CITY OF SYLVANIA, GEORGIA

AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Sylvania, Georgia
Annual Financial Report
For the Year Ended December 31, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2017, 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 52-54, the schedule of changes in net pension liability and related ratios, schedule of contributions on pages 55-56, and the schedule of funding progress information for postemployment benefits other than pensions on page 57, 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

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 58 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 58 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, 2018, 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, 2018

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, 2017. 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 $10,966,009 (net position) for the calendar year reported.
- Total net position is comprised of the following:
  (1) Net investment in capital assets, of $9,117,762 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 $1,207,141 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $641,106 represents the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of $2,176,676 this year. This compares to the prior year ending fund balance of $2,229,704 showing a decrease of $53,028 during the current year. Unassigned general fund balance of $923,102 for calendar year 2017 shows a decrease of $94,550 from the prior year balance.
- At the end of the current calendar year, unassigned fund balance for the General Fund was $923,102 or 33% of total General Fund expenditures.
- Overall, the City's financial position has improved due to the stabilization in the electric utility but continues to be threatened due to the volatility of the energy market .

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 62.

Financial Analysis of the City as a Whole

The City's net position at December 31, 2017, is $10,966,009. The following table provides a summary of the City's net position:

Summary of Net Assets

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current assets	$ 1,228,129	$ 7,187,960	$ 8,416,089	$ 1,289,352	$ 7,004,673	$ 8,294,025
Restricted assets	1,145,793	748	1,146,541	1,177,806	742	1,178,548
Capital assets	3,045,141	8,192,406	11,237,547	3,160,343	7,196,011	10,356,354
Total assets	5,419,063	15,381,114	20,800,177	5,627,501	14,201,426	19,828,927
Deferred outflows of resources - pension	175,138	140,748	315,886	368,385	257,715	626,100
Liabilities:						
Current liabilities	218,271	5,796,110	6,014,381	233,530	6,410,698	6,644,228
Long-term liabilities	1,031,961	3,008,103	4,040,064	1,344,688	2,880,416	4,225,104
Total liabilities	1,250,232	8,804,213	10,054,445	1,578,218	9,291,114	10,869,332
Deferred inflows of resources - pension	53,009	42,600	95,609	46,238	32,342	78,580
Net position:						
Net investment in capital assets	2,995,047	6,122,715	9,117,762	3,104,402	5,364,784	8,469,186
Restricted	1,206,393	748	1,207,141	1,185,082	742	1,185,824
Unrestricted	89,520	551,586	641,106	81,946	(229,841)	(147,895)
Total net position	$ 4,290,960	$ 6,675,049	$ 10,966,009	$ 4,371,430	$ 5,135,685	$ 9,507,115

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 5.63 to 1, which is an increase from 2016 due to a decrease in accounts payable. For business-type activities, the current ratio is 1.24 to 1 which is an increase from 2016 due to an increase in investments and a decrease in accounts payable. For the City overall, the current ratio is 1.40 to 1.

The City reported positive balances in net position for governmental and business-type activities. Net position decreased $80,470 for governmental activities and increased $1,539,364 for business-type activities. The City's overall financial position has begun to improve and stabilize. The City continues to be threatened financially due to the volatility in the energy market, which could result in future decreases in the operating profits of the electric and gas utilities.

Note that approximately 70% 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 92% of its net position in capital. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund. Eighty-four 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

	2017				2016			
	Governmental Activities	Business-type Activities	Total	Percentage of Total	Governmental Activities	Business-type Activities	Total	Percentage of Total
Revenues:								
Program:								
Charges for services	$ 274,304	$ 33,471,817	$ 33,746,121	94.8%	$ 260,786	$ 31,915,926	$ 32,176,712	95.9%
Operating grants and other	138,919	61,033	199,952	0.6%	74,273		74,273	0.2%
Capital grants and other	252,660	457,088	709,748	2.0%	311,229	80,170	391,399	1.2%
General:								
Taxes	887,534		887,534	2.5%	839,441		839,441	2.5%
Other	45,140	21,772	66,912	0.2%	29,947	29,109	59,056	0.2%
Total revenues	1,598,557	34,011,710	35,610,267	100%	1,515,676	32,025,205	33,540,881	100%
Program expenses:								
General government	543,026		543,026	1.6%	529,714		529,714	1.6%
Judicial	69,283		69,283	0.2%	69,540		69,540	0.2%
Public safety - fire	589,648		589,648	1.7%	589,749		589,749	1.7%
Public safety - police	849,173		849,173	2.5%	940,150		940,150	2.8%
Public safety - animal control	11,162		11,162	0.0%	10,957		10,957	0.0%
Public works - streets	425,537		425,537	1.2%	403,115		403,115	1.2%
Public works - garage	191,661		191,661	0.6%	181,770		181,770	0.5%
Public works - airport infrastru	27,413		27,413		6,051		6,051	
Health and welfare	126,295		126,295	0.4%	146,797		146,797	0.4%
Culture and recreation	24,286		24,286	0.1%	27,985		27,985	0.1%
Housing and development	69,842		69,842	0.2%	65,335		65,335	0.2%
Interest	1,964		1,964	0.0%	2,071		2,071	0.0%
Water and sewer		1,091,893	1,091,893	3.2%		1,092,907	1,092,907	3.2%
Electric		26,385,307	26,385,307	77.3%		27,129,637	27,129,637	79.4%
Gas		3,275,693	3,275,693	9.6%		2,506,535	2,506,535	7.3%
Solid Waste		469,190	469,190	1.4%		447,140	447,140	1.3%
Total expenses	2,929,290	31,222,083	34,151,373	100%	2,973,234	31,176,219	34,149,453	100%
Excess (deficiency)	(1,330,733)	2,789,627	1,458,894		(1,457,558)	848,986	(608,572)	
Transfers	1,250,263	(1,250,263)	-		1,578,636	(1,578,636)	-	
Change in net position	(80,470)	1,539,364	1,458,894		121,078	(729,650)	(608,572)	
Beginning net position	4,371,430	5,135,685	9,507,115		4,250,352	5,865,335	10,115,687	
Ending net position	$ 4,290,960	$ 6,675,049	$ 10,966,009		$ 4,371,430	$ 5,135,685	$ 9,507,115	

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 24% of the City's total governmental revenues. Local option sales taxes are the second largest revenue source with approximately $193 thousand of revenues or 12% of the total. The insurance premium taxes generate $173,663 and $102,825 from alcohol taxes. Also, note that program revenues cover approximately 23% 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 77% 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 29% of the governmental funds budget; the fire function spends about 21% of the governmental funds budget; and the street's function spends about 15% 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	$ 543,026	$ 292,856
Judicial	69,283	69,283
Public safety - fire	589,648	588,094
Public safety - police	849,173	686,046
Public safety - animal control	11,162	11,162
Public works - streets	425,537	266,832
Public works - garage	191,611	191,661
Public works - airport infrastructure	27,413	27,413
Health and welfare	126,295	34,186
Cultural and recreation	24,286	24,068
Housing and development	69,842	69,842
Interest	1,964	1,964
Total	$ 2,929,240	$ 2,263,407

After reducing gross expenses by program revenues, the police function totals 31% of the net cost of services and the fire function totals 26% of these costs. Finally, the street function is 12% of the total.

BUSINESS-TYPE ACTIVITIES
Revenues vs. Costs

The operating revenues for the utility funds were 5% above 2016 and operating expenses were .5% above 2016. Within the total business type activities of the City, these activities reported $2,557,656 in operating income compared to operating income of $1,132,540 in the prior year, which is an increase of 126% from 2016.

However, after transfers in and out between other funds and non-operating revenues and expenses, these funds reported an increase in net position of $1,539,364 in 2017 compared to net decrease in net position of $729,650 in 2016. Each specific fund reported the following changes in net position:

	2017 Amounts	2016 Amounts
Water and sewer fund	$ 462,854	$ 130,337
Electric utility fund	1,158,788	(823,909)
Other proprietary funds	(82,278)	(36,078)

Water and sewer has operating income for 2017 of $125,078, which is an increase of $10,283 from 2016. During 2017, the revenues were slightly higher than the prior year. The 2017 expenses decreased $8,260.

The electric utility fund reported an increase in revenues of 2.5% or $674 thousand. This increase is due to an increase in usage. Expenses reported a decrease of approximately 2% or approximately $652 thousand. The decrease in expenses relates to a decrease in electricity cost. The electricity utility transferred approximately $811 thousand 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 increased in calendar year 2017 by approximately $868 thousand or 33% and operating expenses increased approximately $769 thousand or 30%. Operating revenues and expenses increased due to increased demand, especially from industrial customers. This fund transferred $266,866 to the other funds as explained above.

The solid waste collection fund operating revenue increased in calendar year 2017 by $11,937 and operating expenses increased $22,387 or 5%. The increase in the fund's expenses is due to an increase 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 $2,176,676. Of this year-end total, $923,102 is unassigned indicating availability for continuing City service requirements and $1,214,209 is legally restricted for program purposes.

The total ending fund balances of governmental funds shows a decrease of $53,028 compared to an increase of $32,931 in the prior year amount. This decrease is due to a decrease in interfund transfers.

Continued on next page.

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 decreased by approximately $74 thousand. In calendar year 2016, the fund balance increased by approximately $25 thousand.

Overall, general fund revenues were 5% above the 2016 revenues. Total taxes increased $76,070 from calendar 2016. This increase was due to a property tax increase. General fund licenses and permits increased $8,206 when compared to calendar 2016. Intergovernmental decreased $39,834 from calendar 2016 due to a decrease in FEMA firefighter grants.

