266,670 | | 266,670 |
| Compensated absences payable | 13,237 | 23,744 | 14,431 | 51,412 |
| Capital lease payable | 7,607 | 26,937 | 9,131 | 43,675 |
| Notes payable | 70,454 | | | 70,454 |
| **Total current liabilities** | 134,209 | 6,007,652 | 268,837 | 6,410,698 |
| **Long-term liabilities (net of current portion):** | | | | |
| Compensated absences payable | 17,523 | 66,982 | 32,410 | 116,915 |
| Post-employment benefit payable | 30,675 | 119,524 | 144,324 | 294,523 |
| Net pension liability | 230,040 | 219,570 | 302,270 | 751,880 |
| Capital lease payable | 13,962 | 87,113 | 26,920 | 127,995 |
| Notes payable | 1,589,103 | | | 1,589,103 |
| **Total long-term liabilities** | 1,881,303 | 493,189 | 505,924 | 2,880,416 |
| **Total liabilities** | 2,015,512 | 6,500,841 | 774,761 | 9,291,114 |
| **Deferred inflows of resources** | | | | |
| Pension: | | | | |
| Difference between expected and actual experience | 5,297 | 5,056 | 6,960 | 17,313 |
| Changes in assumptions | 4,598 | 4,389 | 6,042 | 15,029 |
| **Total deferred inflows of resources** | 9,895 | 9,445 | 13,002 | 32,342 |
| **Net Position** | | | | |
| Net investment in capital assets (Note 15) | 3,170,075 | 1,784,805 | 409,904 | 5,364,784 |
| Restricted - MEAG power generation | | 742 | | 742 |
| Unrestricted | (77,110) | 70,959 | (223,690) | (229,841) |
| **Total net position** | $ 3,092,965 | $ 1,856,506 | $ 186,214 | $ 5,135,685 |

The accompanying notes are an integral part of the financial statements.

**City of Sylvania, Georgia**
*Statement of Revenues,*
*Expenses and Changes in Fund Net Position*
*Proprietary Funds*
*For the Year Ended December 31, 2016*

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Electricity Utility | Other Proprietary Funds | Total |
| **Operating revenues** | | | | |
| Charges for services | $ 1,166,050 | $ 27,598,553 | $ 3,132,417 | $ 31,897,020 |
| Miscellaneous | 14,316 | 4,590 | | 18,906 |
| **Total operating revenues** | 1,180,366 | 27,603,143 | 3,132,417 | 31,915,926 |
| **Operating expenses** | | | | |
| Cost of sales | | 25,843,650 | 2,257,319 | 28,100,969 |
| Salaries | 213,986 | 398,728 | 382,890 | 995,604 |
| Social security | 16,429 | 28,850 | 27,241 | 72,520 |
| Group insurance | 45,073 | 60,889 | 74,637 | 180,599 |
| Retirement and other post-employment benefits | 53,176 | 101,801 | 12,363 | 167,340 |
| Workers' compensation | 19,013 | 12,082 | 7,953 | 39,048 |
| Contract labor and services | 172,423 | 9,395 | | 181,818 |
| Chemicals | 13,228 | | | 13,228 |
| Materials and supplies | 31,694 | 93,359 | 12,469 | 137,522 |
| Gas, oil, and tires | 12,238 | 12,954 | 23,978 | 49,170 |
| Uniforms and safety equipment | 3,935 | 1,324 | 3,280 | 8,539 |
| Vehicle repairs | 14,659 | 24,357 | 11,546 | 50,562 |
| Engineering and consulting | 400 | 19,174 | | 19,574 |
| Postage | 3,607 | 3,048 | 3,088 | 9,743 |
| Communications | 1,847 | 1,223 | 1,963 | 5,033 |
| Insurance | 40,559 | 7,682 | 7,269 | 55,510 |
| Public utilities | 114,233 | 12,367 | 1,100 | 127,700 |
| Maintenance and testing | 125,338 | 21,632 | 43,876 | 190,846 |
| Tipping fees | 6,876 | | 24,700 | 31,576 |
| Bad debts | 4,878 | 24,473 | 2,271 | 31,622 |
| Other | 8,849 | 7,657 | 12,946 | 29,452 |
| Depreciation | 163,130 | 81,043 | 41,238 | 285,411 |
| **Total operating expenses** | 1,065,571 | 26,765,688 | 2,952,127 | 30,783,386 |
| **Operating income** | 114,795 | 837,455 | 180,290 | 1,132,540 |
| **Non-operating revenues (expenses)** | | | | |
| Interest and fiscal charges | (23,616) | (363,949) | (1,548) | (389,113) |
| Debt issuance costs | (3,720) | | | (3,720) |
| Investment earnings | 247 | 28,856 | | 29,103 |
| Grant proceeds | 80,170 | | | 80,170 |
| MEAG Generation Trust investment earnings | | 6 | | 6 |
| **Total non-operating revenues (expenses)** | 53,081 | (335,087) | (1,548) | (283,554) |
| **Income before transfers** | 167,876 | 502,368 | 178,742 | 848,986 |
| Interfund transfers | (37,539) | (1,326,277) | (214,820) | (1,578,636) |
| **Change in net position** | 130,337 | (823,909) | (36,078) | (729,650) |
| **Net position beginning of year** | 2,962,628 | 2,680,415 | 222,292 | 5,865,335 |
| **Net position end of year** | $ 3,092,965 | $ 1,856,506 | $ 186,214 | $ 5,135,685 |

The accompanying notes are an integral part of the financial statements.

**City of Sylvania, Georgia**
***Statement of Cash Flows***
***Proprietary Funds***
***For the Year Ended December 31, 2016***

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Electric Utility | Other Proprietary Funds | Total |
| **Cash flows from operating activities** | | | | |
| Cash received from customers | $ 1,173,778 | $ 26,872,533 | $ 3,197,904 | $ 31,244,215 |
| Cash payments to employees for personal services | (520,990) | (539,454) | (536,005) | (1,596,449) |
| Cash payments for goods and services | (429,288) | (25,291,180) | (2,435,925) | (28,156,393) |
| **Net cash provided by operating activities** | 223,500 | 1,041,899 | 225,974 | 1,491,373 |
| **Cash flows from noncapital financing activities** | | | | |
| Interfund transfers | (104,948) | (1,326,277) | (214,820) | (1,646,045) |
| **Cash flows from capital and related financing activities** | | | | |
| Transfers from SPLOST | 67,409 | | | 67,409 |
| Grant proceeds | 80,170 | | | 80,170 |
| Proceeds from capital lease | 114,191 | | | 114,191 |
| Principal paid on debt | | (27,636) | (9,606) | (37,242) |
| Interest paid on debt | (34,270) | (363,949) | (1,548) | (399,767) |
| Payments for capital acquisitions | (347,855) | (12,900) | | (360,755) |
| **Net cash used for capital and related financing activities** | (120,355) | (404,485) | (11,154) | (535,994) |
| **Cash flows from investing activities** | | | | |
| Investment earnings | 247 | 28,861 | | 29,108 |
| Purchases of investments | | (1,194,068) | | (1,194,068) |
| Proceeds from sales of investments | | 1,847,000 | | 1,847,000 |
| **Net cash provided by investing activities** | 247 | 681,793 | 0 | 682,040 |
| **Net increase in cash and cash equivalents** | (1,556) | (7,070) | 0 | (8,626) |
| **Cash and cash equivalents beginning of year** | 42,465 | 108,424 | | 150,889 |
| **Cash and cash equivalents end of year** | $ 40,909 | $ 101,354 | $ 0 | $ 142,263 |

(continued)

The accompanying notes are an integral part of the financial statements.

City of Sylvania, Georgia
*Statement of Cash Flows*
*Proprietary Funds*
*For the Year Ended December 31, 2016*

(continued)

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|---|---|
| | Water and Sewer | Electric Utility | Other Proprietary Funds | Total |
| **Reconciliation of operating income to net cash provided by operating activities** | | | | |
| **Operating income** | $ 114,795 | $ 837,455 | $ 180,290 | $ 1,132,540 |
| **Adjustments:** | | | | |
| Depreciation | 163,130 | 81,043 | 41,238 | 285,411 |
| **(Increase) decrease in assets:** | | | | |
| Accounts receivable | (6,588) | (731,133) | 65,487 | (672,234) |
| Prepaid insurance | (2,027) | (802) | 1,484 | (1,345) |
| **Increase (decrease) in liabilities:** | | | | |
| Accounts payable | (44,920) | 791,657 | (31,604) | 715,133 |
| Sales tax payable | | 260 | | 260 |
| Accrued liabilities | 393 | 1,586 | 1,182 | 3,161 |
| Compensated absences payable | (12,924) | (847) | 10,110 | (3,661) |
| Customer deposits | | 523 | | 523 |
| Post-retirement benefit payable | 18,014 | 60,497 | (44,498) | 34,013 |
| Net pension liability | (6,373) | 1,660 | 2,285 | (2,428) |
| **Net cash provided by operating activities** | $ 223,500 | $ 1,041,899 | $ 225,974 | $ 1,491,373 |

The accompanying notes are an integral part of the financial statements.

## *Note 1 - Reporting Entity*

The City of Sylvania, Georgia (the City) was incorporated under the provisions of Georgia law March 1, 1963. The City operates under a Council-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and lanes, water and sewer, sanitation, various administrative services, and electric and gas utilities.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations, or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt.

The component unit columns included on the government-wide financial statements identify the financial data of the City's discretely presented component units. They are reported separately to emphasize that they are legally separate from the City.

A brief description of the discretely presented component unit follows:

***Downtown Development Authority of Sylvania*** (the Authority) - The Authority is a public corporation created in 1983. The primary purposes of the Authority are to promote revitalization and redevelopment of the central business district of the City and to develop trade, commerce, industry and employment opportunities. The City Council appoints all seven board members and assists with the Authority's funding. Separate financial statements are not issued at this time.

## *Note 2 - Summary of Significant Accounting Policies*

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

### ***Basis of Presentation***

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

*Note 2 - Summary of Significant Accounting Policies (continued)*

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City and it's discretely presented component unit at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and are therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function generates the revenue. For *grants and contributions,* the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and enterprise funds are reported in separate columns of the fund statements.

***Fund Accounting*** - The City uses funds to maintain financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The city uses two categories of funds: governmental and proprietary.

***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

*Note 2 - Summary of Significant Accounting Policies (continued)*

***The General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Georgia.

***The UDAG Fund*** - The UDAG (Urban Development Action Grant) fund accounts for grant proceeds received in the 1990's that is to be used as a revolving loan fund for development in and around the City of Sylvania.

***Proprietary Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The proprietary funds are classified as enterprise funds. The City's major enterprise funds are as follows:

***Water and Sewer Fund*** - This fund is used to account for the construction of facilities and operation of activities involved in providing water and sewer services.

***Electric Utility Fund*** - This fund is used to account for the construction of facilities and operation of activities involved in providing electric services.

***Measurement Focus***

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

***Fund Financial Statements*** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

*Note 2 - Summary of Significant Accounting Policies (continued)*

**Revenues – Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

***Revenues - Non-exchange Transactions*** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 6). Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

***Unearned Revenue*** - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On both the government-fund financial statements and the government-wide financial statements, revenues are deferred for grants and entitlements received before the eligibility requirements are met (e.g., cash advances).

