

**CITY OF FORT OGLETHORPE,  
GEORGIA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**Year Ended December 31, 2017**

**JOHNSON, HICKEY & MURCHISON, P.C.**  
Certified Public Accountants  
Chattanooga, Tennessee

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## FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

**To the Mayor and City Council  
City of Fort Oglethorpe, 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 Oglethorpe, Georgia, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 in the first paragraph 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 for the City of Fort Oglethorpe, Georgia, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii – xv, the general fund schedule of revenues, expenditures and changes in fund balances – budget and actual on pages 38-41 and the schedules related to pension information on pages 42-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Oglethorpe, Georgia's basic financial statements. The combining nonmajor fund financial statements, financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Changes in Property Taxes Receivable, Schedule of Water and Sewer Rates, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018, on our consideration of the City of Fort Oglethorpe, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fort Oglethorpe, Georgia's internal control over financial reporting and compliance.

*Johnson, Nicky & Menckem, P.C.*

May 4, 2018  
Chattanooga, Tennessee

**City of Fort Oglethorpe, Georgia**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2017**

Management's discussion and analysis provides an objective and easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City of Fort Oglethorpe and should be read in conjunction with the City's financial statements.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's basic financial statements consist of three components. The Statement of Net Position and the Statement of Activities (government-wide financial statements), on page 1 and 2, provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 3. For governmental activities, these statements tell how activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The financial statements also include notes which explain some of the information in the Government-wide and Fund financial statements, and which provide additional detail concerning the financial activities of the City. The information contained in these notes is essential to a full understanding of the Government-wide and Fund financial statements. The notes to the basic financial statements begin on page 14 of this report.

## **REPORTING THE CITY AS A WHOLE**

### **The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page ix. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.



In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here, including public safety, public works, recreation and general administration. Property taxes, license & permits, local option sales tax, business taxes and franchise fees finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City’s water and sewer activities are reported here.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) / Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Charges for bad checks, charges for copies
Public safety	Fines and forfeitures
Housing and development	Building, plumbing and electrical permits
Culture and recreation	Pool admissions and pavilion fees
Grants and Contributions	Predominantly grants from other governments for specific projects, also including proceeds from Special Local Option Sales Taxes, which are restricted for specific capital related activities

Other governmental revenues are reported as general. It is important to note that all taxes, with the exception of the Special Local Option Sales Taxes referred to above, are classified as general revenue even if restricted for a specific purpose.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the City's major funds begins on page xii. The fund financial statements begin on page 3 and provide detailed information about the most significant funds – not the City as a whole. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the fund financial statements.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the governmental-wide statements but provide more detail and additional information, such as cash flows.

## FINANCIAL HIGHLIGHTS

For the years ended December 31, 2017 and 2016, a summary of net position of the primary government is as follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	12,865,894	\$ 12,089,280	\$ 10,223,127	\$ 9,257,893	\$ 23,089,021	\$ 21,347,173
Capital Assets	10,252,796	9,913,398	21,857,316	21,169,730	32,110,112	31,083,128
Total Assets	<u>23,118,690</u>	<u>22,002,678</u>	<u>32,080,443</u>	<u>30,427,623</u>	<u>55,199,133</u>	<u>52,430,301</u>
Bond issue costs	-	-	559,083	586,026	559,083	586,026
Pension related items	544,931	743,271	157,934	189,081	702,865	932,352
Deferred loss on debt refunding	-	-	815,747	855,060	815,747	855,060
Total deferred outflows of resources	<u>544,931</u>	<u>743,271</u>	<u>1,532,764</u>	<u>1,630,167</u>	<u>2,077,695</u>	<u>2,373,438</u>
Current liabilities	505,212	454,296	1,715,693	1,027,549	2,220,905	1,481,845
Long-term liabilities	1,516,429	1,973,990	13,388,929	13,928,701	14,905,358	15,902,691
Total liabilities	<u>2,021,641</u>	<u>2,428,286</u>	<u>15,104,622</u>	<u>14,956,250</u>	<u>17,126,263</u>	<u>17,384,536</u>
Deferred inflows of resources:						
Pension related items	<u>251,775</u>	<u>93,322</u>	<u>72,970</u>	<u>23,739</u>	<u>324,745</u>	<u>117,061</u>
Net position:						
Net investment in						
capital assets	10,196,523	9,710,035	8,417,883	7,243,878	18,614,406	16,953,913
Restricted	141,703	145,671	222,638	222,297	364,341	367,968
Unrestricted	11,051,979	10,368,635	9,795,094	9,611,626	20,847,073	19,980,261
Total net position	<u>21,390,205</u>	<u>\$ 20,224,341</u>	<u>\$ 18,435,615</u>	<u>\$ 17,077,801</u>	<u>\$ 39,825,820</u>	<u>\$ 37,302,142</u>