On the expenditure side, the 2017 expenditures decreased $135,705 below the 2016 amount. The police and fire functions decrease by $153,959 when compared to 2016. The street function's expenditures increased 5% when compared to 2016 due to an increase in repairs & maintenance.

The General Fund's ending fund balance decreased 7%, and represents the equivalent of 34% 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 106% of the final revenue budget. Taxes were above budget due to a tax increase. Fines and forfeitures were above budget due to a higher number of citations written. Intergovernmental revenues were higher than budget due to an unbudgeted Georgia Department of Transportation grant.

The City spent 99% 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, 2017, was $3,045,141 and $8,192,406 respectively. This represents a 3.6% decrease in net investment for governmental-type and a 14% increase for business-type activities. The overall increase was approximately 8.5% 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	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	$ 278,506	$ 278,506	$ 23,057	$ 23,057	$ 301,563	$ 301,563
Construction in progress	-	-	-	30,099	-	30,099
	278,506	278,506	23,057	53,156	301,563	331,662
Depreciable assets:						
Buildings	2,137,761	2,111,561	-	-	2,137,761	2,111,561
Land and building improvements	130,913	130,913	-	-	130,913	130,913
Machinery and equipment	641,477	641,477	-	-	641,477	641,477
Vehicles	1,165,074	1,142,001	-	-	1,165,074	1,142,001
Furniture and fixtures	89,483	89,483	-	-	89,483	89,483
Infrastructure	3,012,427	2,962,427	-	-	3,012,427	2,962,427
Water system	-	-	10,824,119	9,942,696	10,824,119	9,942,696
Electric system	-	-	4,476,274	5,282,577	4,476,274	5,282,577
Gas system	-	-	989,871	990,781	989,871	990,781
Solid waste operations	-	-	558,636	558,636	558,636	558,636
Total depreciable assets	7,177,135	7,077,862	16,848,900	16,774,690	24,026,035	23,852,552
Less accumulated depreciation	4,410,500	4,196,025	8,679,551	9,631,835	13,090,051	13,827,860
Book value - depreciable assets	2,766,635	2,881,837	8,169,349	7,142,855	10,935,984	10,024,692
Percentage depreciated	61%	59%	52%	57%	54%	58%
Book value - all assets	$ 3,045,141	$ 3,160,343	$ 8,192,406	$ 7,196,011	$ 11,237,547	$ 10,356,354

At December 31, 2017, the depreciable capital assets for governmental activities were 61% depreciated compared to 59% at December 31, 2016.

With the City's business type activities, 52% of the asset values were depreciated at December 31, 2017, compared to 57% at December 31, 2016.

Long-term Debt

At the end of the calendar year, the City had capital lease obligations outstanding of $50,094 for governmental activities and $127,996 outstanding for business-type activities. The business type activities also owed $1,941,695 in GEFA notes payable.

During the year, the City retired $60,520 of outstanding capital lease obligations and incurred $11,000 in new capital lease obligations.

	Outstanding Borrowings						
	Governmental Activities		Business-type Activities		Totals		%
	2017	2016	2017	2016	2017	2016	Change
Capital leases	$ 50,094	$ 55,940	$ 127,996	$ 171,670	$ 178,090	$ 227,610	-22%
Notes	-	-	1,941,695	1,659,557	1,941,695	1,659,557	17%
Total	$ 50,094	$ 55,940	$ 2,069,691	$ 1,831,227	$ 2,119,785	$ 1,887,167	12%

See Note 11 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 and is perfectly centered between Augusta and Port of Savannah. The 2010 US Census reported the City's population as 2,605, which is a slight decrease from year 2000. The City is the county seat for Screven County, Georgia. The County's median household income is $35,047 according to the US Census. In 2017, Screven County's unemployment rate was 6.3%. In Georgia, the unemployment rate for the same period was 4.4%.

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 77% of its power to industrial customers, with 70% of total sales from one customer. In 2017, the gross profit from these industrial customers has increased and the City is working to increase reserves in order to help offset any future declines in the energy markets.

The County per capita personal income in 2016 was $19,801, which is 70% 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 multiple 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 resulting in 100 jobs with a $2 million investment. 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	$ 954,404	$ 147,656	$ 1,102,060	$ 35,008
Investments		3,300,144	3,300,144	
Receivables				
Accounts	91,997	3,703,447	3,795,444	
Property taxes	77,639		77,639	
Other	7,431		7,431	
Interest	1,471		1,471	
Notes	55,822		55,822	
Prepaid items	39,365	36,713	76,078	
Restricted assets				
Cash	1,145,793		1,145,793	
Investments		748	748	
Capital assets (Note 7)				
Nondepreciable capital assets	278,506	23,057	301,563	
Depreciable capital assets, net	2,766,635	8,169,349	10,935,984	
Total assets	5,419,063	15,381,114	20,800,177	35,008
Deferred outflows of resources				
Pension:				
Difference between expected and actual experience	64,861	52,125	116,986	
Contributions after measurement date	110,277	88,623	198,900	
Total deferred outflows of resources	175,138	140,748	315,886	0
Liabilities				
Current liabilities				
Accounts payable	60,742	5,290,498	5,351,240	
Accrued salaries and wages	12,922	8,492	21,414	
Sales tax payable		22,596	22,596	
Accrued interest payable	601	3,264	3,865	
Unearned revenue	42,487		42,487	
Customer deposits payable		277,339	277,339	
Compensated absences payable	67,137	56,071	123,208	
Post-employment benefits payable	13,425		13,425	
Capital leases payable	20,957	45,309	66,266	
Notes payable		92,541	92,541	
Long-term liabilities (Note 11)				
Compensated absences payable (net of current portion)	65,207	136,752	201,959	
Net pension liability	831,513	668,230	1,499,743	
Post-employment benefits payable (net of current portion)	106,104	271,280	377,384	
Capital leases payable (net of current portion)	29,137	82,687	111,824	
Notes payable (net of current portion)		1,849,154	1,849,154	
Total liabilities	1,250,232	8,804,213	10,054,445	0
Deferred inflows of resources				
Pension:				
Difference between expected and actual experience	36,631	29,437	66,068	
Difference between projected and actual earnings on investments	2,881	2,316	5,197	
Changes of assumptions	13,497	10,847	24,344	
Total deferred inflows of resources	53,009	42,600	95,609	0
Net Position				
Net investment in capital assets (Note 15)	2,995,047	6,122,715	9,117,762	
Restricted for MEAG power generation		748	748	
Restricted for program purposes	1,206,393		1,206,393	35,008
Unrestricted	89,520	551,586	641,106	
Total net position	$ 4,290,960	$ 6,675,049	$ 10,966,009	$ 35,008

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

City of Sylvania, Georgia
Statement of Activities
For the Year Ended December 31, 2017

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	$ 543,026	$ 82,378		$ 167,792	$ (292,856)		$ (292,856)	
Judicial	69,283				(69,283)		(69,283)	
Public safety								
Fire	589,648			1,554	(588,094)		(588,094)	
Police	849,173	162,686		441	(686,046)		(686,046)	
Animal control	11,162				(11,162)		(11,162)	
Public works								
Streets	425,537	13,959	$ 62,091	82,655	(266,832)		(266,832)	
Garage	191,661				(191,661)		(191,661)	
Airport infrastructure	27,413				(27,413)		(27,413)	
Health and welfare	126,295	15,281	76,828		(34,186)		(34,186)	
Culture and recreation	24,286			218	(24,068)		(24,068)	
Housing and development	69,842				(69,842)		(69,842)	
Interest	1,964				(1,964)		(1,964)	
Total governmental activities	2,929,290	274,304	138,919	252,660	(2,263,407)	$ 0	(2,263,407)	
Business-type activities								
Water and sewer	1,091,893	1,182,389		457,088		547,584	547,584	
Electric utility	26,385,307	28,277,215	61,033			1,952,941	1,952,941	
Nonmajor proprietary	3,744,883	4,012,213				267,330	267,330	
Total business-type activities	31,222,083	33,471,817	61,033	457,088	0	2,767,855	2,767,855	
Total primary government	$ 34,151,373	$ 33,746,121	$ 199,952	$ 709,748	(2,263,407)	2,767,855	504,448	
Component Unit								
Downtown Development Authority of Sylvania	$ 44,320	$ 16,087	$ 31,933	$ 0				$ 3,700
General Revenues								
Property taxes levied for general government purposes					370,447		370,447	
Local option sales and use taxes					192,519		192,519	
Insurance premium taxes					173,663		173,663	
Alcohol taxes					102,825		102,825	
Hotel-motel taxes					15,411		15,411	
Franchise taxes					32,669		32,669	
Investment earnings					3,991	21,772	25,763	
Miscellaneous					41,149		41,149	
Total general revenues					932,674	21,772	954,446	0
Transfers					1,250,263	(1,250,263)	0	
Total general revenues and transfers					2,182,937	(1,228,491)	954,446	0
Change in net position					(80,470)	1,539,364	1,458,894	3,700
Net position beginning of year					4,371,430	5,135,685	9,507,115	31,308
Net position end of year					$ 4,290,960	$ 6,675,049	$ 10,966,009	$ 35,008