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

***Assets, Liabilities and Fund Equity***

***Cash, Cash Equivalents and Investments***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the City to invest in the following type of obligations:

Obligations of the State of Georgia or of any other states
Obligations of the United States Government
Obligations fully insured or guaranteed by the United States Government or Government agency
Obligations of any corporation of the United States Government
Prime bankers' acceptances
The State of Georgia local government investment pool (i.e., Georgia Fund I)
Repurchase agreements
Obligations of the other political subdivisions of the State of Georgia

*Note 2 - Summary of Significant Accounting Policies (continued)*

***Receivables***
All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled water and sewer charges, gas and electric charges and charges for sanitation services are accrued as receivables and revenue at December 31, 2016. The City reports utility receivables net of an allowance for uncollectible accounts.

***Interfund Balances***
On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

***Prepaid Items***
Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is non-spendable as this amount is not available for general appropriation.

***Restricted Assets***
Confiscated cash in the confiscated assets fund and customer deposits in the enterprise funds are reported as restricted assets.

***Capital Assets***
General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of roads, bridges, water lines and sewer lines. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. The City has capitalized all infrastructure, including infrastructure acquired prior to the implementation of GASB Statement No. 34. The City's infrastructure includes assets acquired prior to June 30, 1980. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

*The remainder of this page is intentionally left blank.*

*Note 2 - Summary of Significant Accounting Policies (continued)*

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

| | Estimated Useful Lives | |
|---|---|---|
| Asset Class | Governmental Activities | Business-type Activities |
| Buildings | 25-50 Years | 40 Years |
| Land and building improvements | 10-25 years | |
| Machinery and equipment | 5-10 years | 3-10 Years |
| Furniture and fixtures | 5 years | |
| Vehicles | 5-8 years | 3-4 Years |
| Infrastructure | 25-40 years | |
| Building and pump stations | | 40 Years |
| Sewer collection system | | 50 Years |
| Water tank and wells | | 10-50 Years |
| Water mains and hydrants | | 30-50 Years |
| Meters and regulators | | 20 Years |
| Lines, transformers and poles | | 10-50 Years |
| Gas mains | | 50 Years |
| Other | | 3-50 Years |

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The cost of assets acquired with capital leases is capitalized and depreciated at the fund level for enterprise funds and at the government wide level for governmental activities and business-type activities.

***Compensated Absences***

Vacation and sick benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick benefits are payable only at retirement on a limited basis.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. The proprietary fund reports total compensated absence liability at the fund level, if applicable. Governmental funds report compensated absence liability at the fund reporting level only "when due."

*The remainder of this page is intentionally left blank.*

*Note 2 - Summary of Significant Accounting Policies (continued)*

***Accrued Liabilities and Long-term Obligations***
All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

***Bond Premiums, Discounts and Issuance Costs***
On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are deferred and amortized over the life of the debt using the effective interest method.

Debt issuance costs are recognized as an outflow of resources in the reporting period in which they are incurred.

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

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

*Nonspendable fund balance* - amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

*Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

*Committed fund balance* - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. the City Council). To be reported as committed, amounts cannot be used for any other purposes unless the city takes the same highest level action to remove or change the constraint.

*Assigned fund balance* - amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City Council delegates the authority.

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

***Net Position Flow Assumptions*** – In order to report net position as a "restricted net position" and an "unrestricted net position" in the government-wide and proprietary fund financial statements, the City has established a flow assumption policy. It is the City's policy to use "restricted net position" first before using "unrestricted net position."

*Note 2 - Summary of Significant Accounting Policies (continued)*

***Fund Balance Flow Assumptions*** – It is the City's policy to consider restricted fund balance to have been used before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, it is the City's policy to use the fund balance in the following order: committed, assigned and then unassigned.

***Net Position*** - Net position represents the difference between assets and liabilities. Net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. The net position is reported as restricted when there are limitations imposed on its 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. The balance of the net position is reported as unrestricted.

***Operating Revenues and Expenses***
Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer, electric, gas and solid waste programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of each fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Contribution of Capital***
Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

***Interfund Activity***
Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

***Estimates***
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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### *Note 3 - Stewardship, Compliance and Accountability*

***Comparative Data***
Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

***Budgetary Information***
The City adopts an annual operating budget for the general fund and each special revenue fund. The budget resolution reflects the total of each department's appropriation in each fund.

The general and special revenue fund's budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council.

The City Manager may approve budget transfers within departments. All unexpended annual appropriations lapse at year-end.

***Accumulated Fund Deficit***
The City has an accumulated fund deficit in the solid waste collection fund totaling $102,476. This deficit resulted from the accrual of unfunded post employment benefits and the recording of net pension liability.

### *Note 4 - Deposits and Investments*

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2016, the City was not exposed to custodial credit risk.

***Investments*** - Municipal Competitive Trust - At year end, proprietary fund investments were $3,022,271 which are held by Wells Fargo in the Municipal Competitive Trust. The Municipal Competitive Trust consists of pooled funds from the members of MEAG and is invested in United States Government securities held in the name of the Municipal Competitive Trust and allocated to members based on shares of ownership in the trust. Investments are stated at fair values based on quoted market prices. The investments would be classified as uninsured and uncollateralized because the securities are held by Wells Fargo in the name of the Municipal Competitive Trust.

### *Note 5 - Receivables*

Receivables at December 31, 2016, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability.

### *Note 6 - Property Taxes*

Property taxes are assessed based upon property values determined by the Screven County Assessor's Office at January 1, 2016. The levy date was August 16, 2016; the tax bills were mailed September 16, 2016; and were due December 20, 2016. The lien date is December 20, 2016.

### *Note 7 - Capital Assets*

Capital asset activity for governmental activities for the year ended December 31, 2016, was as follows:

| | Balance 12/31/2015 | Additions | Deductions | Balance 12/31/2016 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 278,506 | | | $ 278,506 |
| Depreciable capital assets | | | | |
| Buildings | 2,111,561 | | | 2,111,561 |
| Land and building improvements | 130,913 | | | 130,913 |
| Machinery and equipment | 531,567 | $ 115,485 | $ 5,575 | 641,477 |
| Vehicles | 1,111,564 | 30,437 | | 1,142,001 |
| Furniture and fixtures | 89,483 | | | 89,483 |
| Infrastructure | 2,851,326 | 111,101 | | 2,962,427 |
| Total depreciable capital assets | 6,826,414 | 257,023 | 5,575 | 7,077,862 |
| Total capital assets | 7,104,920 | 257,023 | 5,575 | 7,356,368 |
| Accumulated depreciation: | | | | |
| Buildings | 1,104,598 | 47,086 | | 1,151,684 |
| Land and building improvements | 111,284 | 129 | | 111,413 |
| Machinery and equipment | 294,257 | 54,995 | 5,575 | 343,677 |
| Vehicles | 932,724 | 40,860 | | 973,584 |
| Furniture and fixtures | 83,337 | 1,250 | | 84,587 |
| Infrastructure | 1,461,818 | 69,262 | | 1,531,080 |
| Total accumulated depreciation | 3,988,018 | 213,582 | 5,575 | 4,196,025 |
| Governmental activities capital assets, net | $ 3,116,902 | $ 43,441 | $ 0 | $ 3,160,343 |

| | |
|---|---|
| Governmental activities depreciation expense | |
| General government | $ 18,285 |
| Public safety - fire | 72,446 |
| Public safety - police | 26,838 |
| Public safety - animal control | 506 |
| Public works - streets | 71,985 |
| Public works - garage | 8,258 |
| Health and welfare | 13,921 |
| Housing and development | 1,343 |
| Total governmental activities depreciation expense | $ 213,582 |

***Note 7 - Capital Assets (continued)***

Capital asset activity for business-type activities for the year ended December 31, 2016, was as follows:

| | Balance 12/31/2015 | Prior Year Correction* | Additions | Deductions | Reclassifications | Balance 12/31/2016 |
|---|---|---|---|---|---|---|
| Business-type activities: | | | | | | |
| Water and sewer fund: | | | | | | |
| Capital assets not being depreciated | | | | | | |
| Land and rights | $ 16,550 | | | | | $ 16,550 |
| Construction in progress | 2,223,112 | | $ 178,245 | | $ (2,371,258) | 30,099 |
| Total capital assets not being depreciated | 2,239,662 | $ 0 | 178,245 | $ 0 | (2,371,258) | 46,649 |
| Depreciable capital assets: | | | | | | |
| Building and pump stations | 1,958,630 | | | | 2,371,258 | 4,329,888 |
| Sewer collection system | 2,265,409 | 111,442 | | | | 2,376,851 |
| Water tank and wells | 788,165 | 81,013 | | | | 869,178 |
| Water mains and hydrants | 1,174,733 | 117,854 | | | | 1,292,587 |
| Meters | 23,264 | 59,820 | | | | 83,084 |
| Vehicles | 323,786 | 7,211 | | | | 330,997 |
| Other | 660,111 | | | | | 660,111 |
| Total depreciable capital assets | 7,194,098 | 377,340 | 0 | 0 | 2,371,258 | 9,942,696 |
| Total capital assets | 9,433,760 | 377,340 | 178,245 | 0 | 0 | 9,989,345 |
| Accumulated depreciation: | | | | | | |
| Building and pump stations | 1,607,286 | | 37,336 | | | 1,644,622 |
| Sewer collection system | 920,100 | 111,442 | 70,069 | | | 1,101,611 |
| Water tank and wells | 486,743 | 81,013 | 10,361 | | | 578,117 |
| Water mains and hydrants | 644,387 | 117,854 | 23,443 | | | 785,684 |
| Meters | 19,897 | 59,820 | 938 | | | 80,655 |
| Vehicles | 323,786 | 7,211 | | | | 330,997 |
| Other | 595,475 | | 20,983 | | | 616,458 |
| Total accumulated depreciation | 4,597,674 | 377,340 | 163,130 | 0 | 0 | 5,138,144 |
| Water and sewer capital assets, net | $ 4,836,086 | $ 0 | $ 15,115 | $ 0 | $ 0 | $ 4,851,201 |

*- *Prior year correction* - In prior years, dispositions of fully depreciated assets were removed from capital assets twice. This correction, which has no effect on net assets, is to restore the cost and accumulated depreciation to the correct amounts.