The following table provides a summary of the primary government's operations and changes in net position for the year ended December 31, 2017 with comparative totals for the year ended December 31, 2016.

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 999,747	\$ 1,075,604	\$ 5,154,469	\$ 5,102,767	\$ 6,154,216	\$ 6,178,371
Operating Grants	86,293	65,708	-	-	86,293	65,708
Capital Grants	2,031,381	1,059,890	-	-	2,031,381	1,059,890
General revenues						
Taxes	6,644,510	6,501,567	-	-	6,644,510	6,501,567
Investment earnings	76,092	52,030	37,921	23,260	114,013	75,290
Other	218,993	233,462	78,722	69,769	297,715	303,231
Total revenues	<u>10,057,016</u>	<u>8,988,261</u>	<u>5,271,112</u>	<u>5,195,796</u>	<u>15,328,128</u>	<u>14,184,057</u>
<b>Expenses</b>						
Judicial	373,032	411,182	-	-	373,032	411,182
General government	1,263,660	1,559,937	-	-	1,263,660	1,559,937
Public safety	3,954,983	3,464,231	-	-	3,954,983	3,464,231
Public works	1,661,207	1,544,256	-	-	1,661,207	1,544,256
Housing and development	186,589	137,611	-	-	186,589	137,611
Public welfare	37,428	34,028	-	-	37,428	34,028
General operating expenses	-	-	4,511,293	4,128,465	4,511,293	4,128,465
Culture and recreation	405,247	420,982	-	-	405,247	420,982
Interest	7,753	12,624	403,258	411,367	411,011	423,991
Total expenses	<u>7,889,899</u>	<u>7,584,851</u>	<u>4,914,551</u>	<u>4,539,832</u>	<u>12,804,450</u>	<u>12,124,683</u>
Excess (deficiency) of revenues over expenses	2,167,117	1,403,410	356,561	655,964	2,523,678	2,059,374
Transfers	<u>(1,001,253)</u>	<u>(759,952)</u>	<u>1,001,253</u>	<u>759,952</u>	<u>-</u>	<u>-</u>
Change in net position	1,165,864	643,458	1,357,814	1,415,916	2,523,678	2,059,374
Net position Jan. 1	20,224,341	19,580,883	17,077,801	15,661,885	37,302,142	35,242,768
Prior period adjustment	-	-	-	-	-	-
Net position Jan.1 restated	<u>20,224,341</u>	<u>19,580,883</u>	<u>17,077,801</u>	<u>15,661,885</u>	<u>37,302,142</u>	<u>35,242,768</u>
Net position Dec. 31	<u>\$ 21,390,205</u>	<u>\$ 20,224,341</u>	<u>\$ 18,435,615</u>	<u>\$ 17,077,801</u>	<u>\$ 39,825,820</u>	<u>\$ 37,302,142</u>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fort Oglethorpe, assets and deferred outflow of resources exceeded liabilities by \$ 39.8 million as of December 31, 2017.

Approximately 46.7% of the City's net position reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that are still outstanding. The city uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

### **Governmental Activities**

Governmental activities increased the City's net position by \$1,165,864. An increase in taxes, capital grants and investment earnings increased revenue. Expenses decreased in judicial and general government.

### **Business-type Activities**

Business-type activities increased the City's net position by \$1,357,814. SPLOST proceeds and capital grants totaling \$1,001,253 were used to purchase equipment for the water and sewer fund, as well as to pay a portion of the principal and interest payments on the 2014 revenue bonds whose proceeds are being used for improving and constructing new infrastructure. Operating revenues increased \$51,702.