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

City of Sylvania, Georgia
Balance Sheet
Governmental Funds
December 31, 2017

	General	UDAG	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 954,404			$ 954,404
Restricted cash and cash equivalents	7,816	$ 907,502	$ 230,475	1,145,793
Receivables:				
Accounts	81,734		10,263	91,997
Property taxes	77,639			77,639
Other	7,431			7,431
Notes		55,822		55,822
Interest	1,471			1,471
Interfund balances			3,876	3,876
Prepaid items	39,365			39,365
Total assets	$ 1,169,860	$ 963,324	$ 244,614	$ 2,377,798
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 59,197		$ 1,545	$ 60,742
Accrued expenditures	12,922			12,922
Interfund balances	3,876			3,876
Unearned revenues	42,487			42,487
Total liabilities	118,482	$ 0	1,545	120,027
Deferred inflows of resources				
Property taxes	51,848			51,848
Intergovernmental	29,247			29,247
Total liabilities deferred inflows of resources	81,095	0	0	81,095
Total liabilities and deferred inflows of resources	199,577	0	1,545	201,122
Fund balances				
Nonspendable - prepaid items	39,365			39,365
Restricted for:				
Capital projects			238,741	238,741
Public safety			4,328	4,328
Recreation	7,816			7,816
Housing and development		963,324		963,324
Unassigned	923,102			923,102
Total fund balances	970,283	963,324	243,069	2,176,676
Total liabilities, deferred inflows of resources and fund balances	$ 1,169,860	$ 963,324	$ 244,614	$ 2,377,798

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, 2017

Total governmental fund balances		$ 2,176,676
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		51,848
Intergovernmental revenues are deferred in the governmental funds because they are not available but they are reported as revenue in the statement of activities		29,247
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	$ 7,455,640	
Less accumulated depreciation	(4,410,499)	3,045,141
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		175,138
Deferred inflows		(53,009)
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	(50,094)	
Accrued interest payable	(601)	
Compensated absences payable	(132,344)	
Net pension obligation	(831,513)	
Post-employment benefits payable	(119,529)	(1,134,081)
Net position of governmental activities		$ 4,290,960

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, 2017

	General	UDAG	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 906,676		$ 15,411	$ 922,087
Intergovernmental	194,322		167,792	362,114
Licenses and permits	72,647			72,647
Charges for services	46,888			46,888
Fines and forfeitures	153,248		1,520	154,768
Investment earnings	2,050	$ 1,941	218	4,209
Miscellaneous	41,149			41,149
Total revenues	1,416,980	1,941	184,941	1,603,862
Expenditures				
Current:				
General government				
Legislative	18,082			18,082
Executive - Mayor	6,593			6,593
Executive - Manager	205,262			205,262
Elections	3,671			3,671
Financial administration	306,013			306,013
Purchase/contract services	5,294			5,294
Judicial	69,283			69,283
Public safety:				
Police	924,084			924,084
Fire	519,052			519,052
Animal control	11,036			11,036
Public works:				
Streets	398,158			398,158
Garage	175,472			175,472
Health and welfare	125,318			125,318
Culture and recreation	10,111			10,111
Housing and development -				
Economic development and assistance	53,088		15,411	68,499
Capital outlays			53,710	53,710
Debt service:				
Principal retirement	16,846			16,846
Interest and fiscal charges	1,669			1,669
Total expenditures	2,849,032	0	69,121	2,918,153
Excess (deficit) of revenues to expenditures	(1,432,052)	1,941	115,820	(1,314,291)
Other financing sources (uses)				
Inception of capital lease	11,000			11,000
Interfund transfers	1,346,713		(96,450)	1,250,263
Total other financing sources (uses)	1,357,713	0	(96,450)	1,261,263
Net change in fund balances	(74,339)	1,941	19,370	(53,028)
Fund balances beginning of year	1,044,622	961,383	223,699	2,229,704
Fund balances end of year	$ 970,283	$ 963,324	$ 243,069	$ 2,176,676

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, 2017

Net changes in fund balances - total governmental funds		$ (53,028)
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	$ (214,475)	
Capital outlay	99,273	(115,202)
Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/17	51,848	
Deferred at 12/31/16	(86,401)	(34,553)
Intergovernmental revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred at 12/31/17	29,247	
Deferred at 12/31/16	0	29,247
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 12/31/17	(601)	
Liability at 12/31/16	306	(295)
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.		(11,000)
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.		16,847
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 12/31/17	(132,344)	
Liability at 12/31/16	126,650	(5,694)
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 12/31/17	$ (831,513)	
Balance at 12/31/16	1,074,751	243,238
Deferred inflows/outflows of resources from pensions		
Balance at 12/31/17	122,129	
Balance at 12/31/16	(322,147)	(200,018)
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 12/31/17	(119,529)	
Liability at 12/31/16	169,517	49,988
Change in net position of governmental activities		$ (80,470)

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

City of Sylvania, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Electricity Utility	Other Proprietary Funds	Total
Assets				
Current assets				
Cash and cash equivalents	$ 41,003	$ 106,653		$ 147,656
Investments		3,300,144		3,300,144
Accounts receivable	90,118	3,241,423	$ 371,906	3,703,447
Prepaid insurance	21,021	9,234	6,458	36,713
Total current assets	152,142	6,657,454	378,364	7,187,960
Noncurrent assets				
Restricted assets				
Investments - MEAG Competitive Trust		748		748
Capital assets				
Nondepreciable capital assets	16,550		6,507	23,057
Depreciable capital assets, net	5,745,192	2,025,279	398,878	8,169,349
Total noncurrent assets	5,761,742	2,026,027	405,385	8,193,154
Total assets	5,913,884	8,683,481	783,749	15,381,114
Deferred outflows of resources				
Pension:				
Difference between expected and actual experience	10,852	21,813	19,460	52,125
Contributions after measurement date	18,451	37,086	33,086	88,623
Total deferred outflows of resources	29,303	58,899	52,546	140,748
Liabilities				
Current liabilities				
Accounts payable	196,988	4,827,594	265,916	5,290,498
Sales tax payable		22,596		22,596
Accrued interest payable	3,264			3,264
Accrued payroll	1,832	3,462	3,198	8,492
Customer deposits payable		277,339		277,339
Compensated absences payable	13,771	22,945	19,355	56,071
Capital lease payable	7,874	27,961	9,474	45,309
Notes payable	92,541			92,541
Total current liabilities	316,270	5,181,897	297,943	5,796,110
Long-term liabilities (net of current portion):				
Compensated absences payable	38,910	69,488	28,354	136,752
Post-employment benefit payable	28,955	119,086	123,239	271,280
Net pension liability	139,122	279,635	249,473	668,230
Capital lease payable	6,088	59,153	17,446	82,687
Notes payable	1,849,154			1,849,154
Total long-term liabilities	2,062,229	527,362	418,512	3,008,103
Total liabilities	2,378,499	5,709,259	716,455	8,804,213
Deferred inflows of resources				
Pension:				
Difference between expected and actual experience	6,129	12,319	10,989	29,437
Difference between projected and actual earnings on investments	482	969	865	2,316
Changes in assumptions	2,258	4,539	4,050	10,847
Total deferred inflows of resources	8,869	17,827	15,904	42,600
Net Position				
Net investment in capital assets (Note 15)	3,806,085	1,938,165	378,465	6,122,715
Restricted - MEAG power generation		748		748
Unrestricted	(250,266)	1,076,381	(274,529)	551,586
Total net position	$ 3,555,819	$ 3,015,294	$ 103,936	$ 6,675,049

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, 2017

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Electricity Utility	Other Proprietary Funds	Total
Operating revenues				
Charges for services	$ 1,153,560	$ 28,242,668	$ 4,012,213	$ 33,408,441
Miscellaneous	28,829	34,547		63,376
Total operating revenues	1,182,389	28,277,215	4,012,213	33,471,817
Operating expenses				
Cost of sales		25,135,343	3,082,355	28,217,698
Salaries	193,839	409,934	365,240	969,013
Social security	12,781	29,983	26,693	69,457
Group insurance	32,673	50,694	58,950	142,317
Retirement and other post-employment benefits	(16,395)	140,092	29,792	153,489
Workers' compensation	10,721	16,715	11,563	38,999
Contract labor and services	256,466	4,405		260,871
Chemicals	19,172			19,172
Materials and supplies	38,606	73,671	8,205	120,482
Gas, oil, and tires	12,257	13,632	24,709	50,598
Uniforms and safety equipment	4,324	405	3,024	7,753
Vehicle repairs	12,892	25,899	3,556	42,347
Engineering and consulting	5,845	16,960		22,805
Postage	3,579	2,989	3,039	9,607
Communications	1,847	1,154	3,269	6,270
Insurance	50,787	15,709	9,733	76,229
Public utilities	152,722	11,174	1,083	164,979
Maintenance and testing	48,903	41,974	29,950	120,827
Tipping fees			25,838	25,838
Bad debts	3,121	22,899	5,601	31,621
Other	12,006	5,527	10,502	28,035
Depreciation	201,165	94,019	40,570	335,754
Total operating expenses	1,057,311	26,113,178	3,743,672	30,914,161
Operating income	125,078	2,164,037	268,541	2,557,656
Non-operating revenues (expenses)				
Interest and fiscal charges	(34,582)	(272,129)	(1,211)	(307,922)
Investment earnings	94	21,672		21,766
FEMA grant proceeds		56,264	4,769	61,033
Grant proceeds	457,088			457,088
MEAG Generation Trust investment earnings		6		6
Total non-operating revenues (expenses)	422,600	(194,187)	3,558	231,971
Income before transfers	547,678	1,969,850	272,099	2,789,627
Interfund transfers	(84,824)	(811,062)	(354,377)	(1,250,263)
Change in net position	462,854	1,158,788	(82,278)	1,539,364
Net position beginning of year	3,092,965	1,856,506	186,214	5,135,685
Net position end of year	$ 3,555,819	$ 3,015,294	$ 103,936	$ 6,675,049

