

CITY OF FORT VALLEY, GEORGIA
ANNUAL FINANCIAL REPORT
For the fiscal year ended
September 30, 2016

**City of Fort Valley, Georgia
Annual Financial Report
For The Year Ended September 30, 2016**

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FINANCIAL SECTION

BUTLER, WILLIAMS & WYCHE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
915 HILL PARK
MACON, GEORGIA 31201

May 22, 2017

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Fort Valley, 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 the City of Fort Valley, Georgia (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Valley, Georgia, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Subsequent to the issuance of our report on these financial statements, we discovered that the 2015 SPLOST Capital Projects Fund should have been reported as a major fund. The following pages have been revised: Page 19, Page 21, Page 72, and Page 73. Also, the note disclosure on page 34 has been corrected to include detail information about the 2015 SPLOST Capital Projects Fund.

The capital asset disclosure for Main Street/DDA on page 44 has been revised to correct the construction in progress and building ending balances. In the original disclosure, construction in progress was overstated by \$65,000 and buildings were understated by \$65,000. Also, Page 16 and Page 29 were revised to correctly reflect Main Street/DDA capital assets.

The schedule of findings on page 87 was revised to include recommendation for the adoption of an annual budget for the CHIP grant fund as required by Georgia law, OCGA 36-81-3(b). Also, Page 83 of the auditor’s report has been revised to include this information in the Compliance and Other Matters paragraph.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (pages 3 through 15), the Schedule of Changes in the City’s Net Pension Liability and Related Ratios (page 66), and the Schedule of City Contributions (page 67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of projects undertaking with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, and the schedule of projects undertaken with special sales tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects in relation to the financial statements as a whole.

In the conduct of our audit, we verified and tested expenditures of the projects of the City of Fort Valley, Georgia, which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. The accompanying schedule of the projects undertaken with special sales tax proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Butler, Williams & Hayche, LLP

Macon, Georgia

May 22, 2017

June 21, 2017, with respect to the “emphasis of a matter” on page 1 and 2, above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Fort Valley, 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 fiscal year ended September 30, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements, schedules and note disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$8,397,932 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$5,323,400 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 \$2,630,631 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net position of \$443,901 represent 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 \$4,891,341 this year. This compares to the prior year ending fund balance of \$5,091,097 showing an decrease of \$199,756 during the current year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,337,396 or 24% of total general fund expenditures.

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.

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 non-financial 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 fiscal 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 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, judicial, public safety, public works, culture and recreation, and housing and development. Business-type activities include the sanitation program.

The government-wide financial statements are presented on pages 16 - 18 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, aggregate 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 three 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 fiscal 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 financial statements also include a budgetary comparison statement for the general fund.

The basic governmental fund financial statements are presented on pages 19 - 23 of this report.

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

The *proprietary fund* is reported in the fund financial statements and generally reports sanitation services for which the City charges customers a fee. The City's proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 24 – 26 of this report.

The *fiduciary fund* type is a library endowment trust fund which provides resources to the library and its statements are presented on pages 27 and 28.

The combining statements for the discretely presented component units are presented on pages 29 and 30.

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 31 of this report.

Supplementary Information

Combining and comparative individual statements and schedules for non-major funds are presented as supplementary information in this report beginning on page 68.

Financial Analysis of the City as a Whole

The City's net position at fiscal year-end was \$8,397,932. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 5,234,044	\$ 5,355,026	\$ 1,562	\$ (56,303)	\$ 5,235,606	\$ 5,298,723
Capital assets	5,387,208	5,112,528	227,110	292,029	5,614,318	5,404,557
Total assets	<u>10,621,252</u>	<u>10,467,554</u>	<u>228,672</u>	<u>235,726</u>	<u>10,849,924</u>	<u>10,703,280</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>214,561</u>	<u>-</u>	<u>34,929</u>	<u>-</u>	<u>249,490</u>	<u>-</u>
Liabilities:						
Current liabilities	436,219	362,370	72,147	77,230	508,366	439,600
Long-term liabilities	1,860,975	1,559,047	296,561	271,379	2,157,536	1,830,426
Total liabilities	<u>2,297,194</u>	<u>1,921,417</u>	<u>368,708</u>	<u>348,609</u>	<u>2,665,902</u>	<u>2,270,026</u>
DEFERRED INFLOWS OF RESOURCES	<u>33,362</u>	<u>121,574</u>	<u>2,218</u>	<u>16,578</u>	<u>35,580</u>	<u>138,152</u>
Net position:						
Net investment in capital assets (Note 3H)	5,219,184	4,923,833	104,216	140,588	5,323,400	5,064,421
Restricted for:						
Restricted-Capital Projects	2,599,074	2,555,906	-	-	2,599,074	2,555,906
Restricted-Public Safety	31,557	53,721	-	-	31,557	53,721
Restricted-Program Purposes	-	-	-	-	-	-
Unrestricted	<u>655,442</u>	<u>891,103</u>	<u>(211,541)</u>	<u>(270,049)</u>	<u>443,901</u>	<u>621,054</u>
Total net position	<u>\$ 8,505,257</u>	<u>\$ 8,424,563</u>	<u>\$ (107,325)</u>	<u>\$ (129,461)</u>	<u>\$ 8,397,932</u>	<u>\$ 8,295,102</u>

The City continues to maintain a high 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 11.9 to 1, as compared to 14.8 to 1 at September 30, 2015. The current ratio for the business-type activities at September 30, 2016 is .02 to 1 as compared to -.73 to 1 at September 30, 2015. For the City overall, the current ratio is 10.29 to 1 as compared to 12.05 to 1 at September 30, 2015.

The City reported positive balances in net position for governmental activities and negative balances in net position for the business-type activities. Net position increased \$80,694 for governmental activities and increased by \$22,136 for business-type activities. The City's overall financial position increased by \$102,830 over the prior year.

Note that approximately 61% of the governmental activities' net position is tied up in capital. This compares to 58% at September 30, 2015. The City uses these capital assets to provide services to its citizens. 61% of the City's total net position is included in capital assets as compared to 63% at September 30, 2015.

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

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program:						
Charges for services	\$ 312,522	\$ 325,480	\$ 1,155,928	\$ 1,151,583	\$ 1,468,450	\$ 1,477,063
Operating grants	25,925	21,200	-	-	25,925	21,200
Capital grants & contributions	735,040	2,853,560	-	-	735,040	2,853,560
General:						
Taxes	4,572,034	4,665,863	-	-	4,572,034	4,665,863
Intergovernmental	251,340	310,825	-	-	251,340	310,825
Other	30,963	34,939	3,720	37,472	34,683	72,411
Total revenues	5,927,824	8,211,867	1,159,648	1,189,055	7,087,472	9,400,922
Program expenses:						
General government	753,695	882,334	-	-	753,695	882,334
Judicial	63,357	64,100	-	-	63,357	64,100
Public safety	3,076,282	2,997,667	-	-	3,076,282	2,997,667
Public works	1,197,143	1,052,998	-	-	1,197,143	1,052,998
Culture and recreation	531,064	496,741	-	-	531,064	496,741
Housing and development	220,139	141,874	-	-	220,139	141,874
Interest	5,450	6,068	-	-	5,450	6,068
Sanitation	-	-	1,137,512	986,964	1,137,512	986,964
Total expenses	5,847,130	5,641,782	1,137,512	986,964	6,984,642	6,628,746
Excess (deficiency)	80,694	2,570,085	22,136	202,091	102,830	2,772,176
Transfers	-	-	-	-	-	-
Net changes in net position	80,694	2,570,085	22,136	202,091	102,830	2,772,176
Beginning net position	8,424,563	5,854,478	(129,461)	(331,552)	8,295,102	5,522,926
Ending net position	<u>\$ 8,505,257</u>	<u>\$ 8,424,563</u>	<u>\$ (107,325)</u>	<u>\$ (129,461)</u>	<u>\$ 8,397,932</u>	<u>\$ 8,295,102</u>

GOVERNMENTAL REVENUES

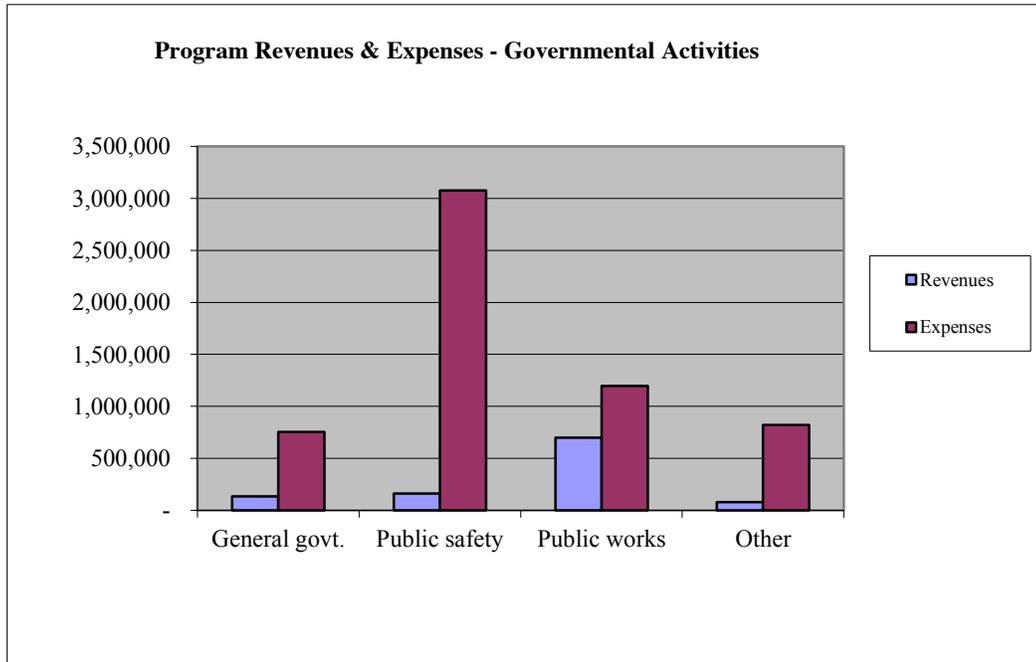
In total, taxes make up 77% of the total revenues stream. This percentage compares to 57% in 2015. Property taxes make up 29% of revenues and the local option sales taxes make up 17.2% of total revenues. These percentages compare to 21.6% and to 12.8% respectively for 2015.

GOVERNMENTAL FUNCTIONAL EXPENSES

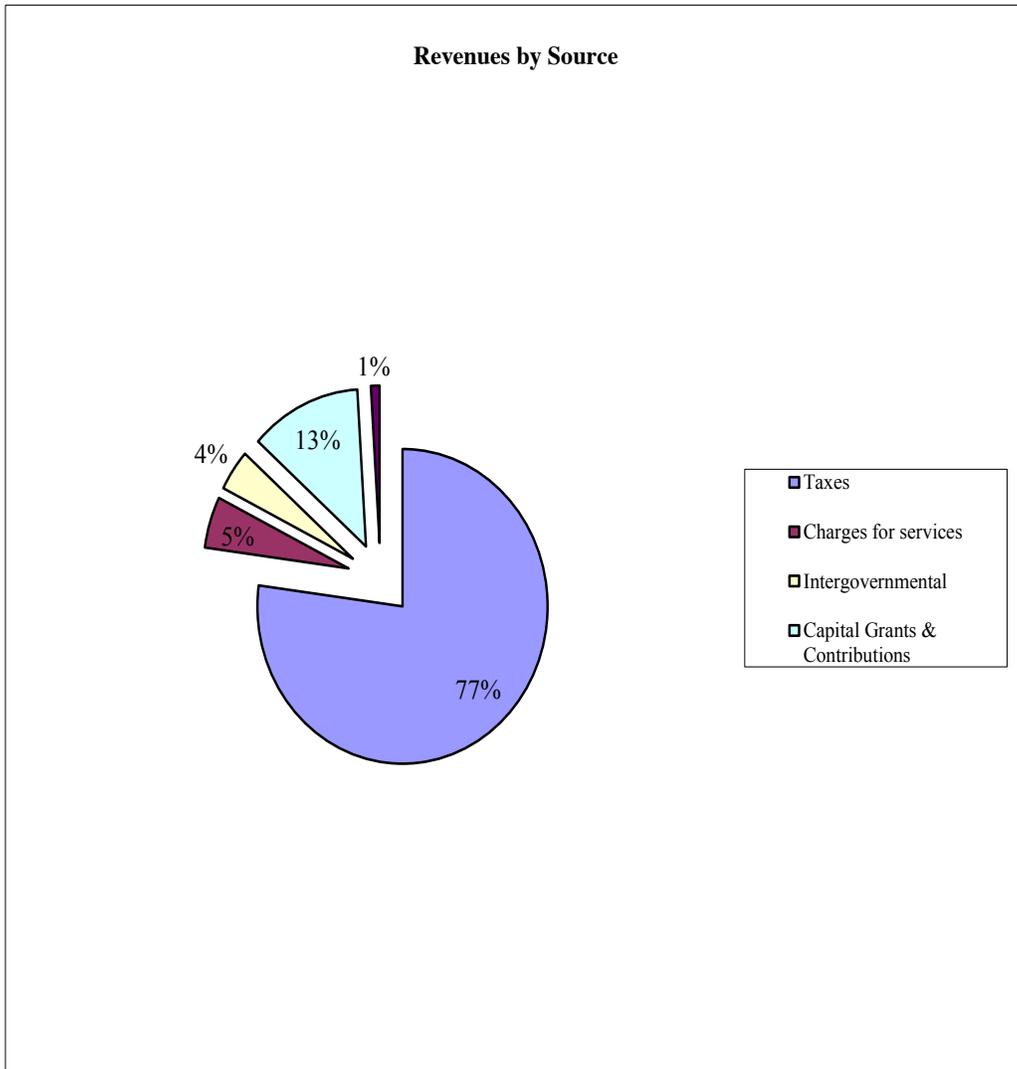
This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the City's taxpayers by each of these functions.

	Governmental Activities			
	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 753,695	\$ 620,213	\$ 882,334	\$ 751,273
Judicial	63,357	63,357	64,100	64,100
Public safety	3,076,282	2,914,097	2,997,667	2,835,351
Public works	1,197,143	497,154	1,052,998	(1,777,112)
Culture and recreation	531,064	522,218	496,741	419,988
Housing and development	220,139	151,154	141,874	141,874
Interest	5,450	5,450	6,068	6,068
Total	\$ 5,847,130	\$ 4,773,643	\$ 5,641,782	\$ 2,441,542

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BUSINESS-TYPE ACTIVITIES

The City's only enterprise fund is the sanitation fund. Net position increased by \$22,136 to (107,325) at September 30, 2016, compared to (\$129,461) at September 30, 2015. The city has helped the net position by replacing some aging vehicles but still struggle with high fuel costs and increases in the cost of waste disposal. To help offset the cost of operations, the City previously increased garbage collection fees on commercial customers, continues regular repair and maintenance schedule of all vehicles and added several commercial customers as well and increased collection efforts on past due accounts.