## **FUND FINANCIAL INFORMATION**

The city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. As of December 31, 2017, unassigned fund balance was \$11.8 million. The revenue budget was amended by approximately \$220,670 to reflect insurance money received for damages, an increase in insurance premium tax, an increase in hotel/motel tax transferred in and a transfer from fund balance. The expense budget was also amended to cover the following costs: \$54,400 for the hiring of a new building inspector, \$100,000 for paving, \$46,166 for a new fire engine and \$20,104 to cover additional costs of maintenance and repairs of city facilities. Actual revenues and other sources were less than the amount budgeted by approximately \$90,749 and actual expenditures and other uses were approximately \$1,029,670 less than the amount budgeted, yielding a positive variance of approximately \$938,921.

### **Other Governmental Funds**

The SPLOST capital projects fund assets were \$177,953, liabilities \$56,882 and restricted fund balance was \$121,071 for the year ended December 31, 2017.

## **Special Revenue Funds**

The City uses special revenue funds to account for the collection and disbursement of revenues that are legally restricted to expenditures for specific purposes. Included in this classification are hotel/motel tax, confiscated assets, and law enforcement funds. Combined total assets of the above funds were \$20,632 as of December 31, 2017 liabilities \$0 and committed fund balances were \$20,632.

## **Proprietary Funds**

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements.

The City has one business-type activity, the water and sewer fund. Unrestricted net positions of the water and sewer operations at the end of the year were \$9,795,094.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level. The most significant budget is that of the General Fund.

When comparing the final budget and the actual amounts, revenues for the general fund were \$90,749 less than projections, primarily due to fines and forfeitures, franchise taxes and sales and use tax being less than what was budgeted. Expenditures were \$1,029,670 less than the anticipated budget mainly due to vacant positions in police, fire, public works, and recreation.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of December 31, 2017, the City had \$32.1 million invested in capital assets including equipment, buildings, and public improvements. This represents a net increase after depreciation of \$1,026,984 or 3.3 percent, compared to last year. This increase consisted of asset additions of approximately \$2,261,415 net depreciation of \$1,234,431.

Asset additions for governmental activities were approximately \$836,995, and consisted of \$134,477 for equipment and \$702,518 for the new gymnasium. There were no dispositions.

Asset additions of approximately \$1,424,420 for business activities were primarily for additions and improvements to sewer lines and a new truck. There were dispositions of \$41,008 which represented the sale of 2 trucks.

A summary of capital assets, net of depreciation, is as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,029,268	\$ 1,029,268	\$ 89,156	\$ 89,156	\$ 1,118,424	\$ 1,118,424
Building	3,588,770	3,748,636	448,695	462,238	4,037,465	4,210,874
Public Improvements	4,100,505	4,255,166	20,604,479	20,232,781	24,704,984	24,487,947
Equipment, vehicles, furniture and fixtures	684,120	763,225	85,706	86,095	769,826	849,320
Construction in progress	850,133	117,103	629,280	299,460	1,479,413	416,563
Total	<u>\$ 10,252,796</u>	<u>\$ 9,913,398</u>	<u>\$ 21,857,316</u>	<u>\$ 21,169,730</u>	<u>\$ 32,110,112</u>	<u>\$ 31,083,128</u>

Additional information on the City's capital assets can be found in Note 4 of this report.

## Long-Term Debt

At year-end the City had \$15,643,225 in outstanding long-term debt compared to \$16,718,347 last year. The majority of the long-term debt is from the 2014 Water and Sewer Revenue Refunding and Improvement Bond Issue. The proceeds from the bonds are being used for the addition, extension and improvement of the city's water and sewerage system. Bonds payable at the end of 2017 are \$13,410,000.

A summary of long-term debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital Lease Obligation	\$ 56,273	\$ 203,363	-	-	\$ 56,273	\$ 203,363
Compensated Absences	144,278	137,718	47,316	45,848	191,594	183,566
Net Pension Liability	1,516,429	1,917,717	439,496	487,849	1,955,925	2,405,566
Premium on Bond Refunding	-	-	29,433	30,852	29,433	30,852
Revenue Bonds	-	-	13,410,000	13,895,000	13,410,000	13,895,000
Total	<u>\$ 1,716,980</u>	<u>\$ 2,258,798</u>	<u>\$13,926,245</u>	<u>\$14,459,549</u>	<u>\$15,643,225</u>	<u>\$16,718,347</u>

The long-term debt for the governmental activities consists of one capital lease obligation for a fire truck payable yearly through July, 2018 and pension liability.