*The remainder of this page is intentionally left blank.*

*Note 7 - Capital Assets (continued)*

| | Balance 12/31/2015 | Additions | Deductions | Balance 12/31/2016 |
|---|---|---|---|---|
| Business-type activities: | | | | |
| Electric utility fund: | | | | |
| Depreciable capital assets: | | | | |
| Buildings | $ 474,045 | | | $ 474,045 |
| Meters | 79,059 | | | 79,059 |
| Lines, transformers and poles | 3,637,720 | $ 12,900 | | 3,650,620 |
| Vehicles | 740,891 | | | 740,891 |
| Machinery and equipment | 337,962 | | | 337,962 |
| Total capital assets | 5,269,677 | 12,900 | $ 0 | 5,282,577 |
| Accumulated depreciation: | | | | |
| Buildings | 168,085 | 14,832 | | 182,917 |
| Meters | 78,523 | 311 | | 78,834 |
| Lines, transformers and poles | 2,148,518 | 52,695 | | 2,201,213 |
| Vehicles | 605,057 | 4,167 | | 609,224 |
| Machinery and equipment | 302,496 | 9,038 | | 311,534 |
| Total accumulated depreciation | 3,302,679 | 81,043 | 0 | 3,383,722 |
| Electric utility capital assets, net | $ 1,966,998 | $ (68,143) | $ 0 | $ 1,898,855 |
| Gas utility fund: | | | | |
| Depreciable capital assets: | | | | |
| Buildings | $ 2,509 | | | $ 2,509 |
| Gas mains | 713,066 | | | 713,066 |
| Meters and regulators | 108,600 | | | 108,600 |
| Vehicles | 118,067 | | | 118,067 |
| Machinery and equipment | 48,539 | | | 48,539 |
| Total capital assets | 990,781 | $ 0 | $ 0 | 990,781 |
| Accumulated depreciation: | | | | |
| Buildings | 1,783 | 63 | | 1,846 |
| Gas mains | 463,309 | 9,615 | | 472,924 |
| Meters and regulators | 61,574 | 3,073 | | 64,647 |
| Vehicles | 118,067 | | | 118,067 |
| Machinery and equipment | 48,539 | | | 48,539 |
| Total accumulated depreciation | 693,272 | 12,751 | 0 | 706,023 |
| Gas utility fund capital assets, net | $ 297,509 | $ (12,751) | $ 0 | $ 284,758 |

*Note 7 - Capital Assets (continued)*

| | Balance 12/31/2015 | Additions | Deductions | Balance 12/31/2016 |
|---|---|---|---|---|
| Business-type activities: | | | | |
| Solid Waste Collection fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land and rights | $ 6,507 | | | $ 6,507 |
| Depreciable capital assets: | | | | |
| Buildings | 11,449 | | | 11,449 |
| Vehicles | 422,471 | | | 422,471 |
| Machinery and equipment | 124,716 | | | 124,716 |
| Total depreciable capital assets | 558,636 | $ 0 | $ 0 | 558,636 |
| Total capital assets | 565,143 | 0 | 0 | 565,143 |
| Accumulated depreciation: | | | | |
| Buildings | 8,209 | 382 | | 8,591 |
| Vehicles | 289,429 | 19,235 | | 308,664 |
| Machinery and equipment | 77,821 | 8,870 | | 86,691 |
| Total accumulated depreciation | 375,459 | 28,487 | 0 | 403,946 |
| Solid Waste Collection fund capital assets, net | $ 189,684 | $ (28,487) | $ 0 | $ 161,197 |

*Note 8 - Interfund Balances and Transfers*

Interfund balances represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made.

General fund payable to the confiscated assets fund for amounts deposited in the general fund account which should have been deposited in the confiscated assets fund account was $1,826 at December 31, 2016.

The SPLOST capital projects fund (non-major) payable to General fund for amounts paid by the general fund which should have been paid by the SPLOST capital projects fund was $31,970 at December 31, 2016.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

The water/sewer fund transferred $104,948 to the general fund to supplement its finances.
The electric fund transferred $1,326,277 to the general fund to supplement its finances.
The natural gas fund (non-major) transferred $212,555 to the general fund to supplement its finances.
The solid waste collection fund (non-major) transferred $2,265 to the general fund to supplement its finances
The SPLOST capital projects fund (non-major) transferred $67,409 to the water/sewer fund for the payment of qualified expenditures.

***Note 9- Deferred Inflows of Resources***

In addition to assets, the financial statements of the City will sometimes report a separate section for deferred outflows of resources. This separate 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 in the form of expenditures until that time. The differences between expected and actual experience related to pensions and the contributions made to the pension plan after the measurement date are the only items the City has that qualifies for reporting in this category.

In addition to liabilities, the financial statements of the City will sometimes report a separate section for deferred inflows of resources. This separate 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 in the form of revenue until that time. The portion of property taxes that are not available for use (not received within 60 days subsequent to year end) are reported as deferred inflows of resources in the governmental funds balance sheet. This element is not present in the government-wide statement of net position. The changes in assumptions and the net difference between projected and actual earning on investments related to pensions are the only items the City has that qualify for reporting in this category in the government-wide statement of net position for governmental activities.

***Note 10 - Short-Term Debt***

During the current year, the City has issued tax anticipation notes. The purpose of these notes was to provide temporary financing needed to cover shortfalls in anticipated tax revenues of the City for current expenses of the general fund. All balances were repaid at December 31, 2016.

***Changes in Short-term Debt*** - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2016.

| Governmental Activities | Outstanding 12/31/2015 | Additions | Reductions | Outstanding 12/31/2016 |
|---|---|---|---|---|
| Notes payable | | | | |
| Farmers and Merchants Bank | $ 0 | 3,100,000 | $ 3,100,000 | $ 0 |

*The remainder of this page is intentionally left blank.*

## *Note 11 - Long-Term Liabilities*

### *Governmental Capital Lease*

The City has entered into capital leases for vehicles and fire department equipment. These leases meet the criteria of a capital lease since they transfer benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. The cost of the assets purchased with the capital lease are capitalized and depreciated over the estimated useful life of the asset. Depreciation expense on capital assets purchased with capital leases is reported as a direct expense in the activity that utilizes the asset.

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,167. The extrication equipment acquired by the lease is included in governmental activities general capital assets in the amount of $18,847 (cost of $32,307 less accumulated depreciation of $13,460). The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 8,189 | $ 480 | $ 8,669 |
| 2018 | 8,482 | 187 | 8,669 |
| Total | $ 16,671 | $ 667 | $ 17,338 |

Capital lease payable to Georgia Municipal Association in quarterly payments of $1,719. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $18,902 (cost of $31,502 less accumulated depreciation of $12,600). The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 6,063 | $ 814 | $ 6,877 |
| 2018 | 6,277 | 599 | 6,876 |
| 2019 | 6,499 | 377 | 6,876 |
| 2020 | 6,730 | 147 | 6,877 |
| | $ 25,569 | $ 1,937 | $ 27,506 |

Capital lease payable to United States Department of Agriculture (USDA) in annual payments of $2,970. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $27,901 (cost of $30,437, less accumulated depreciation of $2,536). The outstanding balance of the corresponding liability is included in governmental activities general current debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 2,593 | $ 377 | $ 2,970 |
| 2018 | 2,665 | 305 | 2,970 |
| 2019 | 2,738 | 232 | 2,970 |
| 2020 | 2,813 | 157 | 2,970 |
| 2021 | 2,891 | 79 | 2,970 |
| | $ 13,700 | $ 1,150 | $ 14,850 |

*Note 11 - Long-Term Liabilities (continued)*

***Business-Type Activities***

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,065. The mini excavator acquired by the lease is included in the water and sewer fund capital assets in the amount of $19,530 (cost of $37,800 less accumulated depreciation of $18,270) The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 7,607 | $ 652 | $ 8,259 |
| 2018 | 7,875 | 384 | 8,259 |
| 2019 | 6,087 | 106 | 6,193 |
| Total | $ 21,569 | $ 1,142 | $ 22,711 |

Capital lease payable to Georgia Municipal Association in quarterly payments of $7,709. The bucket trucks acquired by the lease are included in the electric utility fund capital assets in the amount of $131,666 (cost of $140,000 less accumulated depreciation of $8,334). The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 26,937 | $ 3,901 | $ 30,838 |
| 2018 | 27,961 | 2,877 | 30,838 |
| 2019 | 29,024 | 1,813 | 30,837 |
| 2020 | 30,128 | 709 | 30,837 |
| | $ 114,050 | $ 9,300 | $ 123,350 |

Capital lease payable to Georgia Municipal Association in quarterly payments of $2,586. The backhoe acquired by the lease is included in the solid waste collection fund capital assets in the amount of $37,488 (cost of $47,000 less accumulated depreciation of $9,512). The outstanding balance of the corresponding liability is included in business activities long-term debt. Annual debt service requirements to amortize this capital lease as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 9,131 | $ 1,211 | $ 10,342 |
| 2018 | 9,474 | 868 | 10,342 |
| 2019 | 9,831 | 512 | 10,343 |
| 2020 | 7,615 | 142 | 7,757 |
| | $ 36,051 | $ 2,733 | $ 38,784 |

*Note 11 - Long-Term Liabilities (continued)*

***GEFA 2015 Loan*** – Contract CWSRF 14-017 - payable to Georgia Environmental Finance Authority in equal monthly installments of $8,624 including interest at 2.03% beginning June 1, 2016 and ending May 1, 2036. The final drawdowns on this loan were made in 2016, for a total principal balance of $1,700,000. The loan converted from construction status to fixed amortization on May 1, 2016. The purpose of this loan was to upgrade the sewer system. Annual debt service requirements to amortize the loan outstanding as of December 31, 2016, follow:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 70,454 | $ 33,036 | $ 103,490 |
| 2018 | 71,898 | 31,592 | 103,490 |
| 2019 | 73,371 | 30,119 | 103,490 |
| 2020 | 74,875 | 28,617 | 103,492 |
| 2021 | 76,409 | 27,082 | 103,491 |
| 2022-2026 | 406,180 | 111,272 | 517,452 |
| 2027-2031 | 449,532 | 67,918 | 517,450 |
| 2032-2036 | 436,838 | 20,243 | 457,081 |
| Total | $ 1,659,557 | $ 349,879 | $ 2,009,436 |

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2016:

| Governmental Activities | Outstanding 12/31/2015 | Additions | Reductions | Outstanding 12/31/2016 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Capital lease | $ 4,840 | | $ 4,840 | $ 0 | |
| Capital lease | 10,318 | | 10,318 | 0 | |
| Capital lease | 24,579 | | 7,908 | 16,671 | $ 8,189 |
| Capital lease | 31,425 | | 5,856 | 25,569 | 6,063 |
| Capital lease | 0 | $ 13,700 | | 13,700 | 2,593 |
| Compensated absences | 119,600 | 64,098 | 57,048 | 126,650 | 57,058 |
| Post-employment benefits | 213,234 | 20,731 | 64,448 | 169,517 | 8,268 |
| Net pension liability | 955,965 | 118,786 | | 1,074,751 | |
| Total Government-Type Activities | $ 1,359,961 | $ 217,315 | $ 150,418 | $ 1,426,858 | $ 82,171 |

| Business-Type Activities | Outstanding 12/31/2015 | Additions | Reductions | Outstanding 12/31/2016 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Capital lease | $ 2,494 | | $ 2,494 | $ 0 | |
| Capital lease | 28,916 | | 7,347 | 21,569 | $ 7,607 |
| Capital lease | 140,000 | | 25,950 | 114,050 | 26,937 |
| Capital lease | 44,850 | | 8,799 | 36,051 | 9,131 |
| GEFA loan - 2015 | 1,538,019 | $ 161,981 | 40,443 | 1,659,557 | 70,454 |
| Compensated absences | 171,988 | 54,698 | 58,359 | 168,327 | 51,412 |
| Post-employment benefits | 260,510 | 34,647 | 634 | 294,523 | |
| Net pension liability | 672,461 | 79,419 | | 751,880 | |
| Total Business-Type Activities | $ 2,859,238 | $ 330,745 | $ 144,026 | $ 3,045,957 | $ 165,541 |

*Note 11- Long-Term Liabilities (continued)*

The governmental activities capital lease payable is being financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City's GEFA loans and the GMA capital lease for the water and sewer fund are financed from income derived from the operation of the water and sewer system.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. In 2016, compensated absences were liquidated through the general fund, water and sewer fund, electric utility fund, gas utility fund and solid waste collection fund.

The post-employment benefits liability will be paid from the fund from which the employees' salaries are paid. In 2016, post-employment benefit liabilities were liquidated through the general fund and the solid waste collection fund.