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, 2017

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Electric Utility	Other Proprietary Funds	Total
Cash flows from operating activities				
Cash received from customers	$ 1,228,435	$ 28,310,060	$ 4,061,485	$ 33,599,980
Cash payments to employees for personal services	(512,302)	(561,013)	(511,020)	(1,584,335)
Cash payments for goods and services	(606,011)	(26,212,499)	(3,190,515)	(30,009,025)
Net cash provided by operating activities	110,122	1,536,548	359,950	2,006,620
Cash flows from noncapital financing activities				
Interfund transfers	(181,274)	(811,062)	(354,377)	(1,346,713)
Cash flows from capital and related financing activities				
Transfers from SPLOST	96,450			96,450
Grant proceeds	457,088	56,264	4,769	518,121
Proceeds from capital lease	274,530			274,530
Principal paid on debt		(26,937)	(9,131)	(36,068)
Interest paid on debt	(34,249)	(272,129)	(1,211)	(307,589)
Payments for capital acquisitions	(722,667)	(220,443)		(943,110)
Net cash provided by (used for) capital and related financing activities	71,152	(463,245)	(5,573)	(397,666)
Cash flows from investing activities				
Investment earnings	94	21,677		21,771
Purchases of investments		(1,278,619)		(1,278,619)
Proceeds from sales of investments		1,000,000		1,000,000
Net cash provided by (used for) investing activities	94	(256,942)	0	(256,848)
Net increase in cash and cash equivalents	94	5,299	0	5,393
Cash and cash equivalents beginning of year	40,909	101,354		142,263
Cash and cash equivalents end of year	$ 41,003	$ 106,653	$ 0	$ 147,656

(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, 2017

(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	$ 125,078	$ 2,164,037	$ 268,541	$ 2,557,656
Adjustments:				
Depreciation	201,165	94,019	40,570	335,754
(Increase) decrease in assets:				
Accounts receivable	46,046	22,176	49,272	117,494
Prepaid insurance	(9,772)	(3,781)	(3,220)	(16,773)
Increase (decrease) in liabilities:				
Accounts payable	(230,178)	(841,252)	23,569	(1,047,861)
Sales tax payable		4,275		4,275
Accrued liabilities	(20)	328	270	578
Compensated absences payable	21,921	1,707	868	24,496
Customer deposits		10,669		10,669
Post-retirement benefit payable	(1,720)	(438)	(21,085)	(23,243)
Net pension liability	(42,398)	84,808	1,165	43,575
Net cash provided by operating activities	$ 110,122	$ 1,536,548	$ 359,950	$ 2,006,620

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 the 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, 2017. 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, 2017, 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.

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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."

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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 $157,571. 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, 2017, the City was not exposed to custodial credit risk.

Investments - Municipal Competitive Trust - At year end, proprietary fund investments were $3,300,892 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, 2017, 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, 2017. The levy date was August 15, 2017; the tax bills were mailed September 15, 2017; and were due December 20, 2017. The lien date is December 20, 2017.

Note 7 - Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 278,506			$ 278,506
Depreciable capital assets				
Buildings	2,111,561	$ 26,200		2,137,761
Land and building improvements	130,913			130,913
Machinery and equipment	641,477			641,477
Vehicles	1,142,001	23,073		1,165,074
Furniture and fixtures	89,483			89,483
Infrastructure	2,962,427	50,000		3,012,427
Total depreciable capital assets	7,077,862	99,273	$ 0	7,177,135
Total capital assets	7,356,368	99,273	0	7,455,641
Accumulated depreciation:				
Buildings	1,151,684	47,251		1,198,935
Land and building improvements	111,413			111,413
Machinery and equipment	343,677	48,441		392,118
Vehicles	973,584	45,780		1,019,364
Furniture and fixtures	84,587	1,250		85,837
Infrastructure	1,531,080	71,753		1,602,833
Total accumulated depreciation	4,196,025	214,475	0	4,410,500
Governmental activities capital assets, net	$ 3,160,343	$ (115,202)	$ 0	$ 3,045,141

Governmental activities depreciation expense	
General government	$ 17,165
Public safety - fire	71,114
Public safety - police	27,818
Public safety - animal control	126
Public works - streets	74,476
Public works - garage	8,258
Recreation	14,175
Housing and development	1,343
Total governmental activities depreciation expense	$ 214,475

Note 7 - Capital Assets (continued)

Capital asset activity for business-type activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deductions	Reclassifications	Balance 12/31/2017
Business-type activities:					
Water and sewer fund:					
Capital assets not being depreciated					
Land and rights	$ 16,550				$ 16,550
Construction in progress	30,099	$ 905,372		$ (935,471)	0
Total capital assets not being depreciated	46,649	905,372	$ 0	(935,471)	16,550
Depreciable capital assets:					
Building and pump stations	4,329,888		241,376	935,471	5,023,983
Sewer collection system	2,376,851	94,497			2,471,348
Water tank and wells	869,178				869,178
Water mains and hydrants	1,292,587				1,292,587
Meters	83,084				83,084
Vehicles	330,997				330,997
Other	660,111	111,837	19,006		752,942
Total depreciable capital assets	9,942,696	206,334	260,382	935,471	10,824,119
Total capital assets	9,989,345	1,111,706	260,382	0	10,840,669
Accumulated depreciation:					
Building and pump stations	1,644,622	49,486	241,376		1,452,732
Sewer collection system	1,101,611	81,994			1,183,605
Water tank and wells	578,117	11,850			589,967
Water mains and hydrants	785,684	24,234			809,918
Meters	80,655	508			81,163
Vehicles	330,997				330,997
Other	616,458	33,093	19,006		630,545
Total accumulated depreciation	5,138,144	201,165	260,382	0	5,078,927
Water and sewer capital assets, net	$ 4,851,201	$ 910,541	$ 0	$ 0	$ 5,761,742

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Note 7 - Capital Assets (continued)

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
Business-type activities:				
Electric utility fund:				
Depreciable capital assets:				
Buildings	$ 474,045			$ 474,045
Meters	79,059		$ 5,860	73,199
Lines, transformers and poles	3,650,620	$ 124,014	1,020,886	2,753,748
Vehicles	740,891	96,429		837,320
Machinery and equipment	337,962			337,962
Total capital assets	5,282,577	220,443	1,026,746	4,476,274
Accumulated depreciation:				
Buildings	182,917	14,832		197,749
Meters	78,834	164	5,860	73,138
Lines, transformers and poles	2,201,213	53,821	1,020,886	1,234,148
Vehicles	609,224	21,148		630,372
Machinery and equipment	311,534	4,054		315,588
Total accumulated depreciation	3,383,722	94,019	1,026,746	2,450,995
Electric utility capital assets, net	$ 1,898,855	$ 126,424	$ 0	$ 2,025,279
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		$ 910	47,629
Total capital assets	990,781	$ 0	910	989,871
Accumulated depreciation:				
Buildings	1,846	63		1,909
Gas mains	472,924	9,156		482,080
Meters and regulators	64,647	2,864		67,511
Vehicles	118,067			118,067
Machinery and equipment	48,539		910	47,629
Total accumulated depreciation	706,023	12,083	910	717,196
Gas utility fund capital assets, net	$ 284,758	$ (12,083)	$ 0	$ 272,675

Note 7 - Capital Assets (continued)

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
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	8,591	382		8,973
Vehicles	308,664	19,235		327,899
Machinery and equipment	86,691	8,870		95,561
Total accumulated depreciation	403,946	28,487	0	432,433
Solid Waste Collection fund capital assets, net	$ 161,197	$ (28,487)	$ 0	$ 132,710

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 $3,346 at December 31, 2017.

General fund payable to the Hotel/Motel fund for amounts deposited in the general fund account not yet transferred to the hotel/motel was $530 at December 31, 2017.

Interfund transfers for the year ended December 31, 2017, consisted of the following:

The water/sewer fund transferred $181,274 to the general fund to supplement its finances.
The electric fund transferred $811,062 to the general fund to supplement its finances.
The natural gas fund (non-major) transferred $266,866 to the general fund to supplement its finances.
The solid waste collection fund (non-major) transferred $87,511 to the general fund to supplement its finances
The SPLOST capital projects fund (non-major) transferred $96,450 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 and grant revenues 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, the difference between expected and actual experience, and the 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

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, 2017.

Changes in Short-term Debt - Changes in the City's short-term obligations consisted of the following for the year ended December 31, 2017.

Governmental Activities	Outstanding 12/31/2016	Additions	Reductions	Outstanding 12/31/2017
Notes payable				
Farmers and Merchants Bank	$ 0	3,835,000	$ 3,835,000	$ 0

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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 $12,386 (cost of $32,307 less accumulated depreciation of $19,921). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 8,481	$ 187	$ 8,668

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 $12,602 (cost of $31,502 less accumulated depreciation of $18,900). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 6,277	$ 599	$ 6,876
2019	6,499	377	6,876
2020	6,730	147	6,877
	$ 19,506	$ 1,123	$ 20,629

Capital lease payable to Georgia Municipal Association in annual payments of $3,942. The vehicle acquired by the lease is included in governmental activities general capital assets in the amount of $18,651 (cost of $23,073 less accumulated depreciation of $4,422). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 3,534	$ 408	$ 3,942
2019	3,665	277	3,942
2020	3,801	141	3,942
	$ 11,000	$ 826	$ 11,826

Note 11 - Long-Term Liabilities (continued)

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 $21,814 (cost of $30,437, less accumulated depreciation of $8,623). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 2,665	$ 305	$ 2,970
2019	2,738	232	2,970
2020	2,813	157	2,970
2021	2,891	79	2,970
	$ 11,107	$ 773	$ 11,880

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 $11,970 (cost of $37,800 less accumulated depreciation of $25,830) 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 7,874	$ 385	$ 8,259
2019	6,088	106	6,194
Total	$ 13,962	$ 491	$ 14,453