The primary note payable for the business-type activity consists of Series 2014 Water Sewer Revenue Bonds payable semi-annually in varying amounts through October, 2038.

Additional information on the City's long-term debt can be found in Note 5 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In adopting the budget for the ensuing fiscal year 2018, the City officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic services to the citizens while attempting to keep the property tax rate low.

The City budgeted a .7% decrease in general fund revenues and expenses for 2018. The revenue decrease is due to a decrease in the amount to be collected from court fines and a reclassifying of paving grant money to the SPLOST fund. The expense decrease is due to reclassifying paving expenditures to be paid from the SPLOST fund, and trail grant matching funds reclassified and paid for by SPLOST funds.

The city budgeted a 6.6% increase in revenues in the proprietary fund (water and sewer fund) and also a 6.6% increase in expenditures. These increases are due to the mandated requirements that have been imposed by the City of Chattanooga for sewer system updates and repairs.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This report was prepared by the Finance Department of the City of Fort Oglethorpe and is designed to present a general overview of the City's accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City of Fort Oglethorpe at 500 City Hall Drive, Fort Oglethorpe, Georgia. Phone # 706-866-2544.



**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,746,153	\$ 4,905,579	\$ 10,651,732	\$ 1,637
Certificates of deposit	5,068,709	2,023,144	7,091,853	-
Restricted cash and cash equivalents	-	2,761,208	2,761,208	-
Due from other governmental entities	1,198,828	-	1,198,828	-
Property taxes receivable	127,952	-	127,952	-
Other taxes receivable	271,559	-	271,559	-
Other receivables	241,252	468,096	709,348	-
Due from (to) other fund	(16,764)	16,764	-	-
Prepaid supplies	12,892	-	12,892	-
Prepaid insurance	215,313	34,718	250,031	-
Prepaid bond insurance	-	13,618	13,618	-
Land and other nondepreciable assets	1,879,401	718,436	2,597,837	-
Other capital assets, net of accumulated depreciation	8,373,395	21,138,880	29,512,275	-
Total assets	23,118,690	32,080,443	55,199,133	1,637
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Bond issue costs	-	559,083	559,083	-
Pension related items	544,931	157,934	702,865	-
Deferred loss on debt refunding	-	815,747	815,747	-
Total deferred outflows of resources	544,931	1,532,764	2,077,695	-
<b>LIABILITIES</b>				
Accounts payable	224,647	888,755	1,113,402	-
Payroll withholdings and accruals	80,014	12,514	92,528	-
Accrued interest payable	-	100,133	100,133	-
Customer deposits	-	176,975	176,975	-
Long-term liabilities				
Due within one year				
Bonds payable	-	490,000	490,000	-
Capital leases	56,273	-	56,273	-
Compensated absences	144,278	47,316	191,594	-
Due in more than one year				
Bonds payable	-	12,949,433	12,949,433	-
Net pension liability	1,516,429	439,496	1,955,925	-
Total liabilities	2,021,641	15,104,622	17,126,263	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	251,775	72,970	324,745	-
<b>NET POSITION</b>				
Net investment in capital assets	10,196,523	8,417,883	18,614,406	-
Restricted for				
SPLOST projects	121,071	-	121,071	-
Public safety	20,632	-	20,632	-
Debt service	-	222,638	222,638	-
Unrestricted	11,051,979	9,795,094	20,847,073	1,637
Total net position	\$ 21,390,205	\$ 18,435,615	\$ 39,825,820	\$ 1,637