The total interest expense for the year ended December 31, 2016, is summarized as follows:

| | Charged to Operations | Capitalized | Total |
|---|---|---|---|
| Governmental-type activities | $ 2,071 | | $ 2,071 |
| Business-type activities | 389,113 | $ 11,100 | 400,213 |
| | $ 391,184 | $ 11,100 | $ 402,284 |

*Note 12 - Defined Benefit Pension Plan*

***General Information About the Pension Plan***

***Plan Description*** - All full-time city employees are eligible to participate in the Georgia Municipal Employees Benefit System (GMEBS) which is an agent multiple employer defined benefit plan administered by the Georgia Municipal Association which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by state statute and an adoption agreement executed by City Council. The Georgia Municipal Association issues a publicly available annual report that includes financial statements and required supplementary information for the Georgia Municipal Employees Benefit System Retirement Trust. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia, 30303.

***Benefits Provided*** - GMEBS provides retirement, disability benefits and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with 5 years of total service are eligible to retire at age 55.

***Employees Covered*** - At December 31, 2016, the following employees were covered by the benefit terms for the plan:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 26 |
| Inactive employees entitled to but not yet receiving benefits | 27 |
| Active employees | 58 |
| Total | 111 |

*Note 12 - Defined Benefit Pension Plan (continued)*

***Contributions*** - The City's employee's participation is noncontributory. The City is subject to minimum standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). Policy set by the City for contributing the annual pension expense exceeds the minimum requirements. Employer contribution rates are determined on an annual basis by the actuary and shall be effective on the July 1 following the notice of a change in the rate.

The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly). The City's contributions to the plan were $323,799 for the year ended December 31, 2016.

***Net Pension Liability***

The City's net pension liability (NPL) for the plan is measured as the total pension liability (TPL), less the pension plan's fiduciary net position (FNP). The net pension liability of the plan is measured as of March 31, 2016, using an annual actuarial valuation as of July 1, 2016. a summary of principal assumptions and methods used to determine the net pension liability is shown below.

| | |
|---|---|
| Valuation date | July 1, 2016 |
| Measurement date | March 31, 2016 |
| Actuarial cost method | Entry age normal |
| 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 ten 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. The actuarial value is adjusted, if necessary, to be within 20 % of market value. |
| Discount rate | 7.75% |
| Inflation rate | 3.25%, plus service based merit increases |
| Net investment rate of return | 7.75% |
| Projected salary increase | 3.25% plus service based merit increases |
| Cost of living adjustments | Not applicable |
| Postretirement benefit increase | Not applicable |

The underlying mortality assumptions and all other actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through June 30, 2014. Further details of the experience study can be obtained by contacting the Georgia Municipal Association.

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.75%. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed 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 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.

*Note 12 - Defined Benefit Pension Plan (continued)*

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 45% | 6.75% |
| International equity | 20% | 7.45% |
| Real estate | 10% | 4.55% |
| Global fixed income | 5% | 3.30% |
| Domestic fixed income | 20% | 1.75% |
| Cash | 0% | |
| Total | 100% | |

***Changes in Net Pension Liability***

The changes in the Net Pension Liability for the plan are as follows:

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/ Asset |
|---|---|---|---|
| Balances as of March 31, 2015 | $ 5,730,990 | $ 4,102,564 | $ 1,628,426 |
| Changes for the year: | | | |
| Service cost | 115,252 | | 115,252 |
| Interest | 435,093 | | 435,093 |
| Differences between expected and actual experience | (52,580) | | (52,580) |
| Contributions - employer | | 303,069 | (303,069) |
| Net investment income | | 11,277 | (11,277) |
| Benefit payments | (233,773) | (233,773) | 0 |
| Administrative expense | | (14,786) | 14,786 |
| Net changes | 263,992 | 65,787 | 198,205 |
| Balances as of March 31, 2016 | $ 5,994,982 | $ 4,168,351 | $ 1,826,631 |

Sensitivity of the Net Pension Liability to changes in the discount rate is as follows:

| 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|
| $ 2,639,198 | $ 1,826,631 | $ 1,145,133 |

*Note 12 - Defined Benefit Pension Plan (continued)*

***Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

For the year ended December 31, 2016, the City recognized a negative pension expense of $331,560. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 175,479 | |
| Pension contributions subsequent to measurement date | 247,351 | |
| Difference between expected and actual experience | | $ (42,064) |
| Net difference between projected and actual earnings on pension plan investments | 203,270 | |
| Changes of assumptions | | (36,516) |
| Total | $ 626,100 | $ (78,580) |

$247,352 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year ended December 31: | |
|---|---|
| 2017 | $ 82,976 |
| 2018 | 82,976 |
| 2019 | 82,976 |
| 2020 | 51,241 |
| | $ 300,169 |

*Note 13 - Defined Contribution Plan*

The City has a defined contribution plan which is administered by the Georgia Municipal Association. The plan is a 457(b) plan. The City does not contribute to the plan and individual participants determine investment decisions. The City does not act in a fiduciary capacity. The City employees contributed $23,877 to the plan in 2016.

*Note 14 - Postemployment Benefits Other Than Pensions*

***Plan Description*** - The City has established a plan that allows for all full-time city employees that are 62 years old and older with 20 years of service to retire with the City providing health insurance until age 65 through the City's group health insurance plan, which covers both active and retired members. Benefit provisions were established by approval of City Council. The plan is a single-employer defined benefit plan administered by the City and is operated in conjunction with the City's health insurance plan. The plan does not issue a publicly available report.

*Note 14 - Postemployment Benefits Other Than Pensions (continued)*

**Funding Policy** - The City contributes the full amount of the current-year premiums for eligible retired plan members. The City is financing the postemployment benefits on a pay-as-you-go basis. The City had retired employees affecting 2016. Two employees ceased receiving benefits during 2016; two began receiving benefits in 2016. For the year 2016, the City recognized $19,023 of net benefit expenditures.

***Annual OPEB Cost and Net OPEB Obligation*** - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan:

| | | |
|---|---|---|
| Annual required contribution | $ | (4,893) |
| Interest on net OPEB obligation | | 14,212 |
| Annual OPEB cost | | 9,319 |
| Contributions made | | 19,023 |
| Increase (decrease) in net OPEB obligation | | (9,704) |
| Net OPEB obligation, beginning of year | | 473,744 |
| Net OPEB obligation, end of year | $ | 464,040 |

***Methods and Assumptions*** - The City has under 100 plan members as defined by GASBS 45 - *Accounting and Financial Reporting by Employers for Post Employment Benefits other Than Pensions* and, therefore, has elected to use the alternative measurement method allowed by the statement. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, which is consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:
***Retirement age for active employees*** - Based on the historical average retirement age from the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

***Turnover*** - Based on historical turnover data for the City, all employees reaching 20 years of employment are assumed to remain employed with the City until age 62.

***Healthcare cost trend rate*** - The expected rate of increase in healthcare insurance premiums was based on actual historical increase for the City. A rate of 10 percent annual increase was used.

***Health insurance premiums*** - January 2016 individual health insurance costs per employee for active employees were used as the basis for calculation of the present value of total benefits to be paid.

Based on the rate of return in the City's actuarial report, a discount rate of 3 percent was used.

***Note 14 - Postemployment Benefits Other Than Pensions (continued)***

***Trend information*** - The City's annual OPEB cost , the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| Year Ended | *OPEB Cost* | *Contribution (ARC)* | *OPEB Cost Contributed* | *% of ARC Contributed* | *OPEB Obligation* |
|---|---|---|---|---|---|
| 12/31/2012 | 53,928 | 53,928 | 27,637 | 51.25% | 266,840 |
| 12/31/2013 | 66,778 | 66,778 | 9,358 | 14.01% | 324,260 |
| 12/31/2014 | 5,497 | 5,497 | 14,875 | 270.60% | 314,882 |
| 12/31/2015 | 179,281 | 179,281 | 20,419 | 11.39% | 473,744 |
| 12/31/2016 | 9,319 | 9,319 | 19,023 | 204.13% | 464,040 |

***Funded Status and Funding Progress*** - The funded status and progress of the plan as of the most recent actuarial valuation date is as follows:

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Funded Ratio (1)/(2) | (4) Unfunded AAL/(UAAL) (2)-(1) | (5) Annual Covered Payroll | (6) UAAL as a Percentage of Covered Payroll (4)/(5) |
|---|---|---|---|---|---|---|
| 12/31/2011 | 0 | $ 240,549 | 0 | $ 240,549 | $ 472,014 | 50.96% |
| 12/31/2012 | 0 | 266,840 | 0 | 266,840 | 526,822 | 50.65% |
| 12/31/2013 | 0 | 324,260 | 0 | 324,260 | 699,962 | 46.33% |
| 12/31/2014 | 0 | 314,882 | 0 | 314,882 | 523,052 | 60.20% |
| 12/31/2015 | 0 | 473,744 | 0 | 473,744 | 618,890 | 76.55% |
| 12/31/2016 | 0 | 464,040 | 0 | 464,040 | 817,519 | 56.76% |

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about retirement age, future employment, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

***Note 15 - Net Investment in Capital Assets***

The "net investment in capital assets" amount as reported on the government-wide statement of net position as of December 31, 2016, is as follows:

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Cost of capital assets | $ 7,356,368 | $ 16,827,846 |
| Less accumulated depreciation | 4,196,025 | 9,631,835 |
| Book value | 3,160,343 | 7,196,011 |
| Less capital related debt | 55,941 | 1,831,227 |
| | $ 3,104,402 | $ 5,364,784 |

### *Note 16 - Risk Management*

The City joined the Georgia Interlocal Risk Management Agency (GIRMA). Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the City's management based on the anticipated needs. The City is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reduction and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the City in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims is "IBNR" which is established by an actuary. The City has not compiled a record of claims paid up to the applicable deductible for the prior year or the current fiscal year. The City is unaware of any claims for which the City is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2016. No provisions have been made in the financial statements for the year ended December 31, 2016, for any estimate of potential unpaid claims.

The City has elected to be a member of the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (the Fund). As a participant in the Fund, the City has no legal obligation to pay its own workers' compensation claims. The City is required to make an annual contribution to the Fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the City's annual contribution, the City has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the Fund permits the Fund to levy an assessment upon its members to make up any deficiency the Fund may have in surplus or reserves. No amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

### *Note 17 - MEAG Power Contract*

In 1976, the City along with 45 other cities and one county (the Participants), all political subdivisions of the State of Georgia, entered into a Power Sales Contract with the Municipal Electric Authority of Georgia (MEAG), a public corporation and instrumentality of the State of Georgia. Under the terms of the agreement, MEAG agrees to provide, and the Participants are obligated to purchase, all of their bulk power supply requirements for a period not to exceed 50 years. In 2004, the Participants unanimously voted to extend the contract with MEAG an additional 50 years. The Participants have agreed to purchase all their future power and energy requirements in excess of that received by the Participants through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by MEAG. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each Participant has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations.

At December 31, 2016, the outstanding debt of MEAG was approximately $6.4 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $64 million at December 31, 2016.

In 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the Trust), which was created by MEAG for the mutual benefit of MEAG and its wholesale customers which have elected to become beneficiaries. The Trust was established to provide MEAG and the trust's beneficiaries a means to mitigate the expected differential between market rates for power and the costs of power generated by MEAG facilities, after deregulation of the electric industry.

*Note 17 - MEAG Power Contract (continued)*

The Trust created four funds in which the City participates. The following is a brief description of each fund:

Flexible Operating Trust Account - This account is available to the City for withdrawal without restriction. This account has a balance of $3,021,529 at December 31, 2016, and is included as a current investment in the Electric Utility fund.

New Generation Trust Account - This account is available to the City for certain restricted purposes including funding of future generation projects created by MEAG or for the purchase of additional power sales contracts. This account has a balance of $742 at December 31, 2016, and is included as a non-current restricted investment in the Electric Utility fund.