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 $111,666 (cost of $140,000 less accumulated depreciation of $28,334). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 27,961	$ 2,877	$ 30,838
2019	29,024	1,814	30,838
2020	30,129	709	30,838
	$ 87,114	$ 5,400	$ 92,514

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Note 11 - Long-Term Liabilities (continued)

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 $30,774 (cost of $47,000 less accumulated depreciation of $16,226). 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, 2017, follow:

Year	Principal	Interest	Total
2018	$ 9,474	$ 868	$ 10,342
2019	9,831	512	10,343
2020	7,615	142	7,757
	$ 26,920	$ 1,522	$ 28,442

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 purpose of this loan was to upgrade the sewer system. Annual debt service requirements to amortize the loan outstanding as of December 31, 2017, follow:

Year	Principal	Interest	Total
2018	$ 71,898	$ 31,592	$ 103,490
2019	73,371	30,119	103,490
2020	74,874	28,616	103,490
2021	76,409	27,081	103,490
2022	77,974	25,516	103,490
2022-2026	414,502	102,950	517,452
2027-2031	458,745	58,706	517,451
2032-2036	341,330	12,262	353,592
Total	$ 1,589,103	$ 316,842	$ 1,905,945

GEFA 2017 Loan – Contract 2016L07WQ - payable to Georgia Environmental Finance Authority in equal monthly installments of $2,264 including interest at 1.90% beginning December 1, 2017 and ending November 1, 2032. The purpose of this loan was to upgrade the sewer system. Annual debt service requirements to amortize the loan outstanding as of December 31, 2017, follow:

Year	Principal	Interest	Total
2018	$ 20,643	$ 6,520	$ 27,163
2019	21,039	6,124	27,163
2020	21,443	5,720	27,163
2021	21,853	5,310	27,163
2022-2026	22,273	4,890	27,163
2027-2031	117,931	17,888	135,819
2032-2036	127,410	6,145	133,555
Total	$ 352,592	$ 52,597	$ 405,189

Note 11- Long-Term Liabilities (continued)

Changes in Long-term Debt - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2017:

Governmental Activities	Outstanding 12/31/2016	Additions	Reductions	Outstanding 12/31/2017	Amounts Due in One Year
Capital lease	$ 16,671		$ 8,190	$ 8,481	$ 8,481
Capital lease	25,569		6,063	19,506	6,277
Capital lease		$ 11,000		11,000	3,534
Capital lease	13,700		2,593	11,107	2,665
Compensated absences	126,650	68,244	62,550	132,344	67,137
Post-employment benefits	169,517		49,988	119,529	13,425
Net pension liability	1,074,751		243,238	831,513	
Total Government-Type Activities	$ 1,426,858	$ 79,244	$ 372,622	$ 1,133,480	$ 101,519

Business-Type Activities	Outstanding 12/31/2016	Additions	Reductions	Outstanding 12/31/2017	Amounts Due in One Year
Capital lease (water and sewer)	$ 21,569		$ 7,607	$ 13,962	$ 7,874
Capital lease (electric)	114,050		26,936	87,114	27,961
Capital lease (solid waste)	36,051		9,131	26,920	9,474
GEFA loan - 2015	1,659,557		70,454	1,589,103	71,898
GEFA loan - 2017		$ 354,295	1,703	352,592	20,643
Compensated absences	168,327	72,105	47,609	192,823	56,071
Post-employment benefits	294,523		23,243	271,280	
Net pension liability	751,880		83,650	668,230	
Total Business-Type Activities	$ 3,045,957	$ 426,400	$ 270,333	$ 3,202,024	$ 193,921

The governmental activities capital lease payable is being financed through future general fund expendable available financial sources as they become due. The business-type activities capital lease payable is financed from income derived from the respective utility funds. Principal and interest payments related to the City's GEFA loans are financed from the 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 2017, 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 2017, post-employment benefit liabilities were liquidated through the general fund and the solid waste collection fund.

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Note 11- Long-Term Liabilities (continued)

The total interest expense for the year ended December 31, 2017, is summarized as follows:

	Charged to Operations	Capitalized	Total
Governmental-type activities	$ 1,964		$ 1,964
Business-type activities	307,922	$ 3,159	311,081
	$ 309,886	$ 3,159	$ 313,045

Note 12 - Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description - Prior to July 1, 2017, all full-time city employees were 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. Employees hired after June 30, 3017, are not eligile to participate in this plan but are eligible for the City's defined contribution plan. See Note 13.

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, 2017, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	31
Active employees	53
Total	111

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, 2017.

Note 12 - Defined Benefit Pension Plan (continued)

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, 2017, using an annual actuarial valuation as of July 1, 2017. a summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	July 1, 2017
Measurement date	March 31, 2017
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, 2017, 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.

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, 2017, (see the discussion of the pension plan's investment policy) are summarized in the following table.

Note 12 - Defined Benefit Pension Plan (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.71%
International equity	20%	7.71%
Real estate	10%	5.21%
Global fixed income	5%	3.36%
Domestic fixed income	20%	2.11%
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, 2016	$ 5,994,982	$ 4,168,351	$ 1,826,631
Changes for the year:			
Service cost	89,693		89,693
Interest	455,175		455,175
Differences between expected and actual experience	(43,149)		(43,149)
Contributions - employer		323,014	(323,014)
Net investment income		526,921	(526,921)
Benefit payments	(243,512)	(243,512)	0
Administrative expense		(21,328)	21,328
Net changes	258,207	585,095	(326,888)
Balances as of March 31, 2017	$ 6,253,189	$ 4,753,446	$ 1,499,743

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

1% Decrease	Current Discount Rate	1% Increase
$ 2,316,469	$ 1,499,743	$ 810,885

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Note 12 - Defined Benefit Pension Plan (continued)

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

For the year ended December 31, 2017, the City recognized a negative pension expense of $331,560. At December 31, 2017, 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	$ 116,986	
Pension contributions subsequent to measurement date	198,900	
Difference between expected and actual experience		$ (66,068)
Net difference between projected and actual earnings on pension plan investments		(5,197)
Changes of assumptions		(24,344)
Total	$ 315,886	$ (95,609)

$198,900 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, 2018. 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:	
2018	$ 34,022
2019	34,022
2020	2,287
2021	(48,954)
	$ 21,377

Note 13 - Defined Contribution Plan

The City has a 457(b) defined contribution plan, established in 2017, which is administered by the Georgia Municipal Association. The City does not contribute to the plan or act in a fiduciary capacity, and individual participants determine investment decisions. The City employees contributed $27,457 to the plan in 2017.

For employees hired after June 30, 2017, the City established a 401(a) defined contribution plan which is administered by the Georgia Municipal Association. The City makes a basic contribution to the 401(a) plan in the amount of 3% of qualified compensation. In addition, the City matches participant contributions on a 1:1 ratio up to 2% of compensation. The employee-elected deferrals are deposited in the 457(b) plan, while the City's basic and matching contributions are deposited in the 401(a) plan. There were no employer or employee contributions to the 401(a) plan in 2017.

Plan provisions and contribution requirements are established and amended by a resolution of the City Council. Participants are 100% vested in the 401(a) plan after 5 years of eligible employment. Prior to that date participants have 0% vested (cliff vesting).

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.

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 2017. One employee ceased receiving benefits during 2017; one began receiving benefits in 2017; one continued receiving benefits in 2017. For the year 2017, the City recognized $11,183 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	$ (75,969)
Interest on net OPEB obligation	13,921
Annual OPEB cost	(62,048)
Contributions made	11,183
Increase (decrease) in net OPEB obligation	(73,231)
Net OPEB obligation, beginning of year	464,040
Net OPEB obligation, end of year	$ 390,809

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.

Note 14 - Postemployment Benefits Other Than Pensions (continued)

Health insurance premiums - January 2018 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.

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*
12/31/2013	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
12/31/2017	(62,048)	(62,048)	11,183	-18.02%	390,809

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)
12/31/2013	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%
12/31/2017	0	360,809	0	360,809	811,436	44.47%

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.

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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, 2017, is as follows:

	Governmental Activities	Business-Type Activities
Cost of capital assets	$ 7,455,641	$ 16,871,957
Less accumulated depreciation	4,410,500	8,679,551
Book value	3,045,141	8,192,406
Less capital related debt	50,094	2,069,691
	$ 2,995,047	$ 6,122,715

Note 16 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions; and workers compensation for which the City carries the following insurance coverages.

The City's risk of significant loss from liability, fire, accident and other claims that may arise are covered by commercial insurance purchased from BBWH Insurors. Insurance coverage limits are utility system and public officials liability of $5,000,000; accidents related to vehicles of $5,000,000; and property liability of $14,983,790. There were no reductions of insurance coverage compared to the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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.

Note 17 - MEAG Power Contract (continued)

At December 31, 2017, the outstanding debt of MEAG was approximately $6.0 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $61 million at December 31, 2017.

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.

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 $3,300,144 at December 31, 2017, 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 $748 at December 31, 2017, 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, 2017, was $3,366,584.