The following table compares the operations for the last three years:

Summary of Net Position

	<u>September 30, 2016</u>		<u>September 30, 2015</u>		<u>September 30, 2014</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Assets:						
Current assets	\$ 339,537	60%	\$ 360,258	55%	\$ 244,644	55%
Capital assets	227,110	40%	292,029	45%	199,022	45%
Total assets	<u>\$ 566,647</u>	<u>100%</u>	<u>\$ 652,287</u>	<u>100%</u>	<u>\$ 443,666</u>	<u>100%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>34,929</u>	<u>100%</u>	<u>-</u>	<u>100%</u>	<u>-</u>	<u>100%</u>
Liabilities:						
Current liabilities	\$ 410,122	58%	\$ 493,791	65%	\$ 586,089	78%
Non-current liabilities	296,561	42%	271,379	35%	1,196	0%
Total liabilities	<u>706,683</u>	<u>100%</u>	<u>765,170</u>	<u>100%</u>	<u>754,495</u>	<u>78%</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,218</u>	<u>100%</u>	<u>16,578</u>	<u>100%</u>	<u>20,723</u>	<u>100%</u>
Net Position:						
Net investment in capital assets	104,216	-97%	140,588	-109%	199,022	-60%
Unrestricted	<u>(211,541)</u>	<u>197%</u>	<u>(270,049)</u>	<u>209%</u>	<u>(530,574)</u>	<u>160%</u>
Total net position	<u>\$ (107,325)</u>	<u>100%</u>	<u>\$ (129,461)</u>	<u>100%</u>	<u>\$ (331,552)</u>	<u>100%</u>

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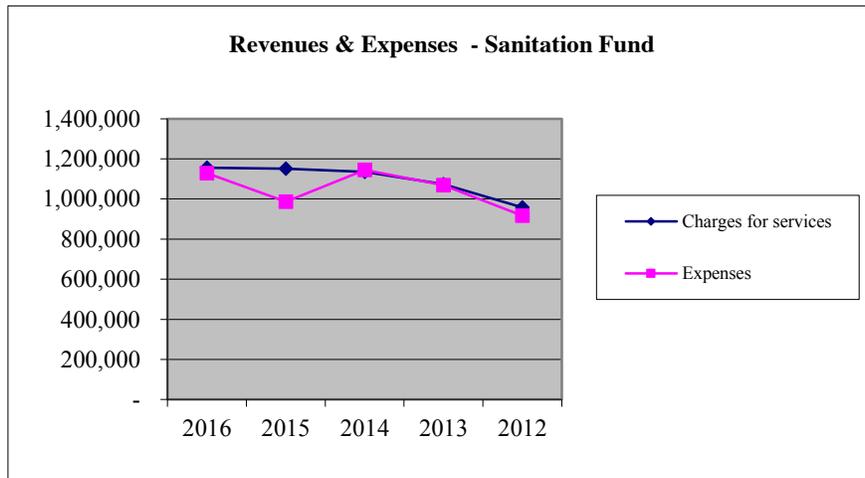
Summary of Changes in Net Position

	2016		2015		2014	
	Business-type Activities	Percentage of Total	Business-type Activities	Percentage of Total	Business-type Activities	Percentage of Total
Revenues:						
Charges for services	\$ 1,155,928	99.7%	\$ 1,151,583	96.8%	\$ 1,135,638	99.9%
Investment earnings	436	0.0%	472	0.0%	621	0.1%
Gain on sale of capital assets	3,284	0.3%	37,000	3.1%	-	0.0%
Total revenues	1,159,648	100.0%	1,189,055	100.0%	1,136,259	100.0%
Expenses:						
Personal services	520,833	45.8%	468,818	47.5%	503,438	43.9%
Purchased services	307,677	27.0%	276,821	28.0%	311,091	27.2%
Materials and supplies	214,514	18.9%	169,812	17.2%	256,413	22.4%
Bad debt	25,086	2.2%	13,079	1.3%	18,693	1.6%
Depreciation	64,919	5.7%	58,434	5.9%	54,486	4.8%
Interest	4,483	0.4%	-	0.0%	1,680	0.1%
Loss on disposal of assets	-	0.0%	-	0.0%	-	0.0%
Total expenses	1,137,512	100.0%	986,964	100.0%	1,145,801	100.0%
Excess (deficiency)	22,136		202,091		(9,542)	
Contributions	-		-		-	
Transfers	-		-		-	
Net change	22,136		202,091		(9,542)	
Beginning net position	(129,461)		(331,552)		(134,826)	
Implementation of GASB 68 restatement	-		-		(187,184)	
Ending net position	\$ (107,325)		\$ (129,461)		\$ (331,552)	

BUSINESS-TYPE ACTIVITIES ANALYSIS

2015 Analysis - Charges for services increased only \$15,954 or 1.4% from fiscal year 2014. Total operating expenses decreased \$157,157 or 13.7% and reflects the fact that a new method of disposing of yard debris was implemented and the purchase of a new truck decreased maintenance and fuel costs. Personal service costs were down \$34,620 or 6.8%. This was mainly due to the reallocation of that cost among the departments. Materials and supplies experienced a significant decrease of \$86,601 or 33.7%. In fiscal year 2015, the total operating cost from fiscal year 2014 decreased by \$173,102.

2016 Analysis - Charges for services increased only \$4,345 from fiscal year 2015. Personal service costs were up \$52,015. This was mainly due to the reallocation of that cost among the departments. Materials and supplies experienced a significant increase of \$44,702.



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 balance of \$4,891,341 as compared to \$5,091,097 at September 30, 2015. Of the City's \$4,891,341 fund balance, \$31,557 is restricted for Public Safety Technology and \$2,599,074 is restricted for SPLOST capital projects. \$915,631 is assigned for Contingencies.

The total ending fund balances of governmental funds show a decrease of \$199,756 or 96.01% decrease from the prior year.

Major Governmental Funds

General Fund - 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 \$251,760. In fiscal year 2015, the fund balance decreased \$113,612.

Total revenues decreased \$207,110 in 2016. Total taxes decreased \$96,288. Property taxes in 2016 were down \$76,515 compared to 2015. The local option sales taxes decreased \$29,894.

Expenditures in total decreased \$85,851. General government decreased \$134,665. Public safety function was down \$74,597. This decrease relates mostly to the purchase of new patrol cars, which decreased maintenance and fuel costs and several vacancies within the department. Public Works increased \$119,504.

SPLOST 2008 Capital Projects Fund - In 2008, the citizens authorized the County through referendum, to levy a 1% special purpose local option sales tax. The City will receive 12.5% of the proceeds until total collections reach the estimated amount of \$24,000,000. If collections from the Special Sales Tax exceed the estimated amount of \$24,000,000, then the city shall receive 25% of the special sales tax. A total of \$2,066 was received on investment earnings.

SPLOST 2015 Capital Projects Fund – In 2011, the citizens authorized the County through referendum, to levy a 1% special purpose local option sales tax. The City will receive 18% of the proceeds until total collections reach the estimated amount of \$21,700,000. If collections from the Special Sales Tax exceed the estimated amount of \$21,700,000, the City shall receive 25% of the special sales tax. In fiscal year 2016, the City received \$588,000 in tax proceeds. A total of \$281,325 was expended on various capital projects.

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 September 30, 2016, was \$5,219,184 and \$104,216 respectively. See Note 3-D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

(This page continued on the subsequent page.)

The following table provides a summary of capital asset activity.

	Capital Assets				Total	
	Governmental Activities		Business-type Activities			
	2016	2015	2016	2015	2016	2015
Non-depreciable assets						
Land	\$690,882	\$ 690,882	\$ -	\$ -	\$690,882	\$ 690,882
Construction in progress	-	41,957	-	-	-	41,957
Total non-depreciable assets	690,882	732,839	-	-	690,882	732,839
Depreciable assets:						
Buildings	2,406,895	2,388,985	-	-	2,406,895	2,388,985
Infrastructure	1,728,826	1,533,403	-	-	1,728,826	1,533,403
Improvements	811,941	553,950	-	-	811,941	553,950
Machinery and equipment	3,631,776	3,620,464	1,336,419	1,380,019	4,968,195	5,000,483
Total depreciable assets	8,579,438	8,096,802	1,336,419	1,380,019	9,915,857	9,476,821
Less accumulated depreciation	\$3,883,112	3,717,113	1,109,309	1,087,990	4,992,421	4,805,103
Book value – depreciable assets	4,696,326	4,379,689	227,110	292,029	4,923,436	4,671,718
Percentage depreciated	45%	46%	83%	79%	51%	50%
Book value – all assets	\$5,387,208	\$5,112,528	\$ 227,110	\$ 292,029	\$5,614,318	\$5,404,527

Long-term Debt

Outstanding Borrowings

	Governmental Activities		Business-type Activities		Totals		% Change
	2016	2015	2016	2015	2016	2015	
Capital leases	\$ 168,024	\$ 188,695	\$ 122,864	\$ 151,411	\$ 290,888	\$ 340,106	-14%
Net Pension Liability	1,410,692	1,074,691	201,247	146,549	1,611,939	1,221,240	32%
Employer funded death benefit	195,257	199,678	-	-	195,257	199,678	-2%
Compensated absences	180,518	194,424	12,080	12,908	192,598	207,332	-7%
Total	\$ 1,954,491	\$ 1,657,488	\$ 336,191	\$ 310,868	\$ 2,290,682	\$ 1,968,356	16%

The City accrued no additional debt or capital leases for fiscal year 2016. The Sanitation Fund acquired a capital lease in fiscal year 2015.

See Note 3-F for additional information about the City's long-term debt.

Economic Conditions Affecting the City

The City is the county seat for Peach County, Georgia, and is one of two incorporated cities within the County. The City's primary property taxpayer is *Blue Bird Body Company*, a manufacturer of buses. This taxpayer pays 27% of the total City property taxes.

Based upon the 2010 U.S. Bureau of Census, the City average household size is 2.57. Approximately 75% of the population is a high school graduate or higher and 18% has a bachelor's degree or higher. These percentages are slightly below the state of Georgia's averages.

The median household income is \$29,255 or only 41% of the state average. The per capital income is \$15,967 compared to \$25,134 for the state. About 38% of the City's population is below the United States poverty level.

We anticipate the construction of a hotel and conference center that will bring in additional revenue.

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 Administrator at Post Office Box 956, Fort Valley, Georgia, 31030.

BASIC FINANCIAL STATEMENTS

City of Fort Valley, Georgia
Statement of Net Position
September 30, 2016

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Assets:				
Current Assets:				
Cash and cash equivalents (Note 3A)	\$ 4,316,957	\$ 121,246	\$ 4,438,203	\$ 777,653
Investments (Note 3A)	-	-	-	9,101,938
Receivables:				
Accounts	93,849	55,840	149,689	2,987,366
Taxes	133,163	-	133,163	-
Intergovernmental	352,100	162,451	514,551	10,260
Interest	-	-	-	1,110
Internal	337,975	(337,975)	-	-
Inventory	-	-	-	528,727
Prepaid items	-	-	-	182,343
Non-current Assets:				
Restricted assets	-	-	-	2,732,720
Capital assets: (Note 3D)				
Non-depreciable capital assets	690,882	-	690,882	2,172,626
Depreciable capital assets, net	4,696,326	227,110	4,923,436	30,817,494
Total Assets	<u>10,621,252</u>	<u>228,672</u>	<u>10,849,924</u>	<u>49,312,237</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	<u>214,561</u>	<u>34,929</u>	<u>249,490</u>	<u>254,904</u>
Liabilities:				
Current Liabilities:				
Accounts payable	280,145	32,487	312,632	1,118,426
Accrued expenses	49,699	-	49,699	129,038
Intergovernmental payable	12,859	-	12,859	168,061
Sales taxes payable	-	-	-	47,726
Unearned revenue	-	-	-	12,040
Compensated absences payable	72,207	10,268	82,475	183,584
Intergovernmental notes payable	-	-	-	23,000
Notes payable	-	-	-	302,137
Capital leases payable	21,309	29,392	50,701	-
Long-term Liabilities: (Note 3F)				
Customer deposits	-	-	-	492,632
Net pension liability	1,410,692	201,247	1,611,939	1,332,202
Compensated absences payable (net of current portion)	108,311	1,812	110,123	92,068
Accrued death benefits payable	195,257	-	195,257	-
Capital leases payable (net of current portion)	146,715	93,502	240,217	-
Intergovernmental notes payable (net of current portion)	-	-	-	57,500
Notes payable (net of current portion)	-	-	-	2,727,944
Total Liabilities	<u>2,297,194</u>	<u>368,708</u>	<u>2,665,902</u>	<u>6,686,358</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	<u>33,362</u>	<u>2,218</u>	<u>35,580</u>	<u>331,565</u>
Net Position:				
Net investment in capital assets (Note 3H)	5,219,184	104,216	5,323,400	29,960,039
Restricted for:				
Capital projects	2,599,074	-	2,599,074	-
Public safety	31,557	-	31,557	-
New electric generation	-	-	-	1,382,135
Restricted for pledged collateral - construction loan	-	-	-	1,350,584
Unrestricted	655,442	(211,541)	443,901	9,856,460
Total Net Position	<u>\$ 8,505,257</u>	<u>\$ (107,325)</u>	<u>\$ 8,397,932</u>	<u>\$ 42,549,218</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Statement of Activities
For the Year Ended September 30, 2016

<u>Function/Program</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities				
General government	\$ 753,695	\$ 107,557	\$ 25,925	\$ -
Judicial	63,357	-	-	-
Public safety	3,076,282	160,119	-	2,066
Public works	1,197,143	36,000	-	663,989
Culture and recreation	531,064	8,846	-	-
Housing and development	220,139	-	-	68,985
Interest	5,450	-	-	-
Total Governmental Activities	5,847,130	312,522	25,925	735,040
Business-type Activities				
Sanitation	1,137,512	1,155,928	-	-
Total Primary Government	\$ 6,984,642	\$ 1,468,450	\$ 25,925	\$ 735,040
Component Units				
Fort Valley Utility Commission	21,432,260	20,304,421	-	306,844
Main Street/Downtown Development Authority	300,457	38,593	112,080	-
Total Component Units	\$ 21,732,717	\$ 20,343,014	\$ 112,080	\$ 306,844

General Revenues

Property taxes levied for general government purposes
Alcoholic beverage tax
Local option sales tax
Insurance premium tax
Franchise tax
Hotel/motel tax
Unrestricted intergovernmental
Investment earnings
Miscellaneous
Gain on sale of capital assets

Total General Revenues

Change in Net Position

Net position, beginning of year

Net position, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (620,213)	\$ -	\$ (620,213)	\$ -
(63,357)	-	(63,357)	-
(2,914,097)	-	(2,914,097)	-
(497,154)	-	(497,154)	-
(522,218)	-	(522,218)	-
(151,154)	-	(151,154)	-
(5,450)	-	(5,450)	-
(4,773,643)	-	(4,773,643)	-
-	18,416	18,416	-
(4,773,643)	18,416	(4,755,227)	-
-	-	-	(820,995)
-	-	-	(149,784)
-	-	-	(970,779)
1,697,622	-	1,697,622	-
142,769	-	142,769	-
1,018,758	-	1,018,758	-
565,544	-	565,544	-
1,120,300	-	1,120,300	-
27,041	-	27,041	-
251,340	-	251,340	-
1,948	436	2,384	374,315
5,883	-	5,883	1,057,568
23,132	3,284	26,416	-
4,854,337	3,720	4,858,057	1,431,883
80,694	22,136	102,830	461,104
8,424,563	(129,461)	8,295,102	42,088,114
\$ 8,505,257	\$ (107,325)	\$ 8,397,932	\$ 42,549,218

City of Fort Valley, Georgia
Balance Sheet
Governmental Funds
September 30, 2016

	General	2008 SPLOST Fund	2015 SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,711,838	\$ 2,149,075	\$ 447,858	\$ 8,186	\$ 4,316,957
Receivables:					
Accounts	93,849	-	-	-	93,849
Taxes	126,275	-	-	6,888	133,163
Intergovernmental	252,682	-	99,418	-	352,100
Interfund	347,664	-	-	-	347,664
Total Assets	<u>\$ 2,532,308</u>	<u>\$ 2,149,075</u>	<u>\$ 547,276</u>	<u>\$ 15,074</u>	<u>\$ 5,243,733</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 185,166	\$ 63,175	\$ 24,613	\$ 7,191	\$ 280,145
Accrued expenditures	49,699	-	-	-	49,699
Intergovernmental payable	12,859	-	-	-	12,859
Interfund payable	-	9,489	-	200	9,689
Total Liabilities	<u>247,724</u>	<u>72,664</u>	<u>24,613</u>	<u>7,391</u>	<u>352,392</u>
 Fund Balances:					
Restricted for:					
Public safety technology	31,557	-	-	-	31,557
SPLOST capital projects	-	2,076,411	522,663	-	2,599,074
Assigned for:					
Contingencies	915,631	-	-	-	915,631
Unassigned	1,337,396	-	-	(73)	1,337,323
Total Fund Balances	<u>2,284,584</u>	<u>2,076,411</u>	<u>522,663</u>	<u>7,683</u>	<u>4,891,341</u>
Total Liabilities and Fund Balances	<u>\$ 2,532,308</u>	<u>\$ 2,149,075</u>	<u>\$ 547,276</u>	<u>\$ 15,074</u>	<u>\$ 5,243,733</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2016

Total Governmental Fund Balances \$ 4,891,341

Amounts reported for governmental activities in the statement of net position are different because:

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	\$ 9,270,320	
Less accumulated depreciation	<u>(3,883,112)</u>	5,387,208

Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net position:

Interfund receivables	\$ (9,689)	
Interfund payables	<u>9,689</u>	-

Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of future period; therefore, are not reported in the funds: 214,561

Liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital leases	\$ (168,024)	
Pension	(1,410,692)	
Deferred Inflows of resources related to pension	(33,362)	
Compensated absences	(180,518)	
Accrued death benefits	<u>(195,257)</u>	<u>(1,987,853)</u>