Reserve Funded Debt Account - This account is restricted to loan or offset to billings from MEAG for power usage, at the discretion of MEAG, and is not currently available to the City. This account is not recorded as an asset by the Electric fund. The balance of this account at December 31, 2016, was $3,686,630.

*Note 18 - Contingent Liabilities*

***Federal and State Grant Audits*** - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

Contractual Obligation - The City, through its cooperative participation in the Municipal Electric Authority of Georgia (MEAG), is contractually obligated to purchase additional energy that will be available from MEAG's additional future ownership in Plant Vogtle. This contractual obligation, based on management's estimates, will not materially affect the City's financial position. Management's estimates are based in part on increased industrial energy sales projected and the City's ability to increase consumer rates to cover energy cost increases.

Because the General Fund of the City relies heavily on the operating profits of the Utility Funds, the general fund financial position would be materially effected, should management's projections not be realized.

***Economic Dependency*** - The City's electric utility fund sells an estimated 76% of its power to its industrial customers, with 69% of total sales from one customer. This one customer accounts for more than 94% of the gross profits. Should the gross profit from these industrial customers materially decrease, the City's financial position would be materially affected in the future. Additionally, the City purchases substantially all of the electricity it sells from Municipal Electric Authority of Georgia and purchases all of the gas it sells from Municipal Gas Authority of Georgia.

*Note 19 - Joint Ventures*

Under Georgia law, the City, in conjunction with other cities and counties in the coastal Georgia area, is a member of the Coastal Regional Commission of Georgia (CRC) and is required to pay annual dues thereto. Membership in a CRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the CRC in Georgia. The CRC board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a CRC. Separate financial statements may be obtained from CRC, 127 F Street, Brunswick, Georgia 31520.

### *Note 20 - Related Organizations*

The Housing Authority of the City of Sylvania, Georgia (the Housing Authority) is considered a related organization. The Housing Authority is a legally separate entity having a board composed of members appointed primarily by the City of Waynesboro, Georgia. The City appoints one member to the board. The City is not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, the Housing Authority is a related organization.

### *Note 21 Subsequent Events*

Subsequent events have been evaluated by management through June 28, 2017, which is the date the financial statements were available to be issued.

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**City of Sylvania, Georgia**
***General Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balances - Budget and Actual***
***For the Year Ended December 31, 2016***

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 844,700 | $ 844,700 | $ 830,606 | $ (14,094) |
| Intergovernmental | 116,269 | 116,269 | 234,156 | 117,887 |
| Licenses and permits | 62,480 | 62,480 | 64,441 | 1,961 |
| Charges for services | 44,350 | 44,350 | 38,086 | (6,264) |
| Fines and forfeitures | 133,500 | 133,500 | 157,291 | 23,791 |
| Investment earnings | 2,500 | 2,500 | 2,386 | (114) |
| Contributions | 2,500 | 2,500 | | (2,500) |
| Miscellaneous | 23,300 | 23,300 | 23,555 | 255 |
| **Total revenues** | 1,229,599 | 1,229,599 | 1,350,521 | 120,922 |
| **Expenditures** | | | | |
| **Current:** | | | | |
| General government: | | | | |
| Legislative | 22,102 | 22,102 | 19,881 | 2,221 |
| Executive - Mayor | 8,418 | 8,418 | 6,894 | 1,524 |
| Executive - Manager | 195,570 | 197,902 | 197,902 | 0 |
| Financial administration | 344,580 | 344,580 | 298,105 | 46,475 |
| Purchase/contractual services | 5,600 | 5,600 | 5,298 | 302 |
| Judicial | 56,062 | 69,540 | 69,540 | 0 |
| Public safety: | | | | |
| Police | 936,615 | 976,102 | 976,102 | 0 |
| Fire | 538,680 | 651,419 | 651,419 | 0 |
| Animal control | 13,835 | 13,835 | 10,599 | 3,236 |
| Public works: | | | | |
| Streets | 362,050 | 380,899 | 380,899 | 0 |
| Garage | 163,535 | 181,019 | 181,019 | 0 |
| Health and welfare - Nutrition program | 121,938 | 124,320 | 124,320 | 0 |
| Culture and recreation | 10,000 | 14,064 | 14,064 | 0 |
| Housing and development | | | | |
| Economic development and assistance | 46,500 | 48,695 | 48,695 | 0 |
| **Total expenditures** | 2,825,485 | 3,038,495 | 2,984,737 | 53,758 |
| **Deficiency of revenues to expenditures** | (1,595,886) | (1,808,896) | (1,634,216) | 174,680 |
| **Other financing sources** | | | | |
| Inception of capital lease | | 0 | 13,700 | 13,700 |
| Sale of asset | 1,000 | 1,000 | | (1,000) |
| Interfund transfers | 1,594,886 | 1,594,886 | 1,646,045 | 51,159 |
| **Total other financing sources** | 1,595,886 | 1,595,886 | 1,659,745 | 63,859 |
| **Net change in fund balances** | $ 0 | $ (213,010) | 25,529 | $ 238,539 |
| **Fund balances beginning of year** | | | 1,019,093 | |
| **Fund balances end of year** | | | $ 1,044,622 | |

See the accompanying notes to the required supplementary information.

**City of Sylvania, Georgia**
***UDAG Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balances - Budget and Actual***
***For the Year Ended December 31, 2016***

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Investment earnings | $ 4,300 | $ 4,300 | $ 4,006 | $ (294) |
| **Expenditures - Housing and development** | 200,000 | 200,000 | 0 | (200,000) |
| **Net change in fund balance** | $ (195,700) | $ (195,700) | 4,006 | $ 199,706 |
| **Fund balances beginning of year** | | | 957,377 | |
| **Fund balances end of year** | | | $ 961,383 | |

*Note 1 - Budgetary Information*

The City adopts an annual operating budget for the general fund, each special revenue fund, each capital projects fund and the debt service fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Manager may approve budget transfers within departments. Any changes to a fund total or departmental appropriation within a fund requires approval of the City Council. During the year, there was one budget revision.

All unexpended annual appropriations lapse at year-end.

On the budgetary basis, debt service expenditures (i.e. $30,944) are budgeted within the functions but are reported as separate character classifications on the GAAP basis. The reconciliation to the Schedule of Revenue, Expenditures and Changes in Fund Balance is as follows:

| | Financial Statement | Budgetary Adjustment | Budget |
|---|---|---|---|
| General government: | | | |
| Executive - Manager | $ 197,754 | $ 148 | $ 197,902 |
| Financial administration | 297,883 | 222 | 298,105 |
| Public safety: | | | |
| Police | 957,077 | 19,025 | 976,102 |
| Fire | 640,018 | 11,401 | 651,419 |
| Animal control | 10,451 | 148 | 10,599 |
| Debt service: | | | |
| Principal | 28,921 | (28,921) | 0 |
| Interest and fiscal charges | 2,023 | (2,023) | 0 |
| | $ 2,134,127 | $ 0 | $ 2,134,127 |

**City of Sylvania, Georgia**
***Schedule of Changes in the Net Pension Liability and Related Ratios***
***Defined Benefit Pension Plan***
***For the Year Ended December 31, 2016***

| | 2016 | 2015 |
|---|---|---|
| **Total Pension Liability** | | |
| Service cost | $ 115,252 | $ 101,131 |
| Interest | 435,093 | 396,159 |
| Difference between expected and actual experience | (52,580) | 292,465 |
| Change in assumptions | | (60,862) |
| Benefit payments, including refunds of employee contributions | (233,773) | (219,274) |
| Net change in total pension liability | 263,992 | 509,619 |
| Total pension liability - beginning | 5,730,990 | 5,221,371 |
| Total pension liability - ending | $ 5,994,982 | $ 5,730,990 |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ 303,069 | $ 300,670 |
| Net investment income | 11,277 | 360,329 |
| Benefit payments, including refunds of employee contributions | (233,773) | (219,274) |
| Administrative expense | (14,786) | (13,703) |
| Net change in fiduciary net position | 65,787 | 428,022 |
| Plan fiduciary net position - beginning | 4,102,564 | 3,674,542 |
| Plan fiduciary net position - ending | $ 4,168,351 | $ 4,102,564 |
| **Net pension liability - ending** | $ 1,826,631 | $ 1,628,426 |
| Plan fiduciary net position as a percentage of total pension liability | 69.53% | 71.59% |
| Covered employee payroll | 2,267,939 | 2,373,473 |
| Net position liability as a percentage of covered-employee payroll | 80.54% | 68.61% |

**Changes in assumptions**

As a result of the plan change to provide immediate participation for Employees, for the fiscal year ended in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's net pension liability is minimal and has been included in the differences between expected and actuarial experience.

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

In 2016, amounts reported as changes in assumptions resulted primarily from adjustments made based on actuarial experience study covering the period January 1, 2010 to June 30, 2014. The City implemented GASB 68 for the fiscal year ended December 31, 2015. In time this section will present the required ten years of data.

**Benefit changes**

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

**City of Sylvania, Georgia**
**Schedule of Contributions**
**Defined Benefit Pension Plan**
**For the Year Ended December 31, 2016**

| | 2016 | 2015 |
|---|---|---|
| Actuarially determined contribution | * | $ 294,158 |
| Contributions in relation to actuarially determined contribution | * | $ 319,395 ** |
| Contribution deficiency (excess) | * | $ (25,237) |
| Covered-employee payroll | * | $ 2,373,473 *** |
| Contributions as a percentage of covered-employee payroll | * | 13.46% |

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

** Contributions are recorded based on date of receipt into the GMEBS trust. Minor timing issues in receipt of monthly payments are not indicative of noncompliance with GMEBS funding policy. A plan is in compliance with the GMEBS funding policy if it pays either the dollar amount or the percentage of employee-covered payroll of the actuarially determined contributions.

*** 2015 covered payroll is based on data collected as of February 28, 2015, for the 2015 actuarial valuation.

The City implemented GASB 68 for the fiscal year ended December 31, 2015. In time this schedule will present the required ten years of data.

*City of Sylvania, Georgia*
*Schedule of Funding Progress*
*Postemployment Benefits Other Than Pensions (Health Insurance)*
*For the Year Ended December 31, 2016*

As of the most recent valuation date, December 31, 2016, the funded status of the Plan was as follows:

| Actuarial Valuation Date | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Unfunded AAL/(UAAL) (2)-(1) | (4) Funded Ratio (1)/(2) | (5) Annual Covered Payroll | (6) UAAL as a Percentage of Covered Payroll (3)/(5) |
|---|---|---|---|---|---|---|
| 12/31/2014 | 0 | 314,882 | 314,882 | 0.00% | 523,052 | 60.20% |
| 12/31/2015 | 0 | 473,744 | 473,744 | 0.00% | 618,890 | 76.55% |
| 12/31/2016 | 0 | 464,040 | 464,040 | 0.00% | 817,519 | 56.76% |

The assumptions used in the preparation of the above schedule are disclosed in Note 14 to the financial statements.