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 77% of its power to its industrial customers, with 70% of total sales from one customer. This one customer accounts for more than 54% 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, 2018, 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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	$ 862,600	$ 862,600	$ 906,676	$ 44,076
Intergovernmental	172,955	172,955	194,322	21,367
Licenses and permits	65,480	65,480	72,647	7,167
Charges for services	39,600	39,600	46,888	7,288
Fines and forfeitures	165,415	165,415	153,248	(12,167)
Investment earnings	2,500	2,500	2,050	(450)
Miscellaneous	23,100	23,100	41,149	18,049
Total revenues	1,331,650	1,331,650	1,416,980	85,330
Expenditures				
Current:				
General government:				
Legislative	22,102	22,102	18,082	4,020
Executive - Mayor	8,418	8,418	6,593	1,825
Executive - Manager	196,965	205,265	205,262	3
Elections	5,000	5,000	3,671	1,329
Financial administration	316,925	316,925	306,013	10,912
Purchase/contractual services	5,600	5,600	5,294	306
Judicial	68,512	69,312	69,283	29
Public safety:				
Police	919,430	933,930	933,930	0
Fire	493,295	528,295	527,721	574
Animal control	11,510	11,510	11,036	474
Public works:				
Streets	356,200	398,200	398,158	42
Garage	149,950	175,950	175,472	478
Health and welfare - Nutrition program	113,931	125,931	125,318	613
Culture and recreation	12,600	12,600	10,111	2,489
Housing and development				
Economic development and assistance	46,500	53,100	53,088	12
Total expenditures	2,726,938	2,872,138	2,849,032	23,106
Deficiency of revenues to expenditures	(1,395,288)	(1,540,488)	(1,432,052)	108,436
Other financing sources				
Inception of capital lease			11,000	11,000
Proceeds from sale of assets	500	500		(500)
Interfund transfers	1,394,788	1,394,788	1,346,713	(48,075)
Total other financing sources	1,395,288	1,395,288	1,357,713	(37,575)
Net change in fund balances	$ 0	$ (145,200)	(74,339)	$ 70,861
Fund balances beginning of year			1,044,622	
Fund balances end of year			$ 970,283	

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, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Investment earnings	$ 0	$ 0	$ 1,941	$ 1,941
Expenditures - Housing and development	0	0	0	0
Net change in fund balance	$ 0	$ 0	1,941	$ 1,941
Fund balances beginning of year			961,383	
Fund balances end of year			$ 963,324	

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. $18,515) 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
Public safety:			
Police	$ 924,084	$ 9,846	$ 933,930
Fire	519,052	8,669	527,721
Animal control	11,036	0	11,036
Debt service:			
Principal	16,846	(16,846)	0
Interest and fiscal charges	1,669	(1,669)	0
	$ 1,472,687	$ 0	$ 1,472,687

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, 2017

	2017	2016
Total Pension Liability		
Service cost	$ 89,693	$ 115,252
Interest	455,175	435,093
Difference between expected and actual experience	(43,149)	(52,580)
Change in assumptions		
Benefit payments, including refunds of employee contributions	(243,512)	(233,773)
Net change in total pension liability	258,207	263,992
Total pension liability - beginning	5,994,982	5,730,990
Total pension liability - ending	$ 6,253,189	$ 5,994,982
Plan fiduciary net position		
Contributions - employer	$ 323,014	$ 303,069
Net investment income	526,921	11,277
Benefit payments, including refunds of employee contributions	(243,512)	(233,773)
Administrative expense	(21,328)	(14,786)
Net change in fiduciary net position	585,095	65,787
Plan fiduciary net position - beginning	4,168,351	4,102,564
Plan fiduciary net position - ending	$ 4,753,446	$ 4,168,351
Net pension liability - ending	$ 1,499,743	$ 1,826,631
Plan fiduciary net position as a percentage of total pension liability	76.02%	69.53%
Covered employee payroll	2,213,025	2,267,939
Net position liability as a percentage of covered-employee payroll	67.77%	80.54%

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, 2017

	2017	2016	2015
Actuarially determined contribution	*	$ 329,802	$ 294,158
Contributions in relation to actuarially determined contribution	*	$ 303,393 **	$ 319,395 **
Contribution deficiency (excess)	*	$ 26,409	$ (25,237)
Covered-employee payroll	*	$ 2,267,939 ***	$ 2,373,473 ***
Contributions as a percentage of covered-employee payroll	*	13.38%	13.46%

* 2017 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.

*** 2016 and 2015 covered payroll is based on data collected as of February 28, 2016 and 2015, for the 2016 and actuarial valuations.

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, 2017

As of the most recent valuation date, December 31, 2017, 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%
12/31/2017	0	360,809	360,809	0.00%	811,436	44.47%

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, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 954,404	$ 1,013,540
Restricted cash and cash equivalents	7,816	3,465
Receivables:		
Accounts	81,734	75,165
Property taxes	77,639	101,592
Other	7,431	7,625
Interest	1,471	1,471
Interfund balances	0	31,970
Prepaid items	39,365	23,505
Total assets	$ 1,169,860	$ 1,258,333
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	$ 59,197	$ 81,271
Accrued expenditures	12,922	11,558
Interfund balances	3,876	1,826
Unearned revenue	42,487	32,655
Total liabilities	118,482	127,310
Deferred inflows of resources		
Property taxes	51,848	86,401
Intergovernmental	29,247	
Total deferred inflows of resources	81,095	86,401
Total liabilities and deferred inflows of resources	199,577	213,711
Fund balances		
Nonspendable - prepaid items	39,365	23,505
Restricted for recreation	7,816	3,465
Unassigned	923,102	1,017,652
Total fund balances	970,283	1,044,622
Total liabilities, deferred inflows of resources and fund balances	$ 1,169,860	$ 1,258,333

City of Sylvania, Georgia
General Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Taxes	$ 906,676	$ 830,606
Intergovernmental	194,322	234,156
Licenses and permits	72,647	64,441
Charges for services	46,888	38,086
Fines and forfeitures	153,248	157,291
Investment earnings	2,050	2,386
Miscellaneous	41,149	23,555
Total revenues	1,416,980	1,350,521
Expenditures		
Current:		
General government:		
Legislative	18,082	19,881
Executive - Mayor	6,593	6,894
Executive - Manager	205,262	197,754
Financial administration	306,013	297,883
Elections	3,671	
Purchase/contract services	5,294	5,298
Judicial	69,283	69,540
Public safety:		
Police	924,084	957,077
Fire	519,052	640,018
Animal control	11,036	10,451
Public works:		
Streets	398,158	380,899
Garage	175,472	181,019
Health and welfare - Nutrition program	125,318	124,320
Culture and recreation	10,111	14,064
Housing and development - economic development and assistance	53,088	48,695
Debt service:		
Principal retirement	16,846	28,921
Interest and fiscal charges	1,669	2,023
Total expenditures	2,849,032	2,984,737
Deficiency of revenues to expenditures	(1,432,052)	(1,634,216)
Other financing sources		
Inception of capital lease	11,000	13,700
Interfund transfers	1,346,713	1,646,045
Total other financing sources	1,357,713	1,659,745
Net change in fund balances	(74,339)	25,529
Fund balances beginning of year	1,044,622	1,019,093
Fund balances end of year	$ 970,283	$ 1,044,622

City of Sylvania, Georgia
UDAG Fund
Comparative Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Restricted cash and cash equivalents	$ 907,502	$ 895,763
Receivables - notes	55,822	65,620
Total assets	$ 963,324	$ 961,383
Liabilities and Fund Balances		
Fund Balances		
Restricted for housing and development	$ 963,324	$ 961,383

City of Sylvania, Georgia
UDAG Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Investment earnings	$ 1,941	$ 4,006
Expenditures		
Net change in fund balance	1,941	4,006
Fund balances beginning of year	961,383	957,377
Fund balances end of year	$ 963,324	$ 961,383

City of Sylvania, Georgia
Combining Balance Sheet - By Fund Type
Nonmajor Governmental Funds
December 31, 2017

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
Restricted cash and cash equivalents	$ 982	$ 229,493	$ 230,475
Accounts receivable	1,015	9,248	10,263
Interfund balances	3,876		3,876
Total assets	$ 5,873	$ 238,741	$ 244,614
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 1,545	$ 0	$ 1,545
Interfund balances		0	0
	1,545	0	1,545
Fund Balances			
Restricted for:			
Capital projects		238,741	238,741
Public safety	4,328		4,328
Total fund balances	4,328	238,741	243,069
Total liabilities and fund balances	$ 5,873	$ 238,741	$ 244,614

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, 2017

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	$ 15,411		$ 15,411
Intergovernmental		$ 167,792	167,792
Fines and forfeitures	1,520		1,520
Investment earnings		218	218
Total revenues	16,931	168,010	184,941
Expenditures			
Current:			
Housing and development	15,411		15,411
Capital Outlays		53,710	53,710
Total expenditures	15,411	53,710	69,121
Excess of revenues to expenditures	1,520	114,300	115,820
Other financing uses			
Transfer to water and sewer fund		(96,450)	(96,450)
Net change in fund balances	1,520	17,850	19,370
Fund balances beginning of year	2,808	220,891	223,699
Fund balances end of year	$ 4,328	$ 238,741	$ 243,069

City of Sylvania, Georgia
Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017

	Hotel/Motel Tax Fund	Confiscated Assets Fund	Total Nonmajor Special Revenue Funds
Assets			
Restricted cash and cash equivalents		$ 982	$ 982
Accounts receivable	$ 1,015		1,015
Interfund balance	530	3,346	3,876
Total assets	$ 1,545	$ 4,328	$ 5,873
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 1,545		$ 1,545
Fund Balances			
Restricted for public safety		$ 4,328	4,328
Total liabilities and fund balances	$ 1,545	$ 4,328	$ 5,873

City of Sylvania, Georgia
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017

	Hotel/Motel Tax Fund	Confiscated Assets Fund	Total Nonmajor Special Revenue Funds
Revenues			
Taxes	$ 15,411		$ 15,411
Fines and forfeitures		$ 1,520	1,520
Total revenues	15,411	1,520	16,931
Expenditures			
Current:			
Housing and development	15,411		15,411
Excess of revenues to expenditures	0	1,520	1,520
Fund balances beginning of year		2,808	2,808
Fund balances end of year	$ 0	$ 4,328	$ 4,328