Net Position of Governmental Activities **\$ 8,505,257**

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	<u>General</u>	<u>2008 SPLOST Fund</u>	<u>2015 SPLOST Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 4,545,027	\$ -	\$ -	\$ 27,041	\$ 4,572,068
Licenses and permits	107,557	-	-	-	107,557
Intergovernmental	326,639	-	588,000	68,985	983,624
Charges for services	57,784	-	-	-	57,784
Fines and forfeitures	146,951	-	-	-	146,951
Investment earnings	2,177	2,066	690	-	4,933
Contributions	25,925	-	-	-	25,925
Miscellaneous	5,883	-	-	-	5,883
Total Revenues	<u>5,217,943</u>	<u>2,066</u>	<u>588,690</u>	<u>96,026</u>	<u>5,904,725</u>
Expenditures:					
Current:					
General government	756,570	-	-	-	756,570
Judicial	65,011	-	-	-	65,011
Public safety	2,935,949	1,207	-	-	2,937,156
Public works	1,035,844	67,724	281,325	-	1,384,893
Culture and recreation	540,599	-	-	-	540,599
Housing and development	140,265	-	-	79,874	220,139
Capital Outlay	-	197,332	-	-	197,332
Debt Service:					
Principal retirement	20,671	-	-	-	20,671
Interest and fiscal charges	5,450	-	-	-	5,450
Total Expenditures	<u>5,500,359</u>	<u>266,263</u>	<u>281,325</u>	<u>79,874</u>	<u>6,127,821</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(282,416)</u>	<u>(264,197)</u>	<u>307,365</u>	<u>16,152</u>	<u>(223,096)</u>
Other Financing Sources (Uses):					
Sale of capital assets	23,340	-	-	-	23,340
Transfers in	7,316	-	-	-	7,316
Transfers out	-	-	-	(7,316)	(7,316)
Total Other Financing Sources (Uses)	<u>30,656</u>	<u>-</u>	<u>-</u>	<u>(7,316)</u>	<u>23,340</u>
Net Change in Fund Balances	(251,760)	(264,197)	307,365	8,836	(199,756)
Fund Balances, Beginning of Year	<u>2,536,344</u>	<u>2,340,608</u>	<u>215,298</u>	<u>(1,153)</u>	<u>5,091,097</u>
Fund Balances, End of Year	<u>\$ 2,284,584</u>	<u>\$ 2,076,411</u>	<u>\$ 522,663</u>	<u>\$ 7,683</u>	<u>\$ 4,891,341</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

Net Changes in Fund Balances - Total Governmental Funds \$ (199,756)

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 estimated useful lives as depreciation expense.

Depreciation expense	\$ (319,857)	
Capital outlay	<u>594,745</u>	274,888

The book value of capital assets disposed of are reported on the government-wide statement of activities but not reported in the governmental fund's operating statement. (208)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net position. 20,671

Accrued death 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 @ 9/30/15	\$ 199,678	
Liability @ 9/30/16	<u>(195,257)</u>	4,421

Net pension liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. (33,228)

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 @ 9/30/15	\$ 194,424	
Liability @ 9/30/16	<u>(180,518)</u>	<u>13,906</u>

Change in Net Position of Governmental Activities \$ 80,694

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 4,697,211	\$ 4,697,211	\$ 4,545,027	\$ (152,184)
Licenses and permits	113,020	113,020	107,557	(5,463)
Intergovernmental	323,360	323,360	326,639	3,279
Charges for services	56,400	56,400	57,784	1,384
Fines and forfeitures	217,900	217,900	146,951	(70,949)
Investment earnings	2,400	2,400	2,177	(223)
Contributions	25,000	25,000	25,925	925
Miscellaneous	16,100	16,100	5,883	(10,217)
Total Revenues	<u>5,451,391</u>	<u>5,451,391</u>	<u>5,217,943</u>	<u>(233,448)</u>
Expenditures:				
Current:				
General government	852,472	853,699	756,570	(97,129)
Judicial	63,017	65,011	65,011	-
Public safety	3,036,481	3,070,400	2,935,949	(134,451)
Public works	1,071,366	1,071,366	1,035,844	(35,522)
Culture and recreation	509,393	541,283	540,599	(684)
Housing and development	142,940	142,940	140,265	(2,675)
Health insurance	846,982	-	-	-
Debt Service:				
Principal retirement	20,671	20,671	20,671	-
Interest and fiscal charges	5,450	5,450	5,450	-
Total Expenditures	<u>6,548,772</u>	<u>5,770,820</u>	<u>5,500,359</u>	<u>(270,461)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,097,381)</u>	<u>(319,429)</u>	<u>(282,416)</u>	<u>37,013</u>
Other Financing Sources:				
Sale of capital assets	-	12,265	23,340	11,075
Transfers in	-	-	7,316	7,316
Total Other Financing Sources	<u>-</u>	<u>12,265</u>	<u>30,656</u>	<u>18,391</u>
Net Change in Fund Balances	(1,097,381)	(307,164)	(251,760)	55,404
Fund Balances, Beginning of Year	<u>2,536,344</u>	<u>2,536,344</u>	<u>2,536,344</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,438,963</u>	<u>\$ 2,229,180</u>	<u>\$ 2,284,584</u>	<u>\$ 55,404</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Net Position
Proprietary Fund - Sanitation Fund
September 30, 2016 and 2015

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 121,246	\$ 107,917
Receivables:		
Accounts	55,840	93,364
Intergovernmental	162,451	158,977
Total Current Assets	339,537	360,258
Non-current Assets:		
Capital Assets:		
Depreciable capital assets, net	227,110	292,029
Total Assets	566,647	652,287
 DEFERRED OUTFLOWS OF RESOURCES		
Pension	34,929	-
 Liabilities:		
Current Liabilities:		
Accounts payable	32,487	37,711
Interfund payable	337,975	416,561
Compensated absences payable	10,268	10,972
Capital leases payable	29,392	28,547
Total Current Liabilities	410,122	493,791
Long-term Liabilities:		
Net pension liability	201,247	146,549
Capital leases payable (net of current portion)	93,502	122,894
Compensated absences payable (net of current portion)	1,812	1,936
Total Long-term Liabilities	296,561	271,379
Total Liabilities	706,683	765,170
 DEFERRED INFLOWS OF RESOURCES		
Pension	2,218	16,578
 Net Position:		
Net investment in capital assets	104,216	140,588
Unrestricted	(211,541)	(270,049)
Total Net Position	\$ (107,325)	\$ (129,461)

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund - Sanitation Fund
For the Years Ended September 30, 2016 and 2015

	2016	2015
Operating Revenues:		
Charges for services	\$ 1,155,928	\$ 1,151,583
Operating Expenses:		
Personal services	520,833	468,818
Purchased services	307,677	276,821
Materials and supplies	214,514	169,812
Bad Debt	25,086	13,079
Depreciation	64,919	58,434
Total Operating Expenses	1,133,029	986,964
Operating Income (Loss)	22,899	164,619
Non-operating Revenues (Expenses):		
Interest and fiscal charges	(4,483)	-
Gain on disposal of assets	3,284	37,000
Investment earnings	436	472
Total Non-operating Revenues	(763)	37,472
Change in Net Position	22,136	202,091
Net Position, Beginning of Year	(129,461)	(331,552)
Net Position, End of Year	\$ (107,325)	\$ (129,461)

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Statement of Cash Flows
Proprietary Fund - Sanitation Fund
For the Years Ended September 30, 2016 and 2015

	2016	2015
Increase in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,164,892	\$ 1,093,874
Cash payments to employees for services	(516,252)	(492,933)
Cash payments for goods and services	(527,415)	(420,784)
Net Cash Provided by (Used in) Operating Activities	121,225	180,157
Cash Flows from Non-capital Financing Activities:		
Interfund payable	(78,586)	(146,645)
Net Cash Provided by (Used in) Non-capital Financing Activities	(78,586)	(146,645)
Cash Flows from Capital and Related Financing Activities:		
Principal paid on notes	(28,547)	151,441
Interest paid on notes	(4,483)	-
Payments for capital acquisitions	-	(151,441)
Proceeds from sale of capital assets	3,284	37,000
Net Cash (Used in) Capital and Related Financing Activities	(29,746)	37,000
Cash Flows from Investing Activities:		
Investment earnings	436	472
Net Increase (Decrease) in Cash and Cash Equivalents	13,329	70,984
Cash and Cash Equivalents, Beginning of Year	107,917	36,933
Cash and Cash Equivalents, End of Year	\$ 121,246	\$ 107,917
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (Loss)	\$ 22,899	\$ 164,619
Adjustments:		
Depreciation	64,919	58,434
(Increase) Decrease in:		
Accounts receivable	37,524	(45,351)
Intergovernmental receivable	(3,474)	721
Deferred outflows of resources in pensions	(34,929)	-
Increase (Decrease) in:		
Accounts payable	(5,224)	25,849
Net pension liability	54,698	(40,635)
Compensated absences payable	(828)	(58)
Deferred inflows of resources in pensions	(14,360)	16,578
Net Cash Provided by (Used in) Operating Activities	\$ 121,225	\$ 180,157
Noncash Capital and Related Financing Activities:		
Initiation of capital lease	\$ -	\$ 151,411

City of Fort Valley, Georgia
Comparative Statement of Fiduciary Net Position
Fiduciary Fund - Library Endowment Trust Fund
September 30, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	\$ 35,899	\$ 35,758
Total Assets	\$ 35,899	\$ 35,758
Net Position:		
Held in trust for library purposes	\$ 35,899	\$ 35,758

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Comparative Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Library Endowment Trust Fund
For the Years Ended September 30, 2016 and 2015

	2016	2015
Additions:		
Investment earnings	\$ 211	\$ 126
Deductions:		
Culture and recreation	70	123
Change in Net Position	141	3
Net Position, Beginning of Year	35,758	35,755
Net Position, End of Year	\$ 35,899	\$ 35,758

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Combining Statement of Net Position
Component Units
September 30, 2016

	Main Street DDA Authority	Fort Valley Utility Commission	Total
Assets:			
Cash and cash equivalents (Note 3-A)	\$ 156,067	\$ 621,586	\$ 777,653
Investments (Note 3-A):	-	9,101,938	9,101,938
Receivables:			
Accounts (net of allowance for uncollectibles):	207,609	2,779,757	2,987,366
Intergovernmental	10,260	-	10,260
Interest	-	1,110	1,110
Inventory (Note 1-E-4)	-	528,727	528,727
Prepaid expenses (Note 1-E-5)	-	182,343	182,343
Total Current Assets	<u>373,936</u>	<u>13,215,461</u>	<u>13,589,397</u>
Non-current Assets:			
Restricted assets (Note 1-E-6)	-	2,732,720	2,732,720
Capital assets: (Note 3-D)			
Non-depreciable	366,135	1,806,491	2,172,626
Depreciable, net	1,270,952	29,546,542	30,817,494
Total Non-current Assets	<u>1,637,087</u>	<u>34,085,753</u>	<u>35,722,840</u>
Total Assets	<u>2,011,023</u>	<u>47,301,214</u>	<u>49,312,237</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	-	254,904	254,904
Liabilities:			
Current Liabilities:			
Accounts payable	2,101	1,116,325	1,118,426
Accrued payroll	-	114,944	114,944
Payroll deductions payable	-	14,094	14,094
Sales taxes payable	-	47,726	47,726
Intergovernmental payable	5,610	162,451	168,061
Unearned revenue	12,040	-	12,040
Compensated absences payable	-	183,584	183,584
Intergovernmental notes payable	23,000	-	23,000
Notes payable (Note 3-F)	26,547	275,590	302,137
Total Current Liabilities	<u>69,298</u>	<u>1,914,714</u>	<u>1,984,012</u>
Non-current Liabilities:			
Net pension liability	-	1,332,202	1,332,202
Customer deposits payable from restricted assets	-	492,632	492,632
Compensated absences payable (net of current portion)	-	92,068	92,068
Intergovernmental notes payable (net of current portion)	57,500	-	57,500
Notes payable (net of current portion) (Note 3-F)	236,101	2,491,843	2,727,944
Total Non-current Liabilities	<u>293,601</u>	<u>4,408,745</u>	<u>4,702,346</u>
Total Liabilities	<u>362,899</u>	<u>6,323,459</u>	<u>6,686,358</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	-	331,565	331,565
Net Position:			
Net investment in capital assets	1,374,439	28,585,600	29,960,039
Restricted for new electric generation	-	1,382,135	1,382,135
Restricted for pledged collateral - construction loan (Note 1-E-6)	-	1,350,584	1,350,584
Unrestricted	273,685	9,582,775	9,856,460
Total Net Position	<u>\$ 1,648,124</u>	<u>\$ 40,901,094</u>	<u>\$ 42,549,218</u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Combining Statement of Activities
Component Units
For the Year Ended September 30, 2016

	Main Street DDA Authority	Fort Valley Utility Commission	Total
Expenses:			
General government	\$ 300,457	\$ -	\$ 300,457
Utilities	<u>-</u>	<u>21,432,260</u>	<u>21,432,260</u>
Total Expenses	<u>300,457</u>	<u>21,432,260</u>	<u>21,732,717</u>
Revenues:			
Program:			
Charges for services	38,593	20,304,421	20,343,014
Operating grants and contributions	112,080	-	112,080
Capital grants and contributions	<u>-</u>	<u>306,844</u>	<u>306,844</u>
Total Program Revenues	<u>150,673</u>	<u>20,611,265</u>	<u>20,761,938</u>
Net Program (Expense) Revenue	<u>(149,784)</u>	<u>(820,995)</u>	<u>(970,779)</u>
General Revenues:			
Investment earnings	-	374,315	374,315
Miscellaneous	<u>1,849</u>	<u>1,055,719</u>	<u>1,057,568</u>
Total General Revenues	<u>1,849</u>	<u>1,430,034</u>	<u>1,431,883</u>
Change in Net Position	(147,935)	609,039	461,104
Net Position, Beginning of Year	<u>1,796,059</u>	<u>40,292,055</u>	<u>42,088,114</u>
Net Position, End of Year	<u><u>\$ 1,648,124</u></u>	<u><u>\$ 40,901,094</u></u>	<u><u>\$ 42,549,218</u></u>

See accompanying notes to the basic financial statements.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

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City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

The City of Fort Valley, Georgia (“the City”) was chartered by an act of the General Assembly of the State of Georgia. The City operates under a Council/Manager form of government with the Council consisting of six elected members. The City provides the following services as authorized by its charter: general government, judicial, public safety (police and fire), public works, culture and recreation and housing and development. The City also operates a sanitation program.

Note 1 - 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 (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.

1-A. Reporting Entity

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. For the City, this entity is limited to the City of Fort Valley legal entity.

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 organization; (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units also may 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 column included on the government-wide financial statements identifies 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.

Brief descriptions of the discretely presented component units follow:

Fort Valley Utility Commission – (“the Utility Commission”) - The Utility Commission was formed and operates pursuant to the charter of the City of Fort Valley, Georgia, as amended, and acts of the Georgia State Legislature. The Utility Commission consists of five members: the Mayor of the City is an ex-officio member and four popularly elected commissioners, two elected at large and two elected by ward (i.e. east and west). The Utility Commission is a legally separate entity because it has its own name, can sue and be sued in its own name and can buy, sell and lease property in its own name.

The City believes it would be misleading to omit the Utility Commission from its financial statements; therefore, the Utility Commission is reported as a discretely presented component unit of the City. The Utility Commission issues separate financial statements which are available at the Utility Commission’s administrative office within the City.

Fort Valley Main Street/DDA – (“Main Street/DDA”) - Main Street/DDA was created to promote business in the downtown area of the City. During the fiscal year ended September 30, 1999, Fort Valley Main Street combined its operations with the Fort Valley Redevelopment Authority. Also during that fiscal year, Fort Valley Main Street combined its operations with the dormant Fort Valley Downtown Development Authority. The combination of these three entities is now referred to as “Fort Valley Main Street/DDA.” Main Street/DDA sponsors promotional events for the community and offers the opportunity for downtown merchants to work together in these pursuits. The Mayor and City Council of the City appoint the Main Street/DDA board members. Main Street/DDA is a governmental fund type. Main Street/DDA does not issue separate financial statements.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

1-B. 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.

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 units 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 charges to external customers. The fiduciary funds are not reported in the government-wide statements.

The statement of net position presents the financial position of the governmental and business-type activities of the City and its discretely presented component units 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 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.

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund 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:

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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 the State of Georgia.