**City of Sylvania, Georgia**
***General Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,013,540 | $ 1,050,511 |
| Restricted cash and cash equivalents | 3,465 | |
| Receivables: | | |
| Accounts | 75,165 | 87,689 |
| Property taxes | 101,592 | 113,993 |
| Other | 7,625 | 32,528 |
| Interest | 1,471 | 1,471 |
| Interfund balances | 31,970 | |
| Prepaid items | 23,505 | 17,076 |
| **Total assets** | $ 1,258,333 | $ 1,303,268 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 81,271 | $ 151,281 |
| Accrued expenditures | 11,558 | 5,748 |
| Interfund balances | 1,826 | 1,249 |
| Unearned revenue | 32,655 | 33,034 |
| **Total liabilities** | 127,310 | 191,312 |
| **Deferred inflows of resources - property taxes** | 86,401 | 92,863 |
| **Total liabilities and deferred inflows of resources** | 213,711 | 284,175 |
| **Fund balances** | | |
| Nonspendable - prepaid items | 23,505 | 17,076 |
| Restricted for recreation | 3,465 | |
| Unassigned | 1,017,652 | 1,002,017 |
| **Total fund balances** | 1,044,622 | 1,019,093 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 1,258,333 | $ 1,303,268 |

City of Sylvania, Georgia
*General Fund*
*Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances*
*For the Years Ended December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Revenues** | | |
| Taxes | $ 830,606 | $ 841,781 |
| Intergovernmental | 234,156 | 401,994 |
| Licenses and permits | 64,441 | 61,372 |
| Charges for services | 38,086 | 59,272 |
| Fines and forfeitures | 157,291 | 130,570 |
| Investment earnings | 2,386 | 2,115 |
| Contributions and donations | | |
| Miscellaneous | 23,555 | 21,667 |
| **Total revenues** | 1,350,521 | 1,518,771 |
| **Expenditures** | | |
| **Current:** | | |
| General government: | | |
| Legislative | 19,881 | 19,171 |
| Executive - Mayor | 6,894 | 7,130 |
| Executive - Manager | 197,754 | 196,079 |
| Financial administration | 297,883 | 317,724 |
| Elections | | 4,823 |
| Purchase/contract services | 5,298 | 5,520 |
| Judicial | 69,540 | 59,816 |
| Public safety: | | |
| Police | 957,077 | 954,946 |
| Fire | 640,018 | 658,385 |
| Animal control | 10,451 | 15,879 |
| Public works: | | |
| Streets | 380,899 | 398,328 |
| Garage | 181,019 | 166,146 |
| Health and welfare - Nutrition program | 124,320 | 143,262 |
| Culture and recreation | 14,064 | 13,607 |
| Housing and development - economic development and assistance | 48,695 | 47,080 |
| **Debt service:** | | |
| Principal retirement | 28,921 | 37,606 |
| Interest and fiscal charges | 2,023 | 3,715 |
| **Total expenditures** | 2,984,737 | 3,049,217 |
| **Deficiency of revenues to expenditures** | (1,634,216) | (1,530,446) |
| **Other financing sources** | | |
| Inception of capital lease | 13,700 | 31,425 |
| Interfund transfers | 1,646,045 | 1,681,538 |
| **Total other financing sources** | 1,659,745 | 1,712,963 |
| **Net change in fund balances** | 25,529 | 182,517 |
| **Fund balances beginning of year** | 1,019,093 | 836,576 |
| **Fund balances end of year** | $ 1,044,622 | $ 1,019,093 |

**City of Sylvania, Georgia**
***UDAG Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Restricted cash and cash equivalents | $ 895,763 | $ 882,145 |
| Receivables - notes | 65,620 | 75,232 |
| **Total assets** | $ 961,383 | $ 957,377 |
| **Liabilities and Fund Balances** | | |
| **Fund Balances** | | |
| Restricted for housing and development | $ 961,383 | $ 957,377 |

**City of Sylvania, Georgia**
***UDAG Fund***
***Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Revenues** | | |
| Investment earnings | $ 4,006 | $ 6,388 |
| **Expenditures** | | |
| **Net change in fund balance** | 4,006 | 6,388 |
| **Fund balances beginning of year** | 957,377 | 950,989 |
| **Fund balances end of year** | $ 961,383 | $ 957,377 |

**City of Sylvania, Georgia**
*Combining Balance Sheet - By Fund Type*
*Nonmajor Governmental Funds*
*December 31, 2016*

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Restricted cash and cash equivalents | $ 982 | $ 277,596 | $ 278,578 |
| Accounts receivable | 834 | | 834 |
| Interfund balances | 1,826 | | 1,826 |
| **Total assets** | $ 3,642 | $ 277,596 | $ 281,238 |
| **Liabilities and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 834 | $ 24,735 | $ 25,569 |
| Interfund balances | | 31,970 | 31,970 |
| | 834 | 56,705 | 57,539 |
| **Fund Balances** | | | |
| Restricted for: | | | |
| Capital projects | | 220,891 | 220,891 |
| Public safety | 2,808 | | 2,808 |
| **Total fund balances** | 2,808 | 220,891 | 223,699 |
| **Total liabilities and fund balances** | $ 3,642 | $ 277,596 | $ 281,238 |

**City of Sylvania, Georgia**

***Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - By Fund Type***

***Nonmajor Governmental Funds***

***For the Year Ended December 31, 2016***

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 15,297 | | $ 15,297 |
| Intergovernmental | | $ 151,087 | 151,087 |
| Fines and forfeitures | 968 | | 968 |
| Investment earnings | | 259 | 259 |
| **Total revenues** | 16,265 | 151,346 | 167,611 |
| **Expenditures** | | | |
| **Current:** | | | |
| Housing and development | 15,297 | | 15,297 |
| Public safety - police | 391 | | 391 |
| **Capital Outlays** | | 81,118 | 81,118 |
| **Total expenditures** | 15,688 | 81,118 | 96,806 |
| **Excess of revenues to expenditures** | 577 | 70,228 | 70,805 |
| **Other financing uses** | | | |
| Transfer to water and sewer fund | | (67,409) | (67,409) |
| **Net change in fund balances** | 577 | 2,819 | 3,396 |
| **Fund balances beginning of year** | 2,231 | 218,072 | 220,303 |
| **Fund balances end of year** | $ 2,808 | $ 220,891 | $ 223,699 |

**City of Sylvania, Georgia**
***Combining Balance Sheet***
***Nonmajor Special Revenue Funds***
***For the Year Ended December 31, 2016***

| | Hotel/Motel Tax Fund | Confiscated Assets Fund | Total Nonmajor Special Revenue Funds |
|---|---|---|---|
| **Assets** | | | |
| Restricted cash and cash equivalents | | $ 982 | $ 982 |
| Accounts receivable | $ 834 | | 834 |
| Interfund balance | | 1,826 | 1,826 |
| **Total assets** | $ 834 | $ 2,808 | $ 3,642 |
| **Liabilities and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 834 | | $ 834 |
| **Fund Balances** | | | |
| Restricted for public safety | | $ 2,808 | 2,808 |
| **Total liabilities and fund balances** | $ 834 | $ 2,808 | $ 3,642 |

**City of Sylvania, Georgia**
*Combining Schedule of Revenues, Expenditures and Changes in Fund Balances*
*Nonmajor Special Revenue Funds*
*For the Year Ended December 31, 2016*

| | Hotel/Motel Tax Fund | Confiscated Assets Fund | Total Nonmajor Special Revenue Funds |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 15,297 | | $ 15,297 |
| Fines and forfeitures | | $ 968 | 968 |
| **Total revenues** | 15,297 | 968 | 16,265 |
| **Expenditures** | | | |
| **Current:** | | | |
| Housing and development | 15,297 | | 15,297 |
| Public safety - police | | 391 | 391 |
| **Total expenditures** | 15,297 | 391 | 15,688 |
| **Excess of revenues to expenditures** | 0 | 577 | 577 |
| **Fund balances beginning of year** | | 2,231 | 2,231 |
| **Fund balances end of year** | $ 0 | $ 2,808 | $ 2,808 |

**City of Sylvania**
***Hotel/Motel Tax Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Interfund balance | $ 834 | $ 0 |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 834 | $ 0 |
| **Fund Balances** | | |
| **Total liabilities and fund balances** | $ 834 | $ 0 |

**City of Sylvania, Georgia**
***Hotel/Motel Tax Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balances - Budget and Actual***
***For the Year Ended December 31, 2016***
***(With Comparative Actual Amounts for the Year Ended December 31, 2015)***

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Actual |
| **Revenues** | | | | | |
| Taxes | $ 15,000 | $ 15,000 | $ 15,297 | $ 297 | $ 14,862 |
| **Expenditures** | | | | | |
| Housing and development | 15,000 | 15,297 | 15,297 | 0 | 14,862 |
| **Net change in fund balance** | $ 0 | $ (297) | 0 | $ 297 | 0 |
| **Fund balances beginning of year** | | | 0 | | 0 |
| **Fund balances end of year** | | | $ 0 | | $ 0 |

**City of Sylvania**
***Confiscated Assets Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Restricted cash and cash equivalents | $ 982 | $ 982 |
| Interfund balance | 1,826 | 1,249 |
| **Total assets** | $ 2,808 | $ 2,231 |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | $ 0 | $ 0 |
| **Fund Balances** | | |
| Restricted for public safety | 2,808 | 2,231 |
| **Total liabilities and fund balances** | $ 2,808 | $ 2,231 |

**City of Sylvania, Georgia**
***Confiscated Assets Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balances - Budget and Actual***
***For the Year Ended December 31, 2016***
***(With Comparative Actual Amounts for the Year Ended December 31, 2015)***

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Positive (Negative) | Actual |
| **Revenues** | | | | | |
| Fines and forfeitures | $ 0 | $ 0 | $ 968 | $ 968 | $ 1,249 |
| **Expenditures** | | | | | |
| Public safety - police | 0 | 391 | 391 | 0 | 3,239 |
| **Excess (deficit) of revenues to expenses** | $ 0 | $ (391) | 577 | $ 968 | (1,990) |
| **Fund balances beginning of year** | | | 2,231 | | 4,221 |
| **Fund balances end of year** | | | $ 2,808 | | $ 2,231 |

**City of Sylvania**
***2013 SPLOST Capital Projects Fund***
***Comparative Balance Sheet***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Restricted cash and cash equivalents | $ 277,596 | $ 265,384 |
| **Liabilities and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable - intergovernmental | $ 24,735 | $ 47,312 |
| Interfund balances | 31,970 | |
| **Total liabilities** | 56,705 | 47,312 |
| **Fund Balances** | | |
| Restricted for capital projects | 220,891 | 218,072 |
| **Total liabilities and fund balances** | $ 277,596 | $ 265,384 |

**City of Sylvania**
***2013 SPLOST Capital Projects Fund***
***Schedule of Revenues, Expenditures and***
***Changes in Fund Balances***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Revenues** | | |
| Intergovernmental | $ 151,087 | $ 153,946 |
| Investment earnings | 259 | 342 |
| **Total revenues** | 151,346 | 154,288 |
| | | |
| **Expenditures** | | |
| **Capital outlays** | | |
| General government - office equipment | | 16,723 |
| Public works - streets | 75,067 | 39,076 |
| Public works - airport infrastructure | 6,051 | |
| Recreation | | 3,209 |
| | 81,118 | 59,008 |
| | | |
| **Excess revenues to expenditures** | 70,228 | 95,280 |
| | | |
| **Other financing uses** | | |
| Transfer to water and sewer fund | (67,409) | (12,191) |
| Transfer to sanitation fund | | (134,645) |
| | (67,409) | (146,836) |
| | | |
| **Net change in fund balances** | 2,819 | (51,556) |
| | | |
| **Fund balances beginning of year** | 218,072 | 269,628 |
| | | |
| **Fund balances end of year** | $ 220,891 | $ 218,072 |