City of Sylvania
Hotel/Motel Tax Fund
Comparative Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Accounts receivable	$ 1,015	
Interfund balance	530	$ 834
Total assets	1,545	834
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 1,545	$ 834
Fund Balances		
Total liabilities and fund balances	$ 1,545	$ 834

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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Taxes	$ 15,000	$ 15,411	$ 15,411	$ 0	$ 15,297
Expenditures					
Housing and development	15,000	15,411	15,411	0	15,297
Net change in fund balance	$ 0	$ 0	0	$ 0	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, 2017 and 2016

	2017	2016
Assets		
Restricted cash and cash equivalents	$ 982	$ 982
Interfund balance	3,346	1,826
Total assets	$ 4,328	$ 2,808
Liabilities and Fund Balances		
Liabilities	$ 0	$ 0
Fund Balances		
Restricted for public safety	4,328	2,808
Total liabilities and fund balances	$ 4,328	$ 2,808

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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues					
Fines and forfeitures	$ 0	$ 1,520	$ 1,520	$ 0	$ 968
Expenditures					
Public safety - police	0	0		0	391
Excess of revenues to expenses	$ 0	$ 1,520	1,520	$ 0	577
Fund balances beginning of year			2,808		2,231
Fund balances end of year			$ 4,328		$ 2,808

City of Sylvania
2013 SPLOST Capital Projects Fund
Comparative Balance Sheet
December 31, 2017 and 2016

	2017	2016
Assets		
Restricted cash and cash equivalents	$ 229,493	$ 277,596
Accounts receivable	9,248	
Total assets	238,741	277,596
Liabilities and Fund Balances		
Liabilities		
Accounts payable - intergovernmental		$ 24,735
Interfund balances		31,970
Total liabilities	$ 0	56,705
Fund Balances		
Restricted for capital projects	238,741	220,891
Total liabilities and fund balances	$ 238,741	$ 277,596

City of Sylvania
2013 SPLOST Capital Projects Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues		
Intergovernmental	$ 167,792	$ 151,087
Investment earnings	218	259
Total revenues	168,010	151,346
Expenditures		
Capital outlays		
General government - office equipment	11,000	
Public works - streets	97	75,067
Public works - airport infrastructure	27,413	6,051
Recreation	15,200	
	53,710	81,118
Excess revenues to expenditures	114,300	70,228
Other financing uses		
Transfer to water and sewer fund	(96,450)	(67,409)
Transfer to sanitation fund		
	(96,450)	(67,409)
Net change in fund balances	17,850	2,819
Fund balances beginning of year	220,891	218,072
Fund balances end of year	$ 238,741	$ 220,891

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 41,003	$ 40,909
Accounts receivable	90,118	136,164
Prepaid insurance	21,021	11,249
Total current assets	152,142	188,322
Noncurrent assets		
Capital assets		
Nondepreciable capital asset	16,550	46,649
Depreciable capital assets, net	5,745,192	4,804,552
Total noncurrent assets	5,761,742	4,851,201
Total assets	5,913,884	5,039,523
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	10,852	22,099
Difference between projected and actual earnings on investments		25,599
Contributions after measurement date	18,451	31,151
Total deferred outflows of resources	29,303	78,849
Liabilities		
Current liabilities		
Accounts payable	196,988	38,128
Accrued interest payable	3,264	2,931
Accrued payroll	1,832	1,852
Compensated absences payable	13,771	13,237
Capital lease payable	7,874	7,607
Notes payable	92,541	70,454
Total current liabilities	316,270	134,209
Long-term liabilities		
Compensated absences payable (net of current portion)	38,910	17,523
Post-employment benefit payable	28,955	30,675
Net pension liability	139,122	230,040
Capital lease payable (net of current portion)	6,088	13,962
Notes payable (net of current portion)	1,849,154	1,589,103
Total long-term liabilities	2,062,229	1,881,303
Total liabilities	2,378,499	2,015,512
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	6,129	5,297
Difference between projected and actual earnings on investments	482	
Changes in assumptions	2,258	4,598
Total deferred inflows of resources	8,869	9,895
Net position		
Net investment in capital assets	3,806,085	3,170,075
Unrestricted	(250,266)	(77,110)
Total net position	$ 3,555,819	$ 3,092,965

City of Sylvania, Georgia
Water and Sewer Fund
Comparative Schedule of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
Charges for services	$ 1,153,560	$ 1,166,050
Miscellaneous	28,829	14,316
Total operating revenues	1,182,389	1,180,366
Operating expenses		
Salaries	193,839	213,986
Social security	12,781	16,429
Group insurance	32,673	45,073
Retirement and other post-employment benefits	(16,395)	53,176
Workers' compensation	10,721	19,013
Contract services	256,466	172,423
Chemicals	19,172	13,228
Materials and supplies	38,606	31,694
Gas, oil, and tires	12,257	12,238
Uniforms and safety equipment	4,324	3,935
Vehicle repairs	12,892	14,659
Engineering and consulting	5,845	400
Postage	3,579	3,607
Communications	1,847	1,847
Insurance	50,787	40,559
Public utilities	152,722	114,233
Maintenance and testing	48,903	125,338
Tipping fees		6,876
Bad debts	3,121	4,878
Other	12,006	8,849
Depreciation	201,165	163,130
Total operating expenses	1,057,311	1,065,571
Operating income	125,078	114,795
Non-operating revenues (expenses)		
Interest and fiscal charges	(34,582)	(23,616)
Debt issuance costs		(3,720)
Grant proceeds	457,088	80,170
Investment earnings	94	247
Total non-operating revenues	422,600	53,081
Income before transfers	547,678	167,876
Interfund transfers		
Transfer in - SPLOST	96,450	67,409
Transfers out	(181,274)	(104,948)
Total transfers	(84,824)	(37,539)
Change in net position	462,854	130,337
Net position beginning of year	3,092,965	2,962,628
Net position end of year	$ 3,555,819	$ 3,092,965

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 106,653	$ 101,354
Investments	3,300,144	3,021,529
Accounts receivable	3,241,423	3,263,599
Prepaid insurance	9,234	5,453
Total current assets	6,657,454	6,391,935
Noncurrent assets		
Restricted assets:		
Investments - MEAG Generation Trust	748	742
Capital assets:		
Depreciable capital assets, net	2,025,279	1,898,855
Total noncurrent assets	2,026,027	1,899,597
Total assets	8,683,481	8,291,532
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	21,813	21,093
Difference between projected and actual earnings on investments		24,434
Contributions after measurement date	37,086	29,733
Total deferred outflows of resources	58,899	75,260
Liabilities		
Current liabilities		
Accounts payable	4,827,594	5,668,846
Sales tax payable	22,596	18,321
Accrued liabilities	3,462	3,134
Compensated absences payable	22,945	23,744
Customer deposits payable	277,339	266,670
Capital lease	27,961	26,937
Total current liabilities	5,181,897	6,007,652
Long-term liabilities		
Compensated absences payable (net of current portion)	69,488	66,982
Post-employment benefit payable	119,086	119,524
Net pension liability	279,635	219,570
Capital lease (net of current portion)	59,153	87,113
	527,362	493,189
Total liabilities	5,709,259	6,500,841
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	12,319	5,056
Difference between projected and actual earnings on investments	969	
Changes in assumptions	4,539	4,389
Total deferred inflows of resources	17,827	9,445
Net Position		
Net investment in capital assets	1,938,165	1,784,805
Restricted - MEAG power generation and credit support	748	742
Unrestricted	1,076,381	70,959
Total Net Position	$ 3,015,294	$ 1,856,506

City of Sylvania, Georgia
Electricity Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Charges for services	$ 28,242,668	$ 27,598,553
Miscellaneous	34,547	4,590
Total operating revenues	28,277,215	27,603,143
Operating expenses		
Cost of sales	25,135,343	25,843,650
Salaries	409,934	398,728
Social security	29,983	28,850
Group insurance	50,694	60,889
Retirement and other post-employment benefits	140,092	101,801
Workers' compensation	16,715	12,082
Contract labor and services	4,405	9,395
Materials and supplies	73,671	93,359
Gas, oil, and tires	13,632	12,954
Uniforms and safety equipment	405	1,324
Vehicle repairs	25,899	24,357
Engineering and consulting	16,960	19,174
Postage	2,989	3,048
Communications	1,154	1,223
Insurance	15,709	7,682
Public utilities	11,174	12,367
Maintenance and testing	41,974	21,632
Bad debts	22,899	24,473
Other	5,527	7,657
Depreciation	94,019	81,043
Total operating expenses	26,113,178	26,765,688
Operating income	2,164,037	837,455
Non-operating revenues (expenses)		
Interest and fiscal charges	(272,129)	(363,949)
Investment earnings	21,672	28,856
FEMA grant proceeds	56,264	
MEAG Generation Trust investment earnings	6	6
Total non-operating revenues (expenses)	(194,187)	(335,087)
Income before transfers	1,969,850	502,368
Interfund transfers	(811,062)	(1,326,277)
Change in net position	1,158,788	(823,909)
Net position beginning of year	1,856,506	2,680,415
Net position end of year	$ 3,015,294	$ 1,856,506

City of Sylvania, Georgia
Combining Schedule of Net Position
Nonmajor Enterprise Funds
December 31, 2017