SPLOST Capital Projects Funds – The 2008 SPLOST and 2015 SPLOST capital project funds are used to account for all financial resources obtained by the 2008 and 2015 levies of a one percent special purpose local option sales tax and related expenditures.

Proprietary Funds – The proprietary funds' reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's only proprietary fund, the sanitation fund, is classified as a major enterprise fund. The sanitation fund is used to account for all financial resources related to the sanitation services provided to the City's citizens.

Fiduciary Funds – The fiduciary funds' reporting focuses on net assets. Fiduciary funds employ the economic resources measurement focus and are accounted for on the accrual basis of accounting. The City's fiduciary fund is a private purpose trust fund and its resources go to the Thomas Public Library, which is not a program or purpose of the City. This reporting focuses on net assets and changes in net position.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus, as are the proprietary fund and fiduciary fund financial statements. 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 balances reports the sources (i.e. revenues and other financing sources) 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, the proprietary fund type is 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 this fund are included on the statements of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

1-D. 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 and the proprietary, fiduciary and component unit fund 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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 sixty days of year-end.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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 3-C) 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.

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

On governmental fund financial statements (i.e. on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e. they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g. cash advances) also are recorded as deferred revenue.

Deferred revenues are reclassified as “*unearned revenue*” on the statement of net position.

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.

1-E. Assets, Liabilities and Fund Equity

1-E-1. 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

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

1-E-2. Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue at September 30, 2016.

1-E-3. 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.

1-E-4. Consumable Inventories (Utility Commission)

Inventory is recorded using the average unit cost method and expensed when consumed. Inventories include propane gas, meters, transformers, lines, poles, pipe and modems.

1-E-5. Prepaid Items (Utility Commission)

Payments made to vendors for services (i.e. prepaid insurance) that will benefit periods beyond September 30, 2016, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

1-E-6. Restricted Assets (Utility Commission)

In 2016, restricted assets consist of the new generation and capacity funding account (\$1,382,135) and a construction loan certificate of deposit pledged as collateral for in the amount of \$1,350,584.

1-E-7. 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 cost of infrastructure assets that were acquired or received substantial improvements prior to fiscal year 2004 are not required to be, but may be capitalized. Pursuant to GASB Statement No. 34, the City elected not to report major general infrastructure assets retroactively. However, the City began capitalizing infrastructure prospectively October 1, 2003. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized. 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. 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.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

City of Fort Valley/Main Street

Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	20 – 50 years	N/A
Infrastructure	15 – 30 years	N/A
Land improvements	15 – 30 years	N/A
Machinery and equipment	3 – 20 years	3 – 20 years

Fort Valley Utility Commission

Depreciation is computed using the straight-line method over the following useful lives presented as rates:

<u>Asset Class</u>	<u>Depreciation Rate</u>
Buildings	2%
Natural gas system	2%
Natural gas meters	2.5%
Natural gas equipment	5 - 20%
Electric system and equipment	3 - 10%
Water system and equipment	2.5 - 10%
Sewerage system and equipment	2.5 - 10%
Fiber optic system and equipment	2.5 - 10%
Intangible assets	10%

1-E-8. Compensated Absences

Vacation benefits, comp time and holiday time are accrued as a liability as the benefits are earned if the employees' 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. 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 funds report the total compensated liability at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “*when due*.”

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

1-E-9. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category: deferred outflows of resources related to pensions reported in the government-wide statement of net position. The pension related amounts result from differences between expected and actual experience, changes of assumptions or other inputs, the difference between projected and actual investment earnings, changes in proportion and differences between employer contributions and proportionate share of contributions, and contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period. With the exception of the difference between projected and actual investment earnings and contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period, the pension related outflows of resources should be recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. The deferred outflows of resources relating to the difference between projected and actual investment earnings should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The deferred outflow of resources relating to contributions made to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period will reduce the beginning net pension liability in the following fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualified for reporting in this category: deferred inflows of resources related to pensions. The differences between projected investment return on pension investments and actual return on those investments is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred inflow of resources.

1-E-10. 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 and death benefits payable 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.

1-E-11. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

1-E-12. 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 the 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 constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not spendable in form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Committed – Fund balances are reported as committed when they can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The City Council also may modify or rescind the commitment.
- Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City’s finance committee or City’s finance director to assign fund balances.
- Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

The City’s policy with respect to fund balance classification is to comply with GASB 54, *Fund Balance Reporting*. The City’s highest level decision-making body is Mayor and Council. Formal action required to establish, modify or rescind a committed fund balance is the budget approval process.

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

- Committed
- Assigned
- Unassigned

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

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

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

1-E-13. 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 solid waste and transfer station programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

1-E-14. 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 non-operating revenues/expenses 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.

1-E-15. 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.

1-E-16. 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.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information

The City adopts an annual operating budget for the general fund and the hotel/motel tax special revenue fund. Project budgets are adopted for the SPLOST capital projects funds.

The general fund and hotel/motel tax special revenue fund are adopted on a basis consistent with GAAP. Budgets for the SPLOST capital projects funds are adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period.

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 Mayor and City Council.

The City's management may approve budget transfers within departments. During the year, the Mayor and City Council approved a budget revision.

All unexpended annual appropriations lapse at year-end.

2-B. Fund Balance/Net Position Deficit

The following fund reported equity deficits: Sanitation Fund - \$107,325
CHIP Fund - \$73

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds

3-A. Deposits and Investments

Deposits

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s, Utility Commission’s, or Main Street/DDA’s deposits may not be recovered.

State statutes require banks holding public funds to secure these funds by FDIC insurance, securities pledged at par value and surety bonds at face value in combined aggregate totaling not less than 110 percent of the public funds held.

City Deposits - The City’s bank balances of deposits as of September 30, 2016 were entirely insured or collateralized with securities held by the City’s agent in the City’s name. At September 30, 2016, the bank balances were \$4,629,267. The City has not adopted formal cash policies.

Utility Commission Deposits and Investments – The Utility Commission has adopted formal cash and investment policies.

At September 30, 2016, all bank balances were entirely insured or collateralized. In October 2011 the Utility Commission elected to secure its deposits in a pool of pledged securities established and maintained by CB&T Bank of Middle Georgia, a division of Synovus Bank, in accordance with Georgia Uniform Commercial Code Chapter 8, Title 45, Code Section 45-8-1 and administered under the direction of the Georgia Office of Treasury and Fiscal Services. The Utility Commission opened two new accounts at BB&T during fiscal year 2016. BB&T also participates in a pool of pledged securities. At September 30, 2016, the bank balances were \$630,512 and the carrying amount was \$618,576.

Main Street/DDA – Deposits – At September 30, 2016, all of the Main Street/DDA’s bank balances were entirely FDIC insured. At September 30, 2016, the bank balances were \$156,142.

Investments

Fort Valley Utility Commission

At September 30, 2016, the Utility Commission had the following investments presented by maturity period:

Investment Type	Fair Value	Maturity Period		
		Three Months or Less	4 - 12 Months	1 - 5 Years
Certificate of Deposit	\$ 1,350,584	\$ -	\$ -	\$ 1,350,584
Money Market Account	27,985			
Municipal Competitive Trust	10,456,088			
Total	<u>\$ 11,834,657</u>			

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Utility Commission’s investment policy does not formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utility Commission’s money market account and investment in the municipal competitive trust are not rated.

*City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016*

Note 3 - Detailed Notes on All Funds (continued)

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Utility Commission’s investments may not be recovered. The investment policies require securities to be held by an independent third-party custodian selected by the Utility Commission as evidenced by safekeeping receipts in the Utility Commission’s name. At September 30, 2016, all investments were entirely insured or collateralized with securities held by the Utility Commission’s agent in the Utility Commission’s name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Utility Commission’s investment in a single issuer. The investment policies require that the investments be diversified by limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities); limiting investment in securities that have higher credit risks; investing in securities with varying maturities; and, continuously investing a portion of the portfolio in readily available funds, local government investment pools, money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The Commission’s certificates of deposits are issued by the following banks at September 30, 2016:

<u>Bank:</u>	<u>Amount</u>	<u>% of Total</u>
CB&T Bank of Middle Georgia	<u>1,350,584</u>	100%

3-B. Receivables

Receivables at September 30, 2016, consisted of taxes, interest, accounts (billings for user charges) 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, collectibility.

3-C. Property Taxes

The City Council levies property taxes in October. Property taxes are due in December and attach as an enforceable lien on property as of January 1.

(This section intentionally left blank)

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

3-D. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

<i>Governmental activities</i>	Balance	Additions	Deletions	Balance	Accumulated	Book
	09/30/15			09/30/16	Depreciation	Value
					09/30/16	09/30/16
Non-depreciable capital assets:						
Land	\$ 690,882	\$ -	\$ -	\$ 690,882	\$ -	\$ 690,882
Construction in progress	41,957	-	41,957	-	-	-
Total non-depreciable capital assets	<u>732,839</u>	<u>-</u>	<u>41,957</u>	<u>690,882</u>	<u>-</u>	<u>690,882</u>
Depreciable capital assets:						
Buildings	2,388,985	17,910	-	2,406,895	443,067	1,963,828
Infrastructure	1,533,403	195,423	-	1,728,826	337,373	1,391,453
Improvements	553,950	257,991	-	811,941	231,715	580,226
Machinery and equipment	3,620,464	165,378	154,066	3,631,776	2,870,957	760,819
Total depreciable capital assets	<u>8,096,802</u>	<u>636,702</u>	<u>154,066</u>	<u>8,579,438</u>	<u>3,883,112</u>	<u>4,696,326</u>
Total capital assets	<u>\$ 8,829,641</u>	<u>\$ 636,702</u>	<u>\$ 196,023</u>	<u>\$ 9,270,320</u>	<u>\$ 3,883,112</u>	<u>\$ 5,387,208</u>

Accumulated Depreciation:	Balance	Additions	Deletions	Balance
	09/30/15			09/30/16
Buildings	\$ 411,578	\$ 31,489	\$ -	\$ 443,067
Infrastructure	260,703	76,670	-	337,373
Improvements	206,230	25,485	-	231,715
Machinery and equipment	2,838,602	186,213	153,858	2,870,957
Total accumulated depreciation	<u>\$ 3,717,113</u>	<u>\$ 319,857</u>	<u>\$ 153,858</u>	<u>\$ 3,883,112</u>

Governmental activities depreciation expense:

General government	\$ 21,329
Public safety	114,747
Public works	154,705
Culture and recreation	29,076
Total governmental activities depreciation expense	<u>\$ 319,857</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Capital asset activity for business-type activities for the year ended September 30, 2016, was as follows:

	Balance 9/30/2015	Additions	Deletions	Balance 9/30/2016
Business-type activities:				
Depreciable capital assets:				
Machinery and equipment	\$ 1,380,019	\$ -	\$ 43,600	\$ 1,336,419
Accumulated depreciation:				
Machinery and equipment	1,087,990	64,919	43,600	1,109,309
Capital assets - net	<u>\$ 292,029</u>	<u>\$ (64,919)</u>	<u>\$ -</u>	<u>\$ 227,110</u>

Capital asset activity for Main Street/DDA component unit for the year ended September 30, 2016, was as follows:

	Balance 9/30/2015	Additions	Deductions	Balance 9/30/2016
Main Street/DDA:				
Capital assets not being depreciated:				
Land	\$ 366,135	\$ -	\$ -	\$ 366,135
Construction in progress	204,007	-	204,007	-
Total capital assets not being depreciated	<u>570,142</u>	<u>-</u>	<u>204,007</u>	<u>366,135</u>
Depreciable capital assets:				
Buildings	1,689,821	204,007	139,007	1,754,821
Improvements	15,249	-	-	15,249
Machinery and equipment	11,490	-	-	11,490
Total depreciable capital assets	<u>1,716,560</u>	<u>204,007</u>	<u>139,007</u>	<u>1,781,560</u>
Total capital assets	<u>2,286,702</u>	<u>204,007</u>	<u>343,014</u>	<u>2,147,695</u>
Accumulated depreciation:				
Buildings	435,841	53,517	-	489,358
Improvements	9,150	610	-	9,760
Machinery and equipment	11,490	-	-	11,490
Total accumulated depreciation	<u>456,481</u>	<u>54,127</u>	<u>-</u>	<u>510,608</u>
Main Street/DDA capital assets, net	<u>\$ 1,830,221</u>	<u>\$ 149,880</u>	<u>\$ 343,014</u>	<u>\$ 1,637,087</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Capital asset activity for the Utility Commission component unit for the year ended September 30, 2016, was as follows:

	Balance 9/30/2015	Additions	Deductions	Balance 9/30/2016
Utility Commission component unit				
Non-depreciable capital assets:				
Land	\$ 146,486	\$ -	\$ -	\$ 146,486
Construction in progress	675,053	984,952	-	1,660,005
Total non-depreciable capital assets	<u>821,539</u>	<u>984,952</u>	<u>-</u>	<u>1,806,491</u>
Depreciable capital assets:				
Building	335,744	-	-	335,744
Distribution system	48,197,897	387,913	-	48,585,810
Machinery and equipment	3,948,432	466,648	-	4,415,080
Intangibles	277,484	-	-	277,484
Total depreciable capital assets	<u>52,759,557</u>	<u>854,561</u>	<u>-</u>	<u>53,614,118</u>
Total capital assets	<u>53,581,096</u>	<u>1,839,513</u>	<u>-</u>	<u>55,420,609</u>
Accumulated depreciation:				
Building	240,293	4,475	-	244,768
Distribution system	19,433,424	1,014,852	-	20,448,276
Machinery and equipment	2,903,396	197,088	-	3,100,484
Intangibles	272,798	1,250	-	274,048
Total accumulated depreciation	<u>22,849,911</u>	<u>1,217,665</u>	<u>-</u>	<u>24,067,576</u>
Utility Commission capital assets, net	<u>\$ 30,731,185</u>	<u>\$ 621,848</u>	<u>\$ -</u>	<u>\$ 31,353,033</u>

3-E. Interfund Balances and Transfers

Interfund balances at September 30, 2016, consisted of the following amounts and 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. The City expects to repay all interfund balances within one year, with the exception of the interfund amount between the General Fund and the Sanitation Fund. Management is reevaluating the situation to determine if it can be repaid in the future, or if the amount will need to be reclassified as a transfer.

Payable to:	Payable from:			Total
	2008 SPLOST Funds	Other Governmental Funds	Sanitation Fund	
General fund	\$ 9,489	\$ 200	\$ 337,975	\$ 347,664
Total	<u>\$ 9,489</u>	<u>\$ 200</u>	<u>\$ 337,975</u>	<u>\$ 347,664</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Interfund transfers for the year ended September 30, 2016, consisted of the following:

<u>Transfer to:</u>	<u>Transfer From:</u>	
	<u>Non-major</u>	
	<u>Governmental</u>	
	<u>Funds</u>	<u>Total</u>
General fund	\$ 7,316	\$ 7,316
Total	\$ 7,316	\$ 7,316

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to report unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, to segregate money for anticipated capital projects, to provide additional resources for current operations or debt service and to return money to the fund from which it was originally provided once a project is completed. There was one transfer to the general fund from the Hotel/Motel Tax fund due to requirements of state statutes.

3-F. Long-term Debt

City Governmental Activities' Capital Leases – At September 30, 2016, the City is obligated under one capital lease for capital assets belonging to governmental activities.