City of Sylvania, Georgia
*Water and Sewer Fund*
*Comparative Schedule of Net Position*
*December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 40,909 | $ 42,465 |
| Accounts receivable | 136,164 | 129,576 |
| Prepaid insurance | 11,249 | 9,222 |
| **Total current assets** | 188,322 | 181,263 |
| **Noncurrent assets** | | |
| **Capital assets** | | |
| Nondepreciable capital asset | 46,649 | 2,239,662 |
| Depreciable capital assets, net | 4,804,552 | 2,596,424 |
| **Total noncurrent assets** | 4,851,201 | 4,836,086 |
| **Total assets** | 5,039,523 | 5,017,349 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 22,099 | 30,589 |
| Difference between projected and actual earnings on investments | 25,599 | |
| Contributions after measurement date | 31,151 | 28,844 |
| **Total deferred outflows of resources** | 78,849 | 59,433 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | 38,128 | 252,658 |
| Accrued interest payable | 2,931 | 9,865 |
| Accrued payroll | 1,852 | 1,459 |
| Compensated absences payable | 13,237 | 14,645 |
| Capital lease payable | 7,607 | 7,347 |
| Notes payable | 70,454 | 40,443 |
| **Total current liabilities** | 134,209 | 326,417 |
| **Long-term liabilities** | | |
| Compensated absences payable (net of current portion) | 17,523 | 29,039 |
| Post-employment benefit payable | 30,675 | 12,661 |
| Net pension liability | 230,040 | 212,899 |
| Capital lease payable (net of current portion) | 13,962 | 21,569 |
| Notes payable (net of current portion) | 1,589,103 | 1,497,576 |
| **Total long-term liabilities** | 1,881,303 | 1,773,744 |
| **Total liabilities** | 2,015,512 | 2,100,161 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 5,297 | |
| Difference between projected and actual earnings on investments | | 7,627 |
| Changes in assumptions | 4,598 | 6,366 |
| **Total deferred inflows of resources** | 9,895 | 13,993 |
| **Net position** | | |
| Net investment in capital assets | 3,170,075 | 3,269,151 |
| Unrestricted | (77,110) | (306,523) |
| **Total net position** | $ 3,092,965 | $ 2,962,628 |

City of Sylvania, Georgia
*Water and Sewer Fund*
*Comparative Schedule of Revenues,*
*Expenses and Changes in Net Position*
*For the Years Ended December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Operating Revenues** | | |
| Charges for services | $ 1,166,050 | $ 1,074,636 |
| Miscellaneous | 14,316 | 12,699 |
| **Total operating revenues** | 1,180,366 | 1,087,335 |
| **Operating expenses** | | |
| Salaries | 213,986 | 297,259 |
| Social security | 16,429 | 20,866 |
| Group insurance | 45,073 | 68,239 |
| Retirement and other post-employment benefits | 53,176 | 52,993 |
| Workers' compensation | 19,013 | 19,012 |
| Contract services | 172,423 | 47,320 |
| Chemicals | 13,228 | 28,041 |
| Materials and supplies | 31,694 | 26,387 |
| Gas, oil, and tires | 12,238 | 14,638 |
| Uniforms and safety equipment | 3,935 | 1,262 |
| Vehicle repairs | 14,659 | 6,013 |
| Engineering and consulting | 400 | |
| Postage | 3,607 | 3,459 |
| Communications | 1,847 | 2,090 |
| Insurance | 40,559 | 34,140 |
| Public utilities | 114,233 | 67,541 |
| Maintenance and testing | 125,338 | 106,169 |
| Tipping fees | 6,876 | 15,100 |
| Bad debts | 4,878 | 3,828 |
| Other | 8,849 | 14,389 |
| Depreciation | 163,130 | 140,181 |
| **Total operating expenses** | 1,065,571 | 968,927 |
| **Operating income** | 114,795 | 118,408 |
| **Non-operating revenues (expenses)** | | |
| Interest and fiscal charges | (23,616) | (999) |
| Debt issuance costs | (3,720) | (17,000) |
| Grant proceeds | 80,170 | 411,001 |
| Investment earnings | 247 | 277 |
| **Total non-operating revenues** | 53,081 | 393,279 |
| **Income before transfers** | 167,876 | 511,687 |
| **Interfund transfers** | | |
| Transfer in - SPLOST | 67,409 | 12,191 |
| Transfers out | (104,948) | (276,024) |
| **Total transfers** | (37,539) | (263,833) |
| **Change in net position** | 130,337 | 247,854 |
| **Net position beginning of year** | 2,962,628 | 2,714,774 |
| **Net position end of year** | $ 3,092,965 | $ 2,962,628 |

City of Sylvania, Georgia
*Electricity Utility Fund*
*Comparative Schedule of Net Position*
*December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 101,354 | $ 108,424 |
| Investments | 3,021,529 | 3,674,468 |
| Accounts receivable | 3,263,599 | 2,532,466 |
| Prepaid insurance | 5,453 | 4,651 |
| **Total current assets** | 6,391,935 | 6,320,009 |
| **Noncurrent assets** | | |
| **Restricted assets:** | | |
| Investments - MEAG Generation Trust | 742 | 735 |
| **Capital assets:** | | |
| Depreciable capital assets, net | 1,898,855 | 1,966,998 |
| **Total noncurrent assets** | 1,899,597 | 1,967,733 |
| **Total assets** | 8,291,532 | 8,287,742 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 21,093 | 27,783 |
| Difference between projected and actual earnings on investments | 24,434 | |
| Contributions after measurement date | 29,733 | 26,197 |
| **Total deferred outflows of resources** | 75,260 | 53,980 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | 5,668,846 | 4,877,189 |
| Sales tax payable | 18,321 | 18,061 |
| Accrued liabilities | 3,134 | 1,548 |
| Compensated absences payable | 23,744 | 25,690 |
| Customer deposits payable | 266,670 | 266,147 |
| Capital lease | 26,937 | 27,637 |
| **Total current liabilities** | 6,007,652 | 5,216,272 |
| **Long-term liabilities** | | |
| Compensated absences payable (net of current portion) | 66,982 | 65,883 |
| Post-employment benefit payable | 119,524 | 59,027 |
| Net pension liability | 219,570 | 193,366 |
| Capital lease (net of current portion) | 87,113 | 114,050 |
| | 493,189 | 432,326 |
| **Total liabilities** | 6,500,841 | 5,648,598 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 5,056 | |
| Difference between projected and actual earnings on investments | | 6,928 |
| Changes in assumptions | 4,389 | 5,781 |
| **Total deferred inflows of resources** | 9,445 | 12,709 |
| **Net Position** | | |
| Net investment in capital assets | 1,784,805 | 1,825,311 |
| Restricted - MEAG power generation and credit support | 742 | 735 |
| Unrestricted | 70,959 | 854,369 |
| **Total Net Position** | $ 1,856,506 | $ 2,680,415 |

**City of Sylvania, Georgia**
***Electricity Utility Fund***
***Comparative Schedule of Revenues,***
***Expenses and Changes in Net Position***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Charges for services | $ 27,598,553 | $ 27,086,460 |
| Miscellaneous | 4,590 | 9,978 |
| **Total operating revenues** | 27,603,143 | 27,096,438 |
| **Operating expenses** | | |
| Cost of sales | 25,843,650 | 26,017,036 |
| Salaries | 398,728 | 364,502 |
| Social security | 28,850 | 26,311 |
| Group insurance | 60,889 | 56,484 |
| Retirement and other post-employment benefits | 101,801 | 73,275 |
| Workers' compensation | 12,082 | 10,693 |
| Contract labor and services | 9,395 | 2,911 |
| Materials and supplies | 93,359 | 84,745 |
| Gas, oil, and tires | 12,954 | 8,293 |
| Uniforms and safety equipment | 1,324 | 819 |
| Vehicle repairs | 24,357 | 19,483 |
| Engineering and consulting | 19,174 | 16,691 |
| Postage | 3,048 | 2,750 |
| Communications | 1,223 | 1,406 |
| Insurance | 7,682 | 17,379 |
| Public utilities | 12,367 | 7,812 |
| Maintenance and testing | 21,632 | 34,675 |
| Bad debts | 24,473 | 24,823 |
| Other | 7,657 | 7,230 |
| Depreciation | 81,043 | 98,283 |
| **Total operating expenses** | 26,765,688 | 26,875,601 |
| **Operating income** | 837,455 | 220,837 |
| **Non-operating revenues (expenses)** | | |
| Interest and fiscal charges | (363,949) | (179,299) |
| Investment earnings | 28,856 | 20,369 |
| FEMA grant proceeds | | 24,192 |
| MEAG Generation Trust investment earnings | 6 | 5 |
| **Total non-operating revenues (expenses)** | (335,087) | (134,733) |
| **Income before transfers** | 502,368 | 86,104 |
| Interfund transfers | (1,326,277) | (992,919) |
| **Change in net position** | (823,909) | (906,815) |
| **Net position beginning of year** | 2,680,415 | 3,587,230 |
| **Net position end of year** | $ 1,856,506 | $ 2,680,415 |

**City of Sylvania, Georgia**
*Combining Schedule of Net Position*
*Nonmajor Enterprise Funds*
*December 31, 2016*

| | Gas Utility Fund | Solid Waste Collection Fund | Total Nonmajor Proprietary Funds |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Accounts receivable | $ 371,043 | $ 50,135 | $ 421,178 |
| Prepaid insurance | 852 | 2,386 | 3,238 |
| **Total current assets** | 371,895 | 52,521 | 424,416 |
| **Noncurrent assets** | | | |
| **Capital assets** | | | |
| Nondepreciable capital assets | | 6,507 | 6,507 |
| Depreciable capital assets, net | 284,758 | 154,690 | 439,448 |
| **Total noncurrent assets** | 284,758 | 161,197 | 445,955 |
| **Total assets** | 656,653 | 213,718 | 870,371 |
| **Deferred outflows of resources** | | | |
| Pension: | | | |
| Difference between expected and actual experience | 9,425 | 19,613 | 29,038 |
| Difference between projected and actual earnings on investments | 10,918 | 22,719 | 33,637 |
| Contributions after measurement date | 13,286 | 27,645 | 40,931 |
| **Total deferred outflows of resources** | 33,629 | 69,977 | 103,606 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable | 235,527 | 6,820 | 242,347 |
| Accrued payroll | 967 | 1,961 | 2,928 |
| Compensated absences payable | 5,706 | 8,725 | 14,431 |
| Capital lease | | 9,131 | 9,131 |
| **Total current liabilities** | 242,200 | 26,637 | 268,837 |
| **Long-term liabilities** | | | |
| Compensated absences payable (net of current portion) | 17,245 | 15,165 | 32,410 |
| Post-employment benefit payable | 39,814 | 104,510 | 144,324 |
| Net pension liability | 98,113 | 204,157 | 302,270 |
| Capital lease (net of current portion) | | 26,920 | 26,920 |
| | 155,172 | 350,752 | 505,924 |
| **Total liabilities** | 397,372 | 377,389 | 774,761 |
| **Deferred inflows of resources** | | | |
| Pension: | | | |
| Difference between expected and actual experience | 2,259 | 4,701 | 6,960 |
| Changes in assumptions | 1,961 | 4,081 | 6,042 |
| **Total deferred inflows of resources** | 4,220 | 8,782 | 13,002 |
| **Net Position** | | | |
| Net investment in capital assets | 284,758 | 125,146 | 409,904 |
| Unrestricted | 3,932 | (227,622) | (223,690) |
| **Total net position** | $ 288,690 | $ (102,476) | $ 186,214 |