	Gas Utility Fund	Solid Waste Collection Fund	Total Nonmajor Proprietary Funds
Assets			
Current assets			
Accounts receivable	$ 330,954	$ 40,952	$ 371,906
Prepaid insurance	1,904	4,554	6,458
Total current assets	332,858	45,506	378,364
Noncurrent assets			
Capital assets			
Nondepreciable capital assets		6,507	6,507
Depreciable capital assets, net	272,675	126,203	398,878
Total noncurrent assets	272,675	132,710	405,385
Total assets	605,533	178,216	783,749
Deferred outflows of resources			
Pension:			
Difference between expected and actual experience	5,938	13,522	19,460
Difference between projected and actual earnings on investments	0	0	0
Contributions after measurement date	10,095	22,991	33,086
Total deferred outflows of resources	16,033	36,513	52,546
Liabilities			
Current liabilities			
Accounts payable	244,841	21,075	265,916
Accrued payroll	988	2,210	3,198
Compensated absences payable	10,591	8,764	19,355
Capital lease		9,474	9,474
Total current liabilities	256,420	41,523	297,943
Long-term liabilities			
Compensated absences payable (net of current portion)	12,928	15,426	28,354
Post-employment benefit payable	9,738	113,501	123,239
Net pension liability	76,120	173,353	249,473
Capital lease (net of current portion)		17,446	17,446
	98,786	319,726	418,512
Total liabilities	355,206	361,249	716,455
Deferred inflows of resources			
Pension:			
Difference between expected and actual experience	3,353	7,636	10,989
Difference between projected and actual earnings on investments	264	601	865
Changes in assumptions	1,236	2,814	4,050
Total deferred inflows of resources	4,853	11,051	15,904
Net Position			
Net investment in capital assets	272,675	105,790	378,465
Unrestricted	(11,168)	(263,361)	(274,529)
Total net position	$ 261,507	$ (157,571)	$ 103,936

City of Sylvania, Georgia
Combining Schedule of Revenues, Expenses and Changes in Net Position -
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	Gas Utility	Solid Waste Collection Fund	Total Nonmajor Proprietary Funds
Operating revenues			
Charges for services	$ 3,515,376	$ 496,837	$ 4,012,213
Operating expenses			
Cost of sales	3,082,355		3,082,355
Salaries	118,660	246,580	365,240
Social security	8,535	18,158	26,693
Group insurance	14,489	44,461	58,950
Retirement and other post-employment benefits	(18,672)	48,464	29,792
Workers' compensation	3,858	7,705	11,563
Materials and supplies	8,205		8,205
Gas, oil, and tires	2,671	22,038	24,709
Uniforms and safety equipment	95	2,929	3,024
Vehicle repairs	1,053	2,503	3,556
Postage	3,039		3,039
Communications	3,269		3,269
Insurance	2,585	7,148	9,733
Public utilities	1,083		1,083
Repairs, maintenance and testing	22,354	7,596	29,950
Tipping fees		25,838	25,838
Bad debts	2,701	2,900	5,601
Other	7,330	3,172	10,502
Depreciation	12,083	28,487	40,570
Total operating expenses	3,275,693	467,979	3,743,672
Operating income	239,683	28,858	268,541
Non-operating expenses			
FEMA grant proceeds		4,769	4,769
Interest and fiscal charges		(1,211)	(1,211)
Total non-operating revenues (expenses)	0	3,558	3,558
Income before transfers	239,683	32,416	272,099
Interfund transfers	(266,866)	(87,511)	(354,377)
Change in net position	(27,183)	(55,095)	(82,278)
Net position beginning of year	288,690	(102,476)	186,214
Net position end of year	$ 261,507	$ (157,571)	$ 103,936

City of Sylvania, Georgia
Gas Utility Fund
Comparative Schedule of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Accounts receivable	$ 330,954	$ 371,043
Prepaid insurance	1,904	852
Total current assets	332,858	371,895
Noncurrent assets		
Capital assets		
Depreciable capital assets, net	272,675	284,758
Total assets	605,533	656,653
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	5,938	9,425
Difference between projected and actual earnings on investments		10,918
Contributions after measurement date	10,095	13,286
Total deferred outflows of resources	16,033	33,629
Liabilities		
Current liabilities		
Accounts payable	244,841	235,527
Accrued payroll	988	967
Compensated absences payable	10,591	5,706
Total current liabilities	256,420	242,200
Long-term liabilities		
Compensated absences payable (net of current portion)	12,928	17,245
Post-employment benefit payable	9,738	39,814
Net pension liability	76,120	98,113
	98,786	155,172
Total liabilities	355,206	397,372
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	3,353	2,259
Difference between projected and actual earnings on investments	264	
Changes in assumptions	1,236	1,961
Total deferred inflows of resources	4,853	4,220
Net Position		
Net investment in capital assets	272,675	284,758
Unrestricted	(11,168)	3,932
Total net position	$ 261,507	$ 288,690

Gas Utility Fund
Comparative Schedule of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Charges for services	$ 3,515,376	$ 2,647,517
Operating expenses		
Cost of sales	3,082,355	2,257,319
Salaries	118,660	135,458
Social security	8,535	8,705
Group insurance	14,489	19,435
Retirement and other post-employment benefits	(18,672)	6,350
Workers' compensation	3,858	2,656
Materials and supplies	8,205	12,469
Gas, oil, and tires	2,671	2,183
Uniforms and safety equipment	95	345
Vehicle repairs	1,053	176
Postage	3,039	3,088
Communications	3,269	1,963
Insurance	2,585	1,721
Public utilities	1,083	1,100
Repairs, maintenance and testing	22,354	34,150
Bad debts	2,701	803
Other	7,330	5,863
Depreciation	12,083	12,751
Total operating expenses	3,275,693	2,506,535
Operating income	239,683	140,982
Interfund transfers	(266,866)	(212,555)
Change in net position	(27,183)	(71,573)
Net position beginning of year	288,690	360,263
Net position end of year	$ 261,507	$ 288,690

City of Sylvania, Georgia
Solid Waste Collection Fund
Comparative Schedule of Net Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets		
Accounts receivable	$ 40,952	$ 50,135
Prepaid insurance	4,554	2,386
Total current assets	45,506	52,521
Noncurrent assets		
Capital assets		
Nondepreciable capital assets	6,507	6,507
Depreciable capital assets, net	126,203	154,690
Total noncurrent assets	132,710	161,197
Total assets	178,216	213,718
Deferred outflows of resources		
Pension:		
Difference between expected and actual experience	13,522	19,613
Difference between projected and actual earnings on investments		22,719
Contributions after measurement date	22,991	27,645
Total deferred outflows of resources	36,513	69,977
Liabilities		
Current liabilities		
Accounts payable	21,075	6,820
Accrued payroll	2,210	1,961
Compensated absences payable	8,764	8,725
Post-employment benefit payable		
Capital lease	9,474	9,131
Total current liabilities	41,523	26,637
Long-term liabilities		
Compensated absences payable (net of current portion)	15,426	15,165
Post-employment benefit payable (net of current portion)	113,501	104,510
Net pension liability	173,353	204,157
Capital lease (net of current portion)	17,446	26,920
	319,726	350,752
Total liabilities	361,249	377,389
Deferred inflows of resources		
Pension:		
Difference between expected and actual experience	7,636	4,701
Difference between projected and actual earnings on investments	601	
Changes in assumptions	2,814	4,081
Total deferred inflows of resources	11,051	8,782
Net position		
Net investment in capital assets	105,790	125,146
Unrestricted	(263,361)	(227,622)
Total net position	$ (157,571)	$ (102,476)

City of Sylvania, Georgia
Solid Waste Collection Fund
Comparative Schedule of Revenues,
Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating revenues		
Charges for services	$ 496,837	$ 484,900
Operating expenses		
Salaries	246,580	247,432
Social security	18,158	18,536
Group insurance	44,461	55,202
Retirement and other post-employment benefits	48,464	6,013
Workers' compensation	7,705	5,297
Gas, oil, and tires	22,038	21,795
Uniforms and safety equipment	2,929	2,935
Vehicle repairs	2,503	11,370
Insurance	7,148	5,548
Repairs, maintenance and testing	7,596	9,726
Tipping fees	25,838	24,700
Bad debts	2,900	1,468
Other	3,172	7,083
Depreciation	28,487	28,487
Total operating expenses	467,979	445,592
Operating income	28,858	39,308
Non-operating expenses		
FEMA grant proceeds	4,769	
Interest and fiscal charges	(1,211)	(1,548)
Total non-operating revenues (expenses)	3,558	(1,548)
Income before transfers	32,416	37,760
Interfund transfers		
Transfers out	(87,511)	(2,265)
Change in net position	(55,095)	35,495
Net position beginning of year	(102,476)	(137,971)
Net position end of year	$ (157,571)	$ (102,476)

CITY OF SYLVANIA, GEORGIA
SCHEDULE OF HOTEL/MOTEL TAX
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, were as follows.

	Amount	Amount as a percentage of revenue
Hotel/Motel tax cash receipts	$ 15,411	
Expenditures to:		
Screven County Chamber of Commerce	$ 10,166	
Sylvania Downtown Development Authority	5,245	
	$ 15,411	100.00%

City of Sylvania, Georgia
Schedule of Projects Constructed with
Special Purpose Local Option Sales Tax Proceeds
For the Year Ended December 31, 2017

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	$ 11,000	$ 41,726	13.23%
Street paving, sidewalks, bike paths, curbs and gutters	478,855	478,855	122,807	97	122,904	25.67%
Sanitation trucks	327,600	327,600	134,645		134,645	41.10%
Airport infrastructure	136,500	136,500	6,051	27,413	33,464	24.52%
Retire GEFA debt	227,500	227,500	94,600	96,450	191,050	83.98%
Passive parks and nature center development	158,250	158,250	22,709	15,200	37,909	23.96%
	$ 1,644,205	$ 1,644,205	$ 411,538	$ 150,160	$ 561,698	

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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, 2017, 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, 2018.

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.

Cairns Hodges & Company, P.C.

June 28, 2018