During the year ending September 30, 2014, the City entered into a lease agreement for an Energy Savings Project which included the installation of a new roof and HVAC system for City Hall. The lease agreement qualifies as a capital lease for accounting purposes. The roof installation and HVAC system were purchased in the general fund in November of 2013. The original cost of the project was \$306,000 and the amount obtained from the capital lease was \$225,000. This year, \$9,000 was included in depreciation expense and \$19,500 in accumulated depreciation. The following is a schedule of the future minimum lease payments for the project:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 21,309	\$ 4,812	\$ 26,121
2018	21,966	4,155	26,121
2019	22,643	3,478	26,121
2020	23,341	2,780	26,121
2021	24,060	2,061	26,121
2022-2024	54,705	1,892	56,597
Total	\$ 168,024	\$ 19,178	\$ 187,202

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

City Business-type Activities' Capital Leases – During the year ending September 30, 2016, the City entered into a lease agreement with Oshkosh Capital for a freightliner purchased in the sanitation fund. The original cost of the freightliner was \$151,411. This year, \$18,926 was included in depreciation expense and \$28,389 in accumulated depreciation. The following is a schedule of the future minimum lease payments for the freightliner.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 29,392	\$ 3,638	\$ 33,030
2018	30,263	2,767	33,030
2019	31,158	1,872	33,030
2020	<u>32,081</u>	<u>950</u>	<u>33,031</u>
Total	<u>\$ 122,894</u>	<u>\$ 9,227</u>	<u>\$ 132,121</u>

Main Street/DDA Notes Payable – On June 17, 2008, Main Street/DDA borrowed \$51,500 from the CB&T Bank of Middle Georgia to pay off an earlier line of credit from CB&T bank that was used to provide renovations to the Signal Building. On August 20, 2010, Main Street/DDA obtained a new loan from CB&T that paid off the previous loan and provided \$15,689 in additional capital to pay for a new roof on the Signal Building. The note was set to mature on August 20, 2013; however, the note was renewed during the year. The monthly amount due is \$441.44 with an interest rate of 4.25%. The new maturity date is October 25, 2018.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,006	\$ 1,291	\$ 5,297
2018	4,180	1,118	5,298
2019	<u>23,612</u>	<u>85</u>	<u>23,697</u>
Total	<u>\$ 31,798</u>	<u>\$ 2,494</u>	<u>\$ 34,292</u>

On November 21, 2008, Main Street/DDA borrowed \$51,937 from SunMark Community Bank to pay off an earlier line of credit from CB&T Bank that was used to provide renovations to the Austin Theater. Payments of \$400 were due monthly until October 21, 2011, when the remaining principal of the loan became due. The interest rate on the loan was 5%. On October 21, 2011, Main Street/Downtown Development Authority obtained a loan renewal with SunMark Community Bank that kept the monthly payment at \$400 and the interest rate at 5% but extended the maturity until September 20, 2014. On September 4, 2012, Main Street/Downtown Development Authority obtained a line of credit from SunMark Community Bank that was used to replace the Austin Theater roof. The \$8,085.08 drawn on the line of credit was combined into the original loan and then renewed. The loan renewal with SunMark Community Bank kept the monthly payment at \$400 and interest rate at 5% but extended the maturity date to August 4, 2015. The loan was renewed on August 6, 2015 for 34 months at 5.01% with a maturity date of July 5, 2018. Payments will be \$400 monthly with a balloon payment of \$36,059.35 due on the maturity date. The schedule below reflects the August 6, 2015 loan renewal.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,541	\$ 1,828	\$ 4,369
2018	<u>38,309</u>	<u>1,559</u>	<u>39,868</u>
Total	<u>\$ 40,850</u>	<u>\$ 3,387</u>	<u>\$ 44,237</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

On June 29, 2015, Main Street/DDA agreed to be the conduit entity for a loan for Vantage Group to construct an apartment community. Main Street/DDA secured a loan in their name with Community and Southern Bank for \$199,907. The loan term is for 10 years at 4% interest with only interest payments due until July 2016 when principle payments of \$1,666.67 will be due on the 15th of each month with a balloon payment of \$70,258 due on the maturity date. Vantage Group will pay Main Street/DDA each month and Main Street/DDA will then pay Community and Southern Bank. The maturity date is June 29, 2025.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 20,000	\$ 4,430	\$ 24,430
2018	20,000	3,941	23,941
2019	20,000	3,450	23,450
2020	20,000	2,960	22,960
2021	20,000	2,470	22,470
2022-2025	<u>90,000</u>	<u>4,900</u>	<u>94,900</u>
Total	<u>\$ 190,000</u>	<u>\$ 22,151</u>	<u>\$ 212,151</u>

Main Street/DDA Intergovernmental Note Payable – On November 2, 2009, Fort Valley Main Street/Downtown Development Authority borrowed \$180,250 from SunMark Community Bank to pay for expenditures related to the renovation of a former high school to become the location for a future business school. One payment of interest and principal was due on November 2, 2010. The interest rate on the loan was 4.15%. Main Street/Downtown Development Authority obtained a loan renewal on November 11, 2010 by paying interest only. The loan renewal extended the maturity until May 2, 2011 with interest set at 5%. On May 2, 2011, Main Street/Downtown Development Authority again obtained a loan renewal by paying interest only. This loan renewal extended the maturity to May 2, 2014 with interest set at 5%. Semi-annual payments of \$11,588 were to be made in May and November of each year with the balance due at maturity. A balloon payment was due in May 2014.

The Utility Commission guaranteed the cost of certain architect plans and fees up to the amount of \$180,000 incurred by the Fort Valley Main Street/Downtown Development Authority relative to the renovation of the Fort Valley High School building on Knoxville Street in Fort Valley, Georgia. The proposed renovation would have housed the future School of Business Administration program at Fort Valley State University, which is a historically black State and Land-Grant Institution and a member of the University System of Georgia. The project has been abandoned.

The Utility Commission did not guarantee the renewal of the note to SunMark Community Bank on behalf of the Fort Valley Main Street Downtown Development Authority. In consideration of the payment by the Utility Commission in the amount of \$147,626 SunMark Community Bank transferred, assigned and conveyed to the Utility Commission all of its right, title, and interest in, to and under the certain Promissory Note dated May 2, 2011, between Fort Valley Main Street Downtown Development Authority, as Promissor and SunMark Community Bank, as Promisee, on June 13, 2014.

The Fort Valley Main Street Downtown Development Authority paid the Utility Commission \$11,551 on August 19, 2014.

On August 10, 2015 the Utility Commission reduced the Downtown Development Authority note by \$21,075. Thereafter, the Authority made an August 2015 payment of \$23,000.

The balance of the promissory note is \$80,500 at September 30, 2016. The Utility Commission recorded a receivable amount equal to the note balance.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Main Street Downtown Development Authority annual debt service requirements to amortize this loan as of September 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>
2017	\$ 23,000
2018	23,000
2019	23,000
2020	11,500
Total	<u>\$ 80,500</u>

Utility Commission Notes Payable – At September 30, 2016, the Utility Commission has three loans outstanding with the Georgia Environmental Finance Authority (GEFA) and two with the Georgia Environmental Loan Acquisition Corporation (GELAC).

GEFA Loan – DW97-027 – On May 19, 1999, the Utility Commission borrowed \$3.5 million in an interest free loan for water distribution system and wells. Payments are due quarterly with a final maturity date of February 1, 2021.

Annual debt service requirements to amortize this loan as of September 30, 2016 follow:

<u>Fiscal Year</u>	<u>Principal</u>
2017	163,454
2018	163,454
2019	163,454
2020	163,454
2021	81,729
Total	<u>\$ 735,545</u>

GEFA Loan – DW97-027A – On May 19, 1999, the Utility Commission borrowed \$550,000 at a 3% interest rate for water distribution system and wells. Payments are due quarterly with a final maturity date of February 1, 2021.

Annual debt service requirements to amortize this loan as of September 30, 2016 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	33,976	4,457	38,433
2018	35,007	3,426	38,433
2019	36,069	2,364	38,433
2020	37,164	1,270	38,434
2021	19,003	214	19,217
Total	<u>\$ 161,219</u>	<u>\$ 11,731</u>	<u>\$ 172,950</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

GELAC Loan — 2006-L58WQ - On May 10, 2007 the Utility Commission received a loan commitment of \$920,000 at a 4.12% interest rate for a lift station and water and sewer lines in the Heritage Pointe Subdivision.

Payments of \$5,171 are due monthly with a final maturity date of January 1, 2029. The construction loan went into repayment on February 1, 2009, in the amount of \$844,499.

Annual debt service requirements to amortize this loan as of September 30, 2016 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	38,146	23,946	62,092
2018	39,683	22,369	62,052
2019	41,349	20,703	62,052
2020	43,067	18,986	62,053
2021	44,911	17,142	62,053
2022-2026	254,378	55,885	310,263
2027-2029	137,662	7,015	144,677
Total	<u>\$ 599,196</u>	<u>\$ 166,046</u>	<u>\$ 765,242</u>

GEFA Loan — DWSRF 04-004 – In fiscal year 2007, the Utility Commission drew down \$631,650 at a 1.9% interest rate for an elevated water storage tank at Peach County High School and water main system improvements to serve Rolling Hills Trailer Park.

Payments of \$1,579 are due monthly with a final maturity date of September 1, 2028. During fiscal year 2008 the Utility Commission drew down \$513,350, to the maximum authorized borrowing of \$1,145,000. However, in fiscal year 2008, the Utility Commission received a \$500,000 GEFA DWSRF subsidy which was used to reduce the principal of this loan. And the Utility Commission made a balloon payment of \$330,000 in fiscal year 2008. During fiscal year 2009 the construction loan went into repayment on October 1, 2008, in the amount of \$315,000.

Annual debt service requirements to amortize this loan as of September 30, 2016 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	15,266	3,678	18,944
2018	15,509	3,435	18,944
2019	15,806	3,138	18,944
2020	16,106	2,838	18,944
2021	16,420	2,524	18,944
2022-2026	86,931	7,789	94,720
2027-2028	37,086	783	37,869
Total	<u>\$ 203,124</u>	<u>\$ 24,185</u>	<u>\$ 227,309</u>

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

GELAC Loan – 2007-L42WQ – On December 14, 2008, the Utility Commission received a loan commitment of \$10,750,000 at 4.1% rate for 20 years for a reclamation facility, three sewage pump stations, force main sewer and gravity main sewer to serve east Peach County.

Payments of \$3,577 are due monthly with a final maturity date in 2030. During fiscal year 2008 the Utility Commission drew down \$1,815,208. During fiscal year 2009 the Utility Commission drew down \$6,445,045. During fiscal year 2010 the Utility Commission drew down \$912,965. On November 17, 2009 GEFA released the Utility Commission from the Debt Service Reserve account in accordance with Exhibit D of the loan contract. The item was waived in its entirety, retroactively to September 30, 2009.

The Utility Commission has received all of the \$7,500,000 from Peach County, Georgia for 2000 SPLOST funds allocated to it in the Intergovernmental Agreement. The Utility Commission made balloon payments with those funds during fiscal year 2009 totaling \$7,500,000. The Utility Commission made an additional balloon payment in August 2009 of \$588,000. Also, in fiscal year 2010, the Utility Commission made another balloon payment in November 2009 of \$500,000. During fiscal year 2010, the construction loan went into repayment in the amount of \$585,218.

Annual debt service requirements to amortize this loan as of September 30, 2016 follow:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	24,748	18,179	42,927
2018	25,781	17,146	42,927
2019	26,858	16,068	42,926
2020	27,980	14,946	42,926
2021	29,149	13,777	42,926
2022-2026	165,064	49,569	214,633
2027-2030	155,080	13,049	168,129
Total	<u>\$ 454,660</u>	<u>\$ 142,734</u>	<u>\$ 597,394</u>

GEFA Loan — DW14001 – During fiscal year 2016, the Utility Commission was approved to borrow up to \$1,500,000 at a 1.03% interest rate in order to fund the Speece Cone Superoxygenation System project. During the current period, the Utility Commission received disbursements of \$920,533 from the total amount approved. A subsidy in the amount of \$306,844 was received during fiscal year 2016 and applied to the principal balance of the disbursements. The unpaid principal balance was \$613,689 as of September 30, 2016. Principal payments will not begin until all draws against the approved amount have been taken. The final maturity date is September 1, 2028.

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City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Changes in Long-term Debt – Changes in the City’s long-term obligations consisted of the following for the year ended September 30, 2016:

	<u>Balance</u> <u>09/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/2016</u>	<u>Amount Due</u> <u>in One Year</u>
Governmental activities:					
Net Pension Liability	\$ 1,074,691	\$ 514,846	\$ 178,845	\$ 1,410,692	\$ -
Capital leases	188,695	-	20,671	168,024	21,309
Employer funded death benefit	199,678	-	4,421	195,257	-
Compensated absences	<u>194,424</u>	<u>93,932</u>	<u>107,838</u>	<u>180,518</u>	<u>72,207</u>
Total governmental activities	<u>\$ 1,657,488</u>	<u>\$ 608,778</u>	<u>\$ 311,775</u>	<u>\$ 1,954,491</u>	<u>\$ 93,516</u>
Business-type activities:					
Net Pension Liability	\$ 146,549	\$ 83,813	\$ 29,115	201,247	\$ -
Capital leases	151,411	-	28,517	122,894	29,392
Compensated absences	<u>12,908</u>	<u>11,072</u>	<u>11,900</u>	<u>12,080</u>	<u>10,268</u>
Total business-type activities	<u>\$ 310,868</u>	<u>\$ 94,885</u>	<u>\$ 69,532</u>	<u>\$ 336,221</u>	<u>\$ 39,660</u>
Main Street/DDA:					
Loan payable	\$ 279,451	\$ -	\$ 16,803	\$ 262,648	\$ 26,547
Intergovernmental Note Payable	<u>92,000</u>	<u>-</u>	<u>11,500</u>	<u>80,500</u>	<u>23,000</u>
Total Main Street/DDA	<u>\$ 371,451</u>	<u>\$ -</u>	<u>\$ 28,303</u>	<u>\$ 343,148</u>	<u>\$ 49,547</u>
Utility Commission:					
GEFA loan - DW97-027	\$ 898,997	\$ -	\$ 163,452	\$ 735,545	\$ 163,454
GEFA loan - DW97-027A	194,195	-	32,976	161,219	33,976
GELAC loan - 2006-L58WQ	635,741	-	36,545	599,196	38,146
GEFA loan - DWSRF 04-004	218,051	-	14,927	203,124	15,266
GELAC loan - 2007 L42WQ	478,415	-	23,755	454,660	24,748
GELAC loan - 2007-L42WQ	-	613,689	-	613,689	-
Compensated absences	<u>278,609</u>	<u>181,499</u>	<u>184,456</u>	<u>275,652</u>	<u>183,584</u>
Total Utility Commission	<u>\$ 2,704,008</u>	<u>\$ 795,188</u>	<u>\$ 456,111</u>	<u>\$ 3,043,085</u>	<u>\$ 459,174</u>

All long-term obligations of the City’s governmental funds will be financed through future general fund expendable available financial sources as they become due. Principal and interest payments related to the City’s sanitation enterprise fund are financed from income derived from the operation of the sanitation program. The City’s compensated absences liability will be paid from the fund which the employees’ salaries are paid. Charges for services are used to retire the Utility Commission’s loans and capital leases. The Utility Commission’s compensated absences liability is retired from enterprise fund resources.

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City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

3-G. Pensions

The City maintains a retirement plan for its employees and the Utility Commission maintains a separate retirement plan for its employees.

City Retirement Plan -

Plan Description – The City contributes to the General Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. GMEBS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The City Council established the benefit provisions and has the authority to amend these provisions through City ordinance. These benefit provisions were established by a City ordinance dated October 1, 1974. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City. That report may be obtained by writing to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

All full-time City employees (i.e. 30 hours per week) with one year of service are eligible to participate in the plan with benefits vesting after 10 years of service. The plan provides either:

- (1) Normal retirement benefit, whereas the employee retires at age 65 with five years of service.
- (2) Early retirement benefit, whereas the employee retires at age 55 or older with ten years of service.

City employees who retire at or after age 65 are entitled to an annual retirement benefit, payable monthly for life. Benefits are dependent upon such factors as the number of years of credited service and the employee’s final average earnings.

The early retirement benefit is computed in the same manner as the normal benefits, reduced on an actuarially equivalent basis. The plan provides death benefits in the form of a lifetime pension to the beneficiary if death occurs prior to retirement.

At September 30, 2016, the pension plan membership consisted of the following:

Active participants	82
Vested terminated participants	22
Retired participants and beneficiaries	38
Total	142

Contributions – The Plan is subject to minimum funding standards of the Public Retirement Systems Standards Law. The GMEBS Board of Trustees has adopted an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2016, the City’s recommended contribution rate was 9.25% of expected payroll. The City’s contribution to the plan for the year ended September 30, 2016 was \$200,173. Participants in the plan are not required to contribute.

Net Pension Liability – The City’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial date was January 1, 2016.

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	3.25 percent, plus service based merit increases
Investment rate of return	7.75 percent

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 to June 30, 2014.