**City of Sylvania, Georgia**
***Combining Schedule of Revenues, Expenses and Changes in Net Position - Nonmajor Enterprise Funds***
***For the Year Ended December 31, 2016***

| | Gas Utility | Solid Waste Collection Fund | Total Nonmajor Proprietary Funds |
|---|---|---|---|
| **Operating revenues** | | | |
| Charges for services | $ 2,647,517 | $ 484,900 | $ 3,132,417 |
| **Operating expenses** | | | |
| Cost of sales | 2,257,319 | | 2,257,319 |
| Salaries | 135,458 | 247,432 | 382,890 |
| Social security | 8,705 | 18,536 | 27,241 |
| Group insurance | 19,435 | 55,202 | 74,637 |
| Retirement and other post-employment benefits | 6,350 | 6,013 | 12,363 |
| Workers' compensation | 2,656 | 5,297 | 7,953 |
| Materials and supplies | 12,469 | | 12,469 |
| Gas, oil, and tires | 2,183 | 21,795 | 23,978 |
| Uniforms and safety equipment | 345 | 2,935 | 3,280 |
| Vehicle repairs | 176 | 11,370 | 11,546 |
| Postage | 3,088 | | 3,088 |
| Communications | 1,963 | | 1,963 |
| Insurance | 1,721 | 5,548 | 7,269 |
| Public utilities | 1,100 | | 1,100 |
| Repairs, maintenance and testing | 34,150 | 9,726 | 43,876 |
| Tipping fees | | 24,700 | 24,700 |
| Bad debts | 803 | 1,468 | 2,271 |
| Other | 5,863 | 7,083 | 12,946 |
| Depreciation | 12,751 | 28,487 | 41,238 |
| **Total operating expenses** | 2,506,535 | 445,592 | 2,952,127 |
| **Operating income** | 140,982 | 39,308 | 180,290 |
| **Non-operating expenses** | | | |
| Interest and fiscal charges | | (1,548) | (1,548) |
| **Income before transfers** | 140,982 | 37,760 | 178,742 |
| Interfund transfers | (212,555) | (2,265) | (214,820) |
| **Change in net position** | (71,573) | 35,495 | (36,078) |
| **Net position beginning of year** | 360,263 | (137,971) | 222,292 |
| **Net position end of year** | $ 288,690 | $ (102,476) | $ 186,214 |

**City of Sylvania, Georgia**
***Gas Utility Fund***
***Comparative Schedule of Net Position***
***December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Accounts receivable | $ 371,043 | $ 454,211 |
| Prepaid insurance | 852 | 1,207 |
| **Total current assets** | 371,895 | 455,418 |
| **Noncurrent assets** | | |
| **Capital assets** | | |
| Depreciable capital assets, net | 284,758 | 297,509 |
| **Total assets** | 656,653 | 752,927 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 9,425 | 12,415 |
| Difference between projected and actual earnings on investments | 10,918 | |
| Contributions after measurement date | 13,286 | 11,706 |
| **Total deferred outflows of resources** | 33,629 | 24,121 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | 235,527 | 263,774 |
| Accrued payroll | 967 | 643 |
| Compensated absences payable | 5,706 | 5,019 |
| **Total current liabilities** | 242,200 | 269,436 |
| **Long-term liabilities** | | |
| Compensated absences payable (net of current portion) | 17,245 | 3,346 |
| Post-employment benefit payable | 39,814 | 51,920 |
| Net pension liability | 98,113 | 86,404 |
| | 155,172 | 141,670 |
| **Total liabilities** | 397,372 | 411,106 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 2,259 | |
| Difference between projected and actual earnings on investments | | 3,096 |
| Changes in assumptions | 1,961 | 2,583 |
| **Total deferred inflows of resources** | 4,220 | 5,679 |
| **Net Position** | | |
| Net investment in capital assets | 284,758 | 297,509 |
| Unrestricted | 3,932 | 62,754 |
| **Total net position** | $ 288,690 | $ 360,263 |

*Gas Utility Fund*
*Comparative Schedule of Revenues,*
*Expenses and Changes in Net Position*
*For the Years Ended December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Charges for services | $ 2,647,517 | $ 3,565,528 |
| **Operating expenses** | | |
| Cost of sales | 2,257,319 | 3,064,650 |
| Salaries | 135,458 | 122,867 |
| Social security | 8,705 | 8,953 |
| Group insurance | 19,435 | 20,217 |
| Retirement and other post-employment benefits | 6,350 | 29,982 |
| Workers' compensation | 2,656 | 2,850 |
| Materials and supplies | 12,469 | 20,363 |
| Gas, oil, and tires | 2,183 | 2,041 |
| Uniforms and safety equipment | 345 | 365 |
| Vehicle repairs | 176 | 1,173 |
| Postage | 3,088 | 2,512 |
| Communications | 1,963 | 1,881 |
| Insurance | 1,721 | 3,988 |
| Public utilities | 1,100 | 1,117 |
| Repairs, maintenance and testing | 34,150 | 14,664 |
| Bad debts | 803 | 393 |
| Other | 5,863 | 6,043 |
| Depreciation | 12,751 | 12,781 |
| **Total operating expenses** | 2,506,535 | 3,316,840 |
| **Operating income** | 140,982 | 248,688 |
| Interfund transfers | (212,555) | (348,577) |
| **Change in net position** | (71,573) | (99,889) |
| **Net position beginning of year** | 360,263 | 460,152 |
| **Net position end of year** | $ 288,690 | $ 360,263 |

**City of Sylvania, Georgia**
*Solid Waste Collection Fund*
*Comparative Schedule of Net Position*
*December 31, 2016 and 2015*

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Accounts receivable | $ 50,135 | $ 32,454 |
| Prepaid insurance | 2,386 | 3,515 |
| **Total current assets** | 52,521 | 35,969 |
| **Noncurrent assets** | | |
| **Capital assets** | | |
| Nondepreciable capital assets | 6,507 | 6,507 |
| Depreciable capital assets, net | 154,690 | 183,177 |
| **Total noncurrent assets** | 161,197 | 189,684 |
| **Total assets** | 213,718 | 225,653 |
| **Deferred outflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 19,613 | 25,833 |
| Difference between projected and actual earnings on investments | 22,719 | |
| Contributions after measurement date | 27,645 | 24,358 |
| **Total deferred outflows of resources** | 69,977 | 50,191 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | 6,820 | 10,177 |
| Accrued payroll | 1,961 | 1,103 |
| Compensated absences payable | 8,725 | 12,676 |
| Post-employment benefit payable | | 634 |
| Capital lease | 9,131 | 9,607 |
| **Total current liabilities** | 26,637 | 34,197 |
| **Long-term liabilities** | | |
| Compensated absences payable (net of current portion) | 15,165 | 15,690 |
| Post-employment benefit payable (net of current portion) | 104,510 | 136,268 |
| Net pension liability | 204,157 | 179,792 |
| Capital lease (net of current portion) | 26,920 | 36,050 |
| | 350,752 | 367,800 |
| **Total liabilities** | 377,389 | 401,997 |
| **Deferred inflows of resources** | | |
| Pension: | | |
| Difference between expected and actual experience | 4,701 | |
| Difference between projected and actual earnings on investments | | 6,442 |
| Changes in assumptions | 4,081 | 5,376 |
| **Total deferred inflows of resources** | 8,782 | 11,818 |
| **Net position** | | |
| Net investment in capital assets | 125,146 | 144,027 |
| Unrestricted | (227,622) | (281,998) |
| **Total net position** | $ (102,476) | $ (137,971) |

**City of Sylvania, Georgia**
***Solid Waste Collection Fund***
***Comparative Schedule of Revenues,***
***Expenses and Changes in Net Position***
***For the Years Ended December 31, 2016 and 2015***

| | 2016 | 2015 |
|---|---|---|
| **Operating revenues** | | |
| Charges for services | $ 484,900 | $ 488,017 |
| **Operating expenses** | | |
| Salaries | 247,432 | 233,094 |
| Social security | 18,536 | 17,466 |
| Group insurance | 55,202 | 61,455 |
| Retirement and other post-employment benefits | 6,013 | 76,150 |
| Workers' compensation | 5,297 | 6,225 |
| Gas, oil, and tires | 21,795 | 21,195 |
| Uniforms and safety equipment | 2,935 | 2,346 |
| Vehicle repairs | 11,370 | 7,796 |
| Insurance | 5,548 | 9,716 |
| Repairs, maintenance and testing | 9,726 | 4,802 |
| Tipping fees | 24,700 | 22,545 |
| Bad debts | 1,468 | 2,290 |
| Other | 7,083 | 154 |
| Depreciation | 28,487 | 6,939 |
| **Total operating expenses** | 445,592 | 472,173 |
| **Operating income** | 39,308 | 15,844 |
| **Non-operating expenses** | | |
| Interest and fiscal charges | (1,548) | (2,039) |
| **Income before transfers** | 37,760 | 13,805 |
| **Interfund transfers** | | |
| Transfer in - SPLOST | | 134,645 |
| Transfers out | (2,265) | (64,018) |
| **Total transfers** | (2,265) | 70,627 |
| **Change in net position** | 35,495 | 84,432 |
| **Net position beginning of year** | (137,971) | (222,403) |
| **Net position end of year** | $ (102,476) | $ (137,971) |

**CITY OF SYLVANIA, GEORGIA**
***SCHEDULE OF HOTEL/MOTEL TAX***
***FOR THE YEAR ENDED DECEMBER 31, 2016***

In accordance with O.C.G.A. 48-13-51, the City of Sylvania levies a 5% tax on hotel/motel lodging and disburses collected funds to the Screven County Chamber of Commerce and the Sylvania Downtown Development authority to use for the promotion of tourism.

This schedule provides information on the amount of Hotel/Motel tax cash receipts and the amount of such receipts which were disbursed or contractually committed to be disbursed to the Screven County Chamber of Commerce and the Sylvania Downtown Development Authority.

Revenues and expenditures for the year ended December 31, 2016, were as follows.

| | Amount | Amount as a percentage of revenue |
|---|---|---|
| Hotel/Motel tax cash receipts | $ 15,297 | |
| Expenditures to: | | |
| Screven County Chamber of Commerce | $ 12,114 | |
| Sylvania Downtown Development Authority | 3,183 | |
| | $ 15,297 | 100.00% |

**City of Sylvania, Georgia**
*Schedule of Projects Constructed with*
*Special Purpose Local Option Sales Tax Proceeds*
*For the Year Ended December 31, 2016*

| 2013 SPLOST | Original Estimated Cost | Revised Estimated Cost | Actual Cost | | | Estimated Percentage Complete |
|---|---|---|---|---|---|---|
| | | | Prior Years | Current Year | Total | |
| Upgrade city facilities | $ 315,500 | $ 315,500 | $ 30,726 | $ | $ 30,726 | 9.74% |
| Street paving, sidewalks, bike paths, curbs and gutters | 478,855 | 478,855 | 47,740 | 75,067 | 122,807 | 25.65% |
| Sanitation trucks | 327,600 | 327,600 | 134,645 | | 134,645 | 41.10% |
| Airport infrastructure | 136,500 | 136,500 | | 6,051 | 6,051 | 4.43% |
| Retire GEFA debt | 227,500 | 227,500 | 27,191 | 67,409 | 94,600 | 41.58% |
| Passive parks and nature center development | 158,250 | 158,250 | 22,709 | | 22,709 | 14.35% |
| | $ 1,644,205 | $ 1,644,205 | $ 263,011 | $ 148,527 | $ 411,538 | |

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

To the Mayor and Council
City of Sylvania, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sylvania, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise City of Sylvania, Georgia's basic financial statements, and have issued our report thereon dated June 28, 2017.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sylvania, 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 City of Sylvania, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sylvania, 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.

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carter, Hodges & Company, P.C.

June 28, 2017