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 weighing 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 September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	50%	5.95%
International Equity	15	6.45
Fixed Income	25	1.55
Real Estate	10	3.75
Cash	-	-
	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 9/30/15	\$ 4,529,359	\$ 3,308,119	\$ 1,221,240
Changes for the year:			
Service cost	78,088	-	78,088
Interest	339,038	-	339,038
Differences between expected and actual experience	186,530	-	186,530
Contributions-employer	-	207,960	(207,960)
Contributions-employee	-	-	-
Net investment income	-	41,598	(41,598)
Benefit payments, including refunds of employee contributions	(309,342)	(309,342)	-
Administrative expense	-	(12,317)	12,317
Other changes	24,284	-	24,284
Net changes	<u>318,598</u>	<u>(72,101)</u>	<u>390,699</u>
Balances at 9/30/16	<u>\$ 4,847,957</u>	<u>\$ 3,236,018</u>	<u>\$ 1,611,939</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 2,205,906	\$ 1,611,939	\$ 1,118,293

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued GMEBS financial report.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$246,597. At September 30, 2016, the City reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,224	\$ (25,572)
Changes in assumptions	-	(10,008)
Net difference between projected and actual earnings on pension plan investments	100,266	-
Total	\$ 249,490	\$ (35,580)

There were no City contributions subsequent to the measurement date. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
	2017	\$ 44,843
	2018	44,843
	2019	44,843
	2020	79,381
		\$ 213,910

Utility Commission Retirement Plan -

Plan Description – The Fort Valley Utility Commission Retirement Plan (the Plan) is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The authority for establishing and amending benefits rests with the Utility Commission’s Board of Commissioners.

Eligibility requirements are one year of service for all employees. The Plan allows for early retirement at age 55 if the employee has ten years of service. Normal retirement is at age 65 with five years of service. Benefits are dependent upon factors such as the number of years of credited service to the Utility Commission and the employee’s final average earnings. Beginning January 1, 2003 employees’ benefits vest at 50 percent after five years and 10 percent of additional vesting takes place each year thereafter until reaching 100% after ten years of service. These benefit provisions were established by a City ordinance dated September 26, 1974. The Utility Commission’s plan was separated from the City’s plan as of October 1, 1990.

At September 30, 2016, the plan had 53 active employees, 8 vested former employees, and 26 retired participants or beneficiaries currently receiving benefits.

Contributions – Required contributions are determined by the GMEBS based on actuarial calculations performed by an independent actuary. The actuarially-determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission’s recommended contribution rate for the year ended September 30, 2016 was 8.19 percent of covered payroll. The Commission’s contribution to the plan for the year ended September 30, 2016 was \$255,122. Participants in the plan are not required to contribute.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At September 30, 2016, the Commission reported a net pension liability of \$1,332,202. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial date was January 1, 2016.

For the year ended September 30, 2016, the Commission recognized pension expense of \$128,312. At September 30, 2016, the Commission had deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 39,320	\$ (128,037)
Changes of Assumptions	-	(203,528)
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	215,584	-
	\$ 254,904	\$ (331,565)

Amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows for the years ending September 30:

<u>Year Ending September 30,</u>	
2017	\$ (81,578)
2018	(81,578)
2019	526
2020	85,969
2021	-
Totals	\$ (76,661)

Actuarial Assumptions – The total pension liability in the September 30, 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	3.25 percent, including inflation
Net Investment Rate of Return	7.75 percent

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	50%	5.95%
International Equity	15	6.45
Fixed Income	25	1.55
Real Estate	10	3.75
Cash	-	-
	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent.

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City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

Changes in Net Pension Liability – Changes in the Commission’s net pension liability for the year ended September 30, 2016 were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at October 1, 2015	\$ 7,650,586	\$ 6,487,374	\$ 1,163,212
Changes for the Year:			
Service Costs	119,251	-	119,251
Interest	582,211	-	582,211
Differences between expected and actual experience	(170,715)	-	(170,715)
Contributions - employer	-	300,029	(300,029)
Contributions - employee	-	-	-
Net investment income	-	73,390	(73,390)
Benefit payments, including refunds of employee contributions	(276,361)	(276,361)	-
Administrative expense	-	(11,662)	11,662
Other	-	-	-
Net changes	254,386	85,396	168,990
Balances at September 30, 2016	\$ 7,904,972	\$ 6,572,770	\$ 1,332,202

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	Net Pension Liability
1 Percent Decrease	6.75%	\$ 2,175,274
Current Discount Rate	7.75%	1,332,202
1 Percent Increase	8.75%	613,524

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

Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued GMEBS financial report. That report may be obtained by writing to the Georgia Municipal Association or by calling (404) 688-0472.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

3-H. Net Investment in Capital Assets

Net position on the City-wide statement of net position as of September 30, 2016 is as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Component Units</u>
Net Investment in capital assets:			
Cost of capital assets	\$ 9,270,320	\$ 1,336,419	\$ 57,568,304
Less accumulated depreciation	<u>3,883,112</u>	<u>1,109,309</u>	<u>24,578,184</u>
Book value	5,387,208	227,110	32,990,120
Less capital related debt	<u>168,024</u>	<u>122,894</u>	<u>3,030,081</u>
Net Investment in capital assets	<u>\$ 5,219,184</u>	<u>\$ 104,216</u>	<u>\$ 29,960,039</u>

3-I. Fund Equity

Fund Balances:

- **Restricted** – The following fund balances are restricted for:

General Fund:

Public safety technology \$ 31,557

Capital Projects Fund:

Special Local Option Sales Tax Fund (SPLOST)
used to account for capital projects
financed with SPLOST. \$ 2,599,074

- **Assigned** – The following fund balances are assigned to:

General Fund:

Contingencies \$ 915,631

- **Unassigned** – The City’s policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster. The Hotel/Motel tax fund reported an unassigned fund balance due to a deficit balance. This fund deficit will be reduced through hotel/motel tax revenue.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 3 - Detailed Notes on All Funds (continued)

3-J. Construction Loan Payable – Utility Commission

On July 19, 2013, the Utility Commission entered into a construction loan with CB&T, a division of Synovus Bank with a maximum borrowing of \$2,387,000 at an interest rate of 1.4%, due January 19, 2015. The loan renewed on January 28, 2015. The renewed loan had a maximum borrowing of \$2,387,000 at an interest rate of 2.0% due on July 19, 2016. This loan was partially financing a project at Fort Valley State University which includes installing a 500,000 gallon elevated storage tank, a new well and chemical feed building, including a 12" water main. The renewed loan was secured by a certificate of deposit at CB&T. The amount of loan drawn down at September 30, 2015 is \$432,287. During fiscal year 2016, the Utility Commission made draws until the loan reached a balance of \$440,692. The loan balance was paid off in full on August 31, 2016 with a draft from the certificate of deposit at CB&T.

Note 4 – Other Notes

4-A. Contract Commitments – Utility Commission

The Utility Commission has commitments for contracts with four governmental organizations.

Municipal Electric Authority of Georgia – The Utility Commission has contracted for a period not to exceed 50 years, to purchase all of its electric power from the Municipal Electric Authority of Georgia (MEAG). MEAG agrees to provide the generating capacity necessary for reliable and economical power for the Utility Commission's needs.

MEAG has issued bonds for the purpose of building generation, transmission, and telecommunications facilities. Each participant, such as the Utility Commission, is contingently liable for their pro rata share of the bonds as a power purchase cost until they are retired. The Utility Commission's contingent contractual obligation varies by individual MEAG project and totals approximately \$69,528,571 at September 30, 2016. The contingent obligations are general obligations of the Utility Commission and the City to which the City's full faith, credit and taxing powers are pledged.

On April 12, 1999 the Utility Commission adopted the provisions of a Municipal Competitive Trust agreement with MEAG. Under the agreement, MEAG established the Trust for the mutual benefit of MEAG and its wholesale customers (the participating Cities). The Trust was created to provide a means of accumulating funds to mitigate the expected differential between market rates for power and the associated costs of generating that power after the anticipated deregulation of the electric industry. The Trust provides for three types of accounts that are held by the trustee in the name of the Utility Commission.

The flexible operating trust account includes funds that are available for withdrawal at the discretion of the Utility Commission. This amount is included in investments and totals \$9,073,952 at September 30, 2016. The two additional accounts created were the credit support operating trust account and the reserve funded debt trust account. The funds in the credit support operating trust account can only be used to offset rate increases exceeding certain criteria and for loans for capital improvements that will reduce future operating costs.

The funds in the reserve funded debt trust account can only be used for charges related to MEAG's bond obligations. The balances in the credit support operating trust account and the reserve funded debt trust account at September 30, 2016 were \$0 and \$1,287,047. Due to the restrictions on the use of these two accounts, they are not presented on the comparative statement of net position.

Credits from the Municipal Competitive Trust for Power Supply Year 2014 – In accordance with the First Amendment of the Municipal Competitive Trust, MEAG Power withdrew funds from the credit support operation account and the reserve funded debt account on behalf of the Participants for the purpose of lowering the annual generation charges for the period of January 1, 2009 through December 31, 2018. The annual amount for the Utility Commission for 2009 was \$1,202,727. The annual amount for the Utility Commission for 2010 was \$1,157,508. The annual amount for the Utility Commission for 2011 was \$1,387,086. The annual amount for the Utility Commission for 2012 was \$769,170. The annual amount for the Utility Commission for 2013 was \$1,463,662. The annual amount for the Utility Commission for 2014 was \$1,427,702. The annual amount for the Utility Commission for 2015 is \$1,183,043. The annual amount for the Utility Commission for 2016 is \$1,038,756.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 4 – Other Notes (continued)

In accordance with the Second Amendment of the Municipal Competitive Trust, effective August 10, 2009, MEAG Power amended the restrictions and broadened the circumstances under which a Participant may withdraw funds from the New Generation Trust, which was established earlier in 2009 to provide for the future funding of the construction of new power generation facilities, including, but not limited to the Plant Vogtle expansion project. The voluntary funding of the New Generation Trust by Participants will improve the overall credit rating of MEAG Power in the municipal bond market, both now and in the future. The Generation Trust Account is displayed as a restricted investment asset in the comparative statement of net position. The amounts were \$1,382,135 for 2016.

Georgia Public Web Membership – The Utility Commission and other members of MEAG’s telecommunication project created Georgia Public Web (a Georgia not-for-profit corporation) to provide internet and telecommunication services to customers in Georgia. On October 10, 2000 the Utility Commission signed a 50-year commitment to pay each month a proportionate share of the difference between Georgia Public Web’s budgeted costs and revenues. The Utility Commission’s proportionate share is 2.315% at September 30, 2016. The contingent obligations are general obligations of the Utility Commission and the City to which the City’s full faith, credit and taxing powers are pledged. However, in fiscal year 2008, the Utility Commission advance paid their total commitment (Georgia Public Web telecom debt issued on April 3, 2003).

Municipal Gas Authority of Georgia – The Utility Commission has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the Utility Commission to purchase all of its natural gas from MGAG, other than any supplies that were under contract for delivery to the Utility Commission at the time of the execution of the contract with MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the Utility Commission. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the Utility Commission is obligated to pay its share of the costs of the gas supply and related services MGAG provides to the Utility Commission, which costs include amounts equal to principal of and interest on MGAG’s bonds.

The contingent obligations, which extend through the year 2058, are general obligations of the Utility Commission and the City to which the City’s full faith, credit and taxing powers are pledged. The obligation to MGAG for gas supply costs are based on MGAG’s costs to provide such supply, including bonds issued to purchase long-term gas supplies.

The Utility Commission is contingently liable for their pro-rata share of the debt. The Utility Commission’s contingent contractual obligation total approximately \$3,817,344 at September 30, 2016. On December 12, 2002 an intergovernmental agreement was made between the Utility Commission and the City of Fort Valley related to the MGAG contract. Under this agreement, in the event of any required payments pursuant to the provisions of the Gas Supply Contract the payments shall be made first by the Utility Commission from its revenues and assets before any required payments are made by the City of Fort Valley.

USDA Rural Development – On April 15, 2011, the Utility Commission committed to participate in a project with the USDA Rural Development to add a 500,000 gallon elevated storage tank on the campus of Fort Valley State University, a new well and a chemical feed building. The USDA Rural Development will loan the Utility Commission an amount not to exceed \$2,387,000 and will award a grant for the project for \$1,848,000. The loan will be repayable over 40 years at an interest rate of 3.75%. The monthly payment is estimated at \$9,620. On April 15, 2012, the USDA Rural Development granted an extension until October 15, 2012. On October 15, 2012 the USDA Rural Development granted a second extension until April 15, 2013. At that time an additional 60 day extension was approved. As of November 13, 2014 plans and specifications have been approved by USDA. The status of the legal services agreement, preliminary title opinion, updated litigation and judgment agreement and lease agreement with the City of Fort Valley are all open. The Utility Commission anticipates that no further extensions will be required. Construction began in calendar year 2015.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 4 – Other Notes (continued)

4-B. Risk Management

Both the City and the Utility Commission are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. The City purchases commercial insurance to cover automobile, property and liability coverage. The City manages its risk of potential loss from injuries to employees by participating in the Workers’ Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools’ agents and attorneys, to follow loss reduction procedures established by the funds and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is to allow the pool’s agents and attorneys to represent them in investigation, settlement discussions and all levels of litigation arising out of any claim made against them within the scope of loss protection provided by the funds. The funds are to defend and protect the members of the funds against any liability or loss as prescribed in the member governments’ contracts and in accordance with the workers’ compensation laws of Georgia. The funds are to pay all costs assessed to its members in any legal proceeding defended by the members, all interest accruing after entry of judgment and all expenses incurred for investigation, negotiation or defense.

The City is self-insured for the first \$30,000 in medical claims of each person covered by the health insurance plan. The City has a reinsurance policy that covers medical claims greater than \$30,000. Liabilities include claims incurred but not reported. These liabilities are allocated between the general fund and the sanitation fund.

Claim liabilities are calculated using recent claim settlement trends as well as payments made after year-end for services rendered prior to year-end. Changes in the balances of claims liabilities during the past three years are as follows:

<u>Date</u>	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2014	40,081	804,185	780,594	63,672
2015	63,672	627,338	627,827	63,183
2016	63,183	847,020	834,116	76,087

There were no significant reductions in insurance coverage from prior year, and there have been no settlements that exceed the City’s insurance coverage during the past three years.

Utility Commission Risk Management

The Utility Commission maintains third party coverage for claims arising from property and casualty claims, general liability claims, and medical claims.

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Utility Commission’s insurance coverage during the past three years.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 4 – Other Notes (continued)

4-C. Contingent Liabilities

The City, the Utility Commission, and Main Street/DDA have 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, the Utility Commission and Main Street/DDA believe such disallowances, if any, will be immaterial.

Utility Commission Contingent Liability

The Utility Commission 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 Utility Commission believes such disallowances, if any, will be immaterial.

The Utility Commission was not a defendant in any lawsuits at September 30, 2016. In the opinion of the Utility Commission's management, there are no legal contingencies which will have a material effect on the financial position of the Utility Commission in subsequent years.

4-D. Environmental Remediation

In 2003, the Georgia Department of Natural Resources placed the Vienna Street Dump on the Hazardous Site Inventory and held the City of Fort Valley to be the responsible party. The Vienna Street Dump was placed on the Hazardous Site Inventory because the site has a known release of arsenic exceeding the reportable quantity. The Georgia Environmental Protection Division requires the City of Fort Valley to complete a Compliance Status Report, wherein the City will investigate the source of contamination and propose a Corrective Action Plan to remediate the contamination. As of September 30, 2015, the City had not completed the Compliance Status Report. It is therefore not possible to estimate the costs of remediation, either for the completion of the Compliance Status Report or the execution of the Corrective Action Plan. There may also be other responsible parties discovered through the investigation of the Compliance Status Report that could defray some or all of the environmental remediation liability. The amount of these recoveries, if any, can also not be estimated as of September 30, 2016.

4-E. Related Organization

The Housing Authority of the City of Fort Valley is a public body and a body corporate and politic created under the authority of the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low income citizens of the City. The Mayor of Fort Valley appoints the Authority's five-member Board of Commissioners to five year terms. However, the Authority designates its own management and has the power to approve its own budget and maintain its own accounting system. The City provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority

4-F. Joint Ventures

The City participates in the Middle Georgia Regional Commission (RC). Membership in a RC is required by Code of Georgia 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the Chief elected official of each county and municipality of the area. OCGA 50-8-39-1 also provides that the member governments are liable for any debts or obligations of a RC beyond its resources. Financial statements for the Middle Georgia Regional Commission may be obtained from: Middle Georgia Regional Commission, 175 C Emery Highway, Macon, Georgia 31217.

City of Fort Valley, Georgia
Notes to the Basic Financial Statements
For the Year Ended September 30, 2016

Note 4 – Other Notes (continued)

4-G. Hotel-Motel Lodging Tax

The City has levied a 5% lodging tax. A summary of the transactions for the year ended September 30, 2016 follows:

Lodging tax receipts	<u>\$ 27,041</u>
Required expenditures	<u>\$ 10,816</u>
Actual expenditures	<u>\$ 10,816</u>

All expenditures were for promotion of tourism as required by O.C.G.A. 48-13-51.

4-H. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 22, 2017, the date the financial statements were available to be issued.

Utility Commission Subsequent Events

The “Speece Cone Superoxygenation System to serve the Lanter Water Reclamation Facility” project, which was under construction as of September 30, 2016 and scheduled to be completed in September 2017, involves installation of a superoxygenation system, a side stream submersible pump station, an oxygen feed system, and a building to store oxygen cylinders. The work also includes piping, valves, fittings, site work, and any other work necessary to produce a complete system. The project is located at the Lanter Water Reclamation Facility, which is currently operated by the Utility Commission. This project was designed for the purposes of meeting new EPD permit requirements for the Water Reclamation Facility. The project is funded both by a GEFA State Revolving Funds loan and an EPA Special Appropriations Project grant. The EPA grant was given to the Utility Commission at a cost share equal to 40.42% of project costs. The remaining project costs will be reimbursed through the GEFA loan. The total cost of the project is estimated to be \$839,000.

The Commission previously set aside \$2.6 million for the renovation of the main administrative offices. The renovations will add a public meeting space, as well as public restrooms, a public consultation office and more efficient use of office space. The Utility Commission plans to purchase and renovate a 2600 SF building located on Knoxville Street. This building will house the Customer Service, Financial Services and Metering departments. The current building will be renovated and expanded to add interior offices for all administrative and management positions, the public meeting space, and restrooms. The Utility Commission will plan to make the offices as energy efficient as possible.

City of Fort Valley, Georgia
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
September 30, 2016

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 78,088	\$ 73,545
Interest	339,038	332,648
Differences between expected and actual experience	186,530	(42,622)
Changes of assumptions	-	(16,680)
Changes of benefit terms	24,284	48,214
Benefit payments, including refunds of employee contributions	<u>(309,342)</u>	<u>(315,967)</u>
Net change in total pension liability	318,598	79,138
Total pension liability-beginning	<u>4,529,359</u>	<u>4,450,221</u>
Total pension liability-ending (a)	<u>\$ 4,847,957</u>	<u>\$ 4,529,359</u>
Plan fiduciary net position		
Contributions-employer	\$ 207,960	\$ 224,278
Contributions-employee	-	-
Net investment income	41,598	346,833
Benefit payments, including refunds of employee contributions	(309,342)	(315,967)
Administrative expense	(12,317)	(10,075)
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(72,101)	245,069
Plan fiduciary net position-beginning	<u>3,308,119</u>	<u>3,063,050</u>
Plan fiduciary net position-ending (b)	<u>\$ 3,236,018</u>	<u>\$ 3,308,119</u>
Net pension liability-ending (a) - (b)	<u>\$ 1,611,939</u>	<u>\$ 1,221,240</u>
Plan fiduciary net position as a percentage of the total pension liability	66.75%	73.04%
Covered-employee payroll	\$ 2,493,731	\$ 2,112,793
Net pension liability as a percentage of covered-employee payroll	64.64%	57.80%

Notes to Schedule:

This schedule will present 10 years of information once the data is available.

City of Fort Valley, Georgia
Required Supplementary Information
Schedule of Contributions
September 30, 2016

	2016	2015
Actuarially determined contribution	--*	\$ 207,956
Contributions in relation to the actuarially determined contribution	--*	207,960
Contribution deficiency (excess)	--*	\$ (4)
Covered-employee payroll	\$ 2,493,731	\$ 2,112,793
Contributions as a percentage of covered-employee payroll	--*	9.84%

-- 2016 information will be determined after fiscal year end and will be included in the 2017 valuation report. This information is not available in the current actuarial report.*

Notes to Schedule:

Valuation date: The actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending September 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary increases	3.25% plus service based merit increases
Cost of Living Adjustments	0.00%
Retirement age	65 with five years of service
Mortality	RP 2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females
Other Information	The eligibility assumption has changed from one year to immediate. The inflation assumption decreased from 3.5% to 3.25%. The salary increase assumption previously ranged from 4.00% to 11.00%, but changed to 3.75% to 8.00%.

This schedule will present 10 years of information once the data is available.

SUPPLEMENTARY INFORMATION

City of Fort Valley, Georgia
General Fund
Comparative Balance Sheet
September 30, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	\$ 1,711,838	\$ 1,846,663
Receivables:		
Accounts	93,849	114,897
Property taxes	126,275	111,441
Intergovernmental	252,682	301,462
Interfund	347,664	420,321
Total Assets	\$ 2,532,308	\$ 2,794,784
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 185,166	\$ 219,982
Accrued expenditures	49,699	34,438
Intergovernmental payable	12,859	4,020
Total Liabilities	247,724	258,440
Fund Balances:		
Restricted for:		
Public safety technology	31,557	53,721
Assigned for:		
Contingencies	915,631	915,211
Unassigned	1,337,396	1,567,412
Total Fund Balances:	2,284,584	2,536,344
Total Liabilities and Fund Balances	\$ 2,532,308	\$ 2,794,784

City of Fort Valley, Georgia
General Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Taxes	\$ 4,545,027	\$ 4,641,315
Licenses and permits	107,557	108,240
Intergovernmental	326,639	430,687
Charges for services	57,784	71,102
Fines and forfeitures	146,951	146,137
Investment earnings	2,177	2,603
Contributions	25,925	21,200
Miscellaneous	<u>5,883</u>	<u>3,769</u>
Total Revenues	<u>5,217,943</u>	<u>5,425,053</u>
Expenditures:		
Current:		
General government	\$ 756,570	\$ 891,235
Judicial	65,011	65,568
Public safety	2,935,949	3,010,546
Public works	1,035,844	916,340
Culture and recreation	540,599	545,651
Housing and development	<u>140,265</u>	<u>130,749</u>
Debt service:		
Principal retirement	20,671	20,053
Interest and fiscal charges	<u>5,450</u>	<u>6,068</u>
Total Expenditures	<u>5,500,359</u>	<u>5,586,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(282,416)</u>	<u>(161,157)</u>
Other Financing Sources (Uses):		
Sale of capital assets	23,340	29,766
Transfers in	<u>7,316</u>	<u>17,779</u>
Total Other Financing Sources	<u>30,656</u>	<u>47,545</u>
Net Change in Fund Balances	(251,760)	(113,612)
Fund Balances, Beginning of Year	<u>2,536,344</u>	<u>2,649,956</u>
Fund Balances, End of Year	<u>\$ 2,284,584</u>	<u>\$ 2,536,344</u>

City of Fort Valley, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended September 30, 2016
(With Comparative Actual Amounts for the Year Ended September 30, 2015)

	2016			2015	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Real and Personal Property Taxes:					
General property tax	\$ 1,517,566	\$ 1,517,566	\$ 1,491,149	\$ (26,417)	\$ 1,484,270
Vehicle property tax	210,000	210,000	154,707	(55,293)	195,085
Mobile home property tax	5,800	5,800	5,864	64	4,914
Recording intangible tax	8,000	8,000	3,109	(4,891)	9,812
Real estate transfer tax	1,200	1,200	653	(547)	1,196
Railroad equipment tax	3,200	3,200	3,618	418	3,571
Energy excise tax	18,000	18,000	20,054	2,054	18,704
Prior year taxes - other than property	10,000	10,000	3,201	(6,799)	6,222
Penalties and interest on delinquent taxes	40,400	40,400	15,299	(25,101)	50,395
Total Real and Personal Property Taxes	<u>1,814,166</u>	<u>1,814,166</u>	<u>1,697,654</u>	<u>(116,512)</u>	<u>1,774,169</u>
Selective Taxes:					
Sales tax	1,076,000	1,076,000	1,018,758	(57,242)	1,048,652
Beer tax	125,000	125,000	116,622	(8,378)	128,864
Wine tax	5,100	5,100	6,771	1,671	5,084
Liquor tax	22,100	22,100	19,377	(2,723)	19,671
Hotel/motel tax	15,000	15,000	-	(15,000)	-
Insurance premium tax	565,545	565,545	565,545	-	529,370
Utility Commission franchise fees	1,000,000	1,000,000	1,058,375	58,375	1,058,376
Cable T.V. franchise fees	40,000	40,000	36,401	(3,599)	39,229
Telephone franchise fees	34,300	34,300	25,524	(8,776)	37,900
Total Selective Taxes	<u>2,883,045</u>	<u>2,883,045</u>	<u>2,847,373</u>	<u>(35,672)</u>	<u>2,867,146</u>
Licenses and Permits:					
Alcoholic beverage licenses	35,000	35,000	32,939	(2,061)	32,403
Occupation taxes	78,000	78,000	74,618	(3,382)	75,807
Dog registration	20	20	-	(20)	30
Total Licenses and Permits	<u>113,020</u>	<u>113,020</u>	<u>107,557</u>	<u>(5,463)</u>	<u>108,240</u>
Fines and Forfeitures:					
Court fines	217,900	217,900	146,951	(70,949)	146,137
Total Fines and Forfeitures	<u>217,900</u>	<u>217,900</u>	<u>146,951</u>	<u>(70,949)</u>	<u>146,137</u>
Charges for Services:					
Bond fees	2,100	2,100	2,039	(61)	2,287
Qualifying Fees	-	-	-	-	1,620
Police background checks	8,700	8,700	7,518	(1,182)	9,822
Police accident reports	2,400	2,400	3,381	981	3,048
Sale of cemetery lots	36,000	36,000	36,000	-	21,000
Rental income	7,200	7,200	8,846	1,646	33,325
Total Charges for Services	<u>56,400</u>	<u>56,400</u>	<u>57,784</u>	<u>1,384</u>	<u>71,102</u>
Intergovernmental:					
Department of Transportation grants	75,299	75,299	75,299	-	76,434
Department of Natural Resources grant	-	-	-	-	43,428
Utility Commission	212,000	212,000	212,000	-	300,000
Housing authority	36,061	36,061	39,340	3,279	10,825
Total Intergovernmental	<u>323,360</u>	<u>323,360</u>	<u>326,639</u>	<u>3,279</u>	<u>430,687</u>
Miscellaneous:					
Investment earnings	2,400	2,400	2,177	(223)	2,603
Contributions	25,000	25,000	25,925	925	21,200
Miscellaneous	16,100	16,100	5,883	(10,217)	3,769
Total Miscellaneous	<u>43,500</u>	<u>43,500</u>	<u>33,985</u>	<u>(9,515)</u>	<u>27,572</u>
Total Revenues	<u>\$ 5,451,391</u>	<u>\$ 5,451,391</u>	<u>\$ 5,217,943</u>	<u>\$ (233,448)</u>	<u>\$ 5,425,053</u>

City of Fort Valley, Georgia
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended September 30, 2016
(With Comparative Actual Amounts for the Year Ended September 30, 2015)

	2016			2015	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Expenditures:					
General Government:					
Mayor and council	\$ 224,853	\$ 224,853	\$ 217,791	\$ (7,062)	\$ 274,993
Administration	582,419	582,419	492,352	(90,067)	550,953
Public buildings	45,200	46,427	46,427	-	65,289
Total General Government	<u>852,472</u>	<u>853,699</u>	<u>756,570</u>	<u>(97,129)</u>	<u>891,235</u>
Judicial:					
Municipal court	63,017	65,011	65,011	-	65,568
Total Judicial	<u>63,017</u>	<u>65,011</u>	<u>65,011</u>	<u>-</u>	<u>65,568</u>
Public Safety:					
Police	2,072,709	2,072,709	1,938,258	(134,451)	1,980,711
Fire	963,772	997,691	997,691	-	1,029,835
Total Public Safety	<u>3,036,481</u>	<u>3,070,400</u>	<u>2,935,949</u>	<u>(134,451)</u>	<u>3,010,546</u>
Public Works:					
Streets	694,814	694,814	664,244	(30,570)	632,672
Cemeteries	376,552	376,552	371,600	(4,952)	283,668
Total Public Works	<u>1,071,366</u>	<u>1,071,366</u>	<u>1,035,844</u>	<u>(35,522)</u>	<u>916,340</u>
Culture and Recreation:					
Parks	472,700	497,942	497,942	-	445,870
Senior citizen's center	9,000	15,648	15,648	-	29,758
Spruce street pool	27,693	27,693	27,009	(684)	70,023
Total Culture and Recreation	<u>509,393</u>	<u>541,283</u>	<u>540,599</u>	<u>(684)</u>	<u>545,651</u>
Housing and Development:					
Economic development	142,940	142,940	140,265	(2,675)	130,749
Total Housing and Development	<u>142,940</u>	<u>142,940</u>	<u>140,265</u>	<u>(2,675)</u>	<u>130,749</u>
Health Insurance	<u>846,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:					
Principal retirement	20,671	20,671	20,671	-	20,053
Interest and fiscal charges	5,450	5,450	5,450	-	6,068
Total Debt Service	<u>26,121</u>	<u>26,121</u>	<u>26,121</u>	<u>-</u>	<u>26,121</u>
Total Expenditures	<u>\$ 6,548,772</u>	<u>\$ 5,770,820</u>	<u>\$ 5,500,359</u>	<u>\$ (270,461)</u>	<u>\$ 5,586,210</u>

City of Fort Valley, Georgia
Combining Balance Sheet
Non-major Funds
September 30, 2016

	<u>Special Revenue Funds</u>		<u>Total Non-major Funds</u>
	<u>Hotel/Motel Tax</u>	<u>CHIP Grant 2014-911</u>	
Assets			
Cash and cash equivalents	\$ 8,059	\$ 127	\$ 8,186
Receivables:			
Intergovernmental	-	-	-
Hotel/motel taxes	<u>6,888</u>	<u>-</u>	<u>6,888</u>
Total Assets	<u>\$ 14,947</u>	<u>\$ 127</u>	<u>\$ 15,074</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 7,191	\$ -	\$ 7,191
Interfund payable	<u>-</u>	<u>200</u>	<u>200</u>
Total Liabilities	7,191	200	7,391
Fund Balances			
Restricted	-	-	-
Assigned	7,756	-	7,756
Unassigned	<u>-</u>	<u>(73)</u>	<u>(73)</u>
Total Fund Balance	<u>7,756</u>	<u>(73)</u>	<u>7,683</u>
Total Liabilities and Fund Balances	<u>\$ 14,947</u>	<u>\$ 127</u>	<u>\$ 15,074</u>

City of Fort Valley, Georgia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Funds
For the Year Ended September 30, 2016

	<u>Special Revenue Funds</u>		Total Non-Major Funds
	<u>Hotel/Motel Tax</u>	<u>CHIP Grant 2014-911</u>	
Revenues			
Hotel/motel taxes	\$ 27,041	\$ -	\$ 27,041
Intergovernmental	-	68,985	68,985
Interest	-	-	-
Total Revenues	<u>27,041</u>	<u>68,985</u>	<u>96,026</u>
Expenditures			
Current:			
Public works	-	-	-
Housing and development	10,816	69,058	79,874
Total Expenditures	<u>10,816</u>	<u>69,058</u>	<u>79,874</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,225	(73)	16,152
Other Financing Sources/(Uses)			
Transfers in	-	-	-
Transfers out	(7,316)	-	(7,316)
Total Other Financing (Uses)	<u>(7,316)</u>	<u>-</u>	<u>(7,316)</u>
Net Change in Fund Balances	8,909	(73)	8,836
Fund Balances, Beginning of Year	<u>(1,153)</u>	<u>-</u>	<u>(1,153)</u>
Fund Balances, End of Year	<u>\$ 7,756</u>	<u>\$ (73)</u>	<u>\$ 7,683</u>

City of Fort Valley, Georgia
Hotel/Motel Tax Fund
Comparative Balance Sheet
September 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 8,059	\$ 2,704
Hotel/motel taxes receivable	6,888	1,632
Total Assets	\$ 14,947	\$ 4,336
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 7,191	\$ 5,489
Total Liabilities	7,191	5,489
Fund Balances		
Assigned	7,756	-
Unassigned	-	(1,153)
Total Liabilities and Fund Balances	\$ 14,947	\$ 5,489

City of Fort Valley, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016
(With Comparative Actual Amounts for the Year Ended September 30, 2015)

	2016			2015	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Revenues					
Hotel/motel taxes	\$ 25,000	\$ 25,000	\$ 27,041	\$ 2,041	\$ 24,549
Expenditures					
Current:					
Housing and development	10,000	10,816	10,816	-	11,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,000	14,184	16,225	2,041	13,424
Other Financing (Uses)					
Transfers out	(15,000)	(15,000)	(7,316)	7,684	(17,779)
Net Change in Fund Balances	\$ -	\$ (816)	8,909	\$ 9,725	(4,355)
Fund Balances, Beginning of Year			(1,153)		3,202
Fund Balances, End of Year			\$ 7,756		\$ (1,153)

City of Fort Valley, Georgia
2015 C.H.I.P. Grant fund
Comparative Balance Sheet
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 127	\$ -
Due from administrator	-	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 127</u>	<u>\$ -</u>
Liabilities:		
Accounts payable	\$ -	\$ -
Interfund payable	200	-
	<u> </u>	<u> </u>
Total Liabilities	200	-
Fund Balances:		
Unassigned	<u>(73)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 127</u>	<u>\$ -</u>

City of Fort Valley, Georgia
2015 C.H.I.P Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2016
(With Comparative Actual Amounts for the Year Ended September 30, 2015)

	2016			2015	
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
Revenues:					
Intergovernmental	\$ -	\$ -	\$ 68,985	\$ 68,985	\$ -
Expenditures:					
Current:					
Housing and development	-	-	69,058	(69,058)	-
(Deficiency) of Revenues (Under) Expenditures	-	-	(73)	(73)	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(73)	<u>\$ (73)</u>	-
Fund Balances, Beginning of Year			-		-
Fund Balances, End of Year			<u>\$ (73)</u>		<u>\$ -</u>

City of Fort Valley, Georgia
2015 C.H.I.P. Grant Fund
Project Schedule
From Inception Through September 30, 2016

Program Activity	Project Budget	Expenditures			Variance with Project Budget
		In Prior Years	Current Year	Total	
Rehabilitation of private properties	\$ 300,000	\$ -	\$ 63,058	\$ 63,058	\$ 236,942
Administration	6,000	-	6,000	6,000	-
Total	\$ 306,000	\$ -	\$ 69,058	\$ 69,058	\$ 236,942

City of Fort Valley, Georgia
2015 SPLOST Fund
Comparative Balance Sheet
September 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 447,858	\$ 112,989
Intergovernmental receivable	99,418	102,309
Total Assets	\$ 547,276	\$ 215,298
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 24,613	\$ -
Interfund payable	-	-
Total Liabilities	24,613	-
 Fund Balances		
Restricted	522,663	215,298
Total Liabilities and Fund Balances	\$ 547,276	\$ 215,298

City of Fort Valley, Georgia
2015 SPLOST Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended September 30, 2016 and 2015

	2016	2015
Revenues		
Intergovernmental	\$ 588,000	\$ 303,085
Interest	690	148
Total Revenues	588,690	303,233
Expenditures		
Capital outlay	281,325	87,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	307,365	215,298
Other Financing Sources (Uses)		
Transfers in	-	-
Net Change in Fund Balances	307,365	215,298
Fund Balances, Beginning of Year	215,298	-
Fund Balances, End of Year	\$ 522,663	\$ 215,298

City of Fort Valley, Georgia
2008 SPLOST Fund
Comparative Balance Sheet
September 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 2,149,075	\$ 2,344,368
Intergovernmental receivable	-	-
Total Assets	\$ 2,149,075	\$ 2,344,368
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 63,175	\$ -
Interfund payable	9,489	3,760
Total Liabilities	72,664	3,760
Fund Balances		
Restricted	2,076,411	2,340,608
Total Liabilities and Fund Balances	\$ 2,149,075	\$ 2,344,368

City of Fort Valley, Georgia
2008 SPLOST Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Years Ended September 30, 2016 and 2015

	2016	2015
Revenues		
Intergovernmental	\$ -	\$ 2,429,422
Interest	2,066	1,022
Total Revenues	2,066	2,430,444
Expenditures		
Intergovernmental	266,263	141,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(264,197)	2,289,280
Other Financing Sources/(Uses)		
Transfers out	-	(25,530)
Net Change in Fund Balances	(264,197)	2,263,750
Fund Balances, Beginning of Year	2,340,608	76,858
Fund Balances, End of Year	\$ 2,076,411	\$ 2,340,608

SPECIAL REPORTS SECTION

BUTLER, WILLIAMS & WYCHE, LLP
CERTIFIED PUBLIC ACCOUNTANTS
915 HILL PARK
MACON, GEORGIA 31201

May 22, 2017

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 Honorable Mayor and Members
of the City Council
City of Fort Valley, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Valley, Georgia, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Fort Valley, Georgia's basic financial statements and have issued our report thereon dated May 22, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses: items 2016-002, 2016-003, 2016-005, 2016-007 and 2016-008.

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. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies: items 2016-001, 2016-004, 2016-006 and 2016-010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Valley, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2016-009.

City of Fort Valley, Georgia's Response to Findings

The City of Fort Valley, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings. City of Fort Valley, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Butler, Williams & Hyche, LLP

Macon, Georgia

City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2016

- 2016-001** *Criteria* – Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel in order to prevent and/or detect unauthorized use of assets.
- Condition* – Certain employees who authorize transactions also record transactions in the accounting records.
- Cause of Condition* – The lack of segregation of duties is due to the limited number of employees that are trained to work on financial records.
- Effect of Condition* – Failure to properly segregate between authorization, recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected.
- Recommendation* – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has authority to approve transactions, access to both physical assets and the related accounting records, or to all phases of the transaction.
- Response/Corrective Action Plan* – We concur. The City has segregated the responsibility of finances as much as possible with the limited staff. We will continue to review the duties performed by the staff available and work to further segregate as much as possible.
- 2016-002** *Criteria* – Accrued receivables/revenues, and liabilities/expenditures/expenses should be reversed in the subsequent year once they have been received or paid, respectively.
- Condition* – Many of the City’s financial accounts did not reflect the effect of prior year adjusting entries.
- Cause of Condition* – Necessary reversing entries for prior year accruals were not recorded.
- Effect of Condition* – Multiple accounts were misstated by material amounts. Audit adjustments were required to correct these misstatements.
- Recommendation* – We recommend that the City improve its controls over financial recording to ensure that adjusting entries accepted by management are reversed, when applicable, in the City’s books.
- Response/Corrective Action Plan* – We concur. There was a change in personnel and certain procedures were overlooked. We will put in place procedures so adjusting entries are reversed timely and correctly.
- 2016-003** *Criteria* – Generally accepted accounting principles require that revenues be recorded in the period in which they are both measureable and available to finance current period expenditures. Also, procedures should be in place to ensure all payables and expenditures/expenses are properly recorded, in a timely manner, regardless of the timing of the related cash flows.
- Condition* – The City’s internal controls were not adequate to determine the entries needed to properly reflect the City’s end of year account balances in receivables/revenues and liabilities/expenditures/expenses.
- Cause of Condition* – During our audit of receivables/revenues and liabilities/expenditures/expenses we noted several audit adjustments that were needed to properly reflect end of year account balances.
- Effect of Condition* – Multiple accounts were misstated by material amounts. Audit adjustments were required to correct these misstatements.
- Recommendation* – We recommend that the City review its receivable/revenue accounts to determine that all necessary receivables/revenues have been properly accrued and review liabilities and expenditures/expenses to ensure that expenditures/expenses are recorded in the proper reporting period.
- Response/Corrective Action Plan* – We concur. We will put measures in place to ensure that receivables/revenues and expenditures/expenses are recorded in the proper reporting period. We also plan to segregate duties within our staff to make sure this task is completed monthly.

City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2016

- 2016-004** *Criteria* – Generally, expenditures should be recorded for obligations incurred during the reporting period.
- Condition* – Payroll liabilities and expenditures were understated.
- Cause of Condition* – The City’s internal controls were not adequate to determine the entries needed to reflect payroll expenditures.
- Effect of condition* - Audit adjustments were required to record payroll expenditures with corresponding adjustments to the payroll liability accounts.
- Recommendation* – We recommend the City review its payroll liability/expenditure accounts at year end to ensure that the accounts include all payroll incurred during the reporting period.
- Response/Corrective Action Plan* - We concur. Procedures have been put in place to ensure that fiscal year ending payroll is properly recorded.
-
- 2016-005** *Criteria* – In proprietary funds, payments of debt principal should be recorded as a reduction in the debt liability, not as a debt service expense.
- Condition* – The City recorded its capital lease payment for equipment in the Sanitation fund as a debt service expenditure.
- Cause of Condition* – The City’s internal controls were not sufficient to identify the debt payment belonging to the Sanitation fund as a reduction of principal.
- Effect of Condition* – Audit adjustments were needed to decrease Sanitation fund capital lease liability by \$28,547.
- Recommendation* – We recommend the City review debt expenditures to ensure they are properly recorded.
- Response/Corrective Action Plan* – We concur. We will put procedures in place to ensure that Sanitation debt payments are properly recorded.
-
- 2016-006** *Criteria* – The City of Fort Valley utilizes a capitalization threshold of \$5,000 for expenditures related to capital asset purchases. At the governmental fund level, expenditures meeting the capital asset threshold are recorded as capital outlay.
- Condition* – In the General Fund, internal controls did not detect expenditures for equipment that should have been recorded as capital outlay.
- Cause of Condition* – During our audit of capital outlay expenditures in the General Fund, we noted expenditures that were not recorded as capital outlay.
- Effect of Condition* – Capital outlay expenditures in the General Fund were understated by \$9,394. Audit adjustments were required to correct these misstatements.
- Recommendation* – We recommend the City review all capital outlay and expenditure accounts throughout the year to ensure expenditures are being coded and recorded to the correct expenditure accounts.
- Response/Corrective Action Plan* – We concur. We will put procedures in place to ensure that capital outlay accounts are properly recorded.

*City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2016*

- 2016-007** *Criteria:* Capital outlay expenditures should only be recorded by an entity when the capital asset is owned by the entity.
- Condition:* The City recorded expenditures for home renovations as capital outlay. These home renovations were for the homes of citizens and did not improve any property held by the City.
- Cause of Condition:* The City failed to distinguish between expenditures related to its own capital assets and expenditures related to capital assets owned by others.
- Effect of Condition:* Capital outlay, and therefore capital assets, was overstated by \$62,985. Audit adjustments were required to correct this misstatement.
- Recommendation:* We recommend that the City review its capital outlay expenditures to determine that it has possession over the items created or improved.
- Response/Corrective Action Plan:* We concur. We will review capital outlay purchases and determine proper ownership and record them properly in the future.
-
- 2016-008** *Criteria* –Internal controls should be designed to ensure all bank accounts are reconciled on a monthly basis.
- Condition* – Bank accounts were not reconciled for the fiscal year ending September 30, 2016. Additionally, numerous bank accounts had unresolved immaterial differences due to improper postings.
- Cause of Condition* – The employee responsible for reconciling the bank statements was terminated during fiscal year 2016.
- Effect of Condition* – Failure to reconcile bank statements monthly and timely could result in misstatements without the City’s knowledge, and losses could occur due to not detecting bank statement errors within the allotted time period established by the bank.
- Recommendation* – We recommend for all bank accounts to be reconciled and reviewed on a monthly basis and additional training be provided to reduce posting errors.
- Response/Corrective Action Plan* –We concur. We will strive toward timely and accurate reconciliations of all bank accounts. We also plan to segregate duties within our staff to make sure this task is completed monthly.
-
- 2016-009** *Criteria* –OCGA 36-81-3(b) requires an annual balanced budget for the general fund, each special revenue fund, and each debt service fund and requires a project-length balanced budget for each capital projects fund.
- Condition* – An annual balanced budget was not adopted for the 2015 C.H.I.P. Grant fund.
- Cause of Condition* – The 2015 C.H.I.P. budget was omitted during the City’s budget approval process.
- Effect of Condition* – Failure to adopt annual balance budgets result in non-compliance with state statute.
- Recommendation* – We recommend the City adopt an annual balanced budget for all special revenue funds per state statute.
- Response/Corrective Action Plan* –We concur. We will include all special revenue funds in our budget procedures in the future.

City of Fort Valley, Georgia
Schedule of Findings
For the Year Ended September 30, 2016

Fort Valley Main Street/Downtown Development Authority

2016-010 *Criteria* – Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel in order to prevent and/or detect unauthorized use of assets.

Condition – Fort Valley Main Street/Downtown Development Authority had only one full-time employee and one part-time employee.

Cause of Condition – The Executive Director position was filled; however, the Authority is operating with only the Executive Director and one part-time employee.

Effect of Condition – Failure to properly segregate between authorization, recording, receipt/distribution, and reconciliation of accounts can result in intentional or unintentional errors that could occur without being promptly detected.

Recommendation – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.

Response/Corrective Action Plan – We concur. Due to our limited number of personnel, we have determined that it is not cost effective to fully segregate duties. As such, management has implemented compensating controls, to the extent practical, to include the Executive Director’s supervision and review of employees’ duties.

*City of Fort Valley, Georgia
Schedule of Prior Year Findings
For the Year Ended September 30, 2016*

- 2015-1** *Condition* – Certain employees who authorize transactions also record transactions in the accounting records.
Recommendation – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has authority to approve transactions, access to both physical assets and the related accounting records, or to all phases of the transaction.
Status – Unresolved. See 2016-001.
- 2015-2** *Condition* – In the General Fund, qualifying expenditures were made, but the City failed to record the proper entries for grant revenues.
Recommendation – We recommend the City review its grant revenue reporting to ensure that revenues are recorded when qualifying expenditures have been made.
Status – The above finding was corrected during the year ended September 30, 2016 and is not included as a finding in the current year.
- 2015-3** *Condition* – Many of the City’s financial accounts did not reflect the effect of prior year adjusting entries.
Recommendation – We recommend that the City improve its controls over financial recording to ensure that adjusting entries accepted by management are reversed, when applicable, in the City’s books.
Status – Unresolved. See 2016-002.
- 2015-4** *Condition* – The City’s internal controls were not adequate to determine the entries needed to properly reflect the City’s end of year account balances in receivables/revenues and liabilities/expenditures/expenses.
Recommendation – We recommend that the City review its receivable/revenue accounts to determine that all necessary receivables/revenues have been properly accrued and review liabilities and expenditures/expenses to ensure that expenditures/expenses are recorded in the proper reporting period.
Status – Unresolved. See 2016-003.
- 2015-5** *Condition* – Payroll liabilities and expenditures were understated.
Recommendation – We recommend the City review its payroll liability/expenditure accounts at year end to ensure that the accounts include all payroll incurred during the reporting period.
Status – Unresolved. See 2016-004.

Fort Valley Main Street/Downtown Development Authority

- 2015-6** *Condition* – Fort Valley Main Street/Downtown Development Authority had only one full-time employee and one part-time employee.
Recommendation – To the extent possible, given the availability of personnel, steps should be taken to separate employee duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of the transaction.
Status – Unresolved. See 2016-009.

City of Fort Valley, Georgia
Schedule of Projects Undertaken
With Special Purpose Sales Tax Proceeds
For the Year Ended September 30, 2016

	Original Estimated Cost	Current Estimated Cost	Expenditures		
			In Prior Years	Current Year	Total
2008 Referendum					
Water and Sewer Projects					
Stormwater Drainage	\$ 2,500,000	\$ 2,500,000	\$ 55,592	\$ 190,047	\$ 245,639
Public Safety Equipment	500,000	500,000	390,518	76,216	466,734
Road, Street and Bridge Purposes (a)	-	250,000	234,083	-	234,083
	<u>\$ 3,000,000</u>	<u>\$ 3,250,000</u>	<u>\$ 680,193</u>	<u>\$ 266,263</u>	<u>\$ 946,456</u>
2008 Referendum - Main Street DDA					
Cultural, Historical and Recreational Facilities	\$ 75,000	\$ 75,000	\$ 74,841	\$ -	\$ 74,841

(a) This line item represents the amount of 2008 SPLOST money given to the City by the County to pay for "Road, Street & Bridge Purposes" from the County's line item "Road, Street & Bridge" per the Intergovernmental Agreement for the DOT grant.

	Original Estimated Cost	Current Estimated Cost	Expenditures		
			In Prior Years	Current Year	Total
2015 Referendum					
Roads, Streets, Bridges, and Drainage (including Stormwater)	\$ 1,453,000	\$ 1,453,000	\$ 87,935	\$ 2,330	\$ 90,265
Government Buildings and Solid Waste Facilities and Equipment	1,151,000	1,151,000	-	22,798	22,798
Cultural, Historical, and Recreational Projects	651,000	651,000	-	256,197	256,197
Public Safety Facilities and Equipment	651,000	651,000	-	-	-
	<u>\$ 3,906,000</u>	<u>\$ 3,906,000</u>	<u>\$ 87,935</u>	<u>\$ 281,325</u>	<u>\$ 369,260</u>