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT</b>								
Governmental activities								
Judicial	\$ 373,032	\$ -	\$ -	\$ -	\$ (373,032)	\$ -	\$ (373,032)	\$ -
General government	1,263,660	137	-	1,414,660	151,137	-	151,137	-
Public safety	3,954,983	784,778	-	1,718	(3,168,487)	-	(3,168,487)	-
Public works	1,661,207	-	86,293	615,003	(959,911)	-	(959,911)	-
Housing and development	186,589	106,582	-	-	(80,007)	-	(80,007)	-
Public welfare	37,428	-	-	-	(37,428)	-	(37,428)	-
Culture and recreation	405,247	108,250	-	-	(296,997)	-	(296,997)	-
Interest	7,753	-	-	-	(7,753)	-	(7,753)	-
Total governmental activities	7,889,899	999,747	86,293	2,031,381	(4,772,478)	-	(4,772,478)	-
Business-type activities								
Water and sewer management	4,914,551	5,154,469	-	-	-	239,918	239,918	-
Total business-type activities	4,914,551	5,154,469	-	-	-	239,918	239,918	-
Total primary government	12,804,450	6,154,216	86,293	2,031,381	(4,772,478)	239,918	(4,532,560)	-
<b>COMPONENT UNITS</b>								
Recreation Commission	-	-	-	-	-	-	-	-
Downtown Development Authority	-	-	-	-	-	-	-	-
Total component units	\$ -	\$ -	\$ -	\$ -	-	-	-	-
<b>GENERAL REVENUES</b>								
Property taxes					1,652,986	-	1,652,986	-
Local option sales tax					1,984,518	-	1,984,518	-
Alcoholic beverage tax					404,481	-	404,481	-
Business and occupation tax					1,117,267	-	1,117,267	-
Franchise taxes and fees					1,022,816	-	1,022,816	-
Other taxes					462,442	-	462,442	-
Property rental					157,580	-	157,580	-
Interest					76,092	37,921	114,013	1
Other					61,413	78,722	140,135	-
Total general revenues					6,939,595	116,643	7,056,238	1
<b>TRANSFERS</b>					(1,001,253)	1,001,253	-	-
Change in net position					1,165,864	1,357,814	2,523,678	1
<b>NET POSITION</b>								
Beginning					20,224,341	17,077,801	37,302,142	1,636
Ending					\$ 21,390,205	\$ 18,435,615	\$ 39,825,820	\$ 1,637

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	General Fund	SPLOST Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,604,451	\$ 121,070	\$ 20,632	\$ 5,746,153
Certificates of deposit	5,068,709	-	-	5,068,709
Due from other governmental entities	1,198,828	-	-	1,198,828
Due from other funds	1,103	-	-	1,103
Property taxes receivable	127,952	-	-	127,952
Other taxes receivable	271,559	-	-	271,559
Other receivables	184,369	56,883	-	241,252
Prepaid insurance	215,313	-	-	215,313
Prepaid supplies	12,892	-	-	12,892
	<u>12,685,176</u>	<u>177,953</u>	<u>20,632</u>	<u>12,883,761</u>
Total assets	<u>\$ 12,685,176</u>	<u>\$ 177,953</u>	<u>\$ 20,632</u>	<u>\$ 12,883,761</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 167,765	\$ 56,882	\$ -	\$ 224,647
Payroll withholdings and accruals	80,014	-	-	80,014
Due to other funds	17,867	-	-	17,867
	<u>265,646</u>	<u>56,882</u>	<u>-</u>	<u>322,528</u>
Total liabilities	<u>265,646</u>	<u>56,882</u>	<u>-</u>	<u>322,528</u>
<b>Deferred inflows of resources</b>				
Deferred property taxes	73,603	-	-	73,603
	<u>73,603</u>	<u>-</u>	<u>-</u>	<u>73,603</u>
Total deferred inflows of resources	<u>73,603</u>	<u>-</u>	<u>-</u>	<u>73,603</u>
<b>Fund balances</b>				
Nonspendable - prepaid items	228,205	-	-	228,205
Restricted for				
SPLOST projects	-	121,071	-	121,071
Tourism	38,006	-	-	38,006
Public safety	-	-	20,632	20,632
Assigned -				
Next fiscal year's budget	258,398	-	-	258,398
Culture and recreation	15,000	-	-	15,000
Unassigned	11,806,318	-	-	11,806,318
	<u>12,345,927</u>	<u>121,071</u>	<u>20,632</u>	<u>12,487,630</u>
Total fund balances	<u>12,345,927</u>	<u>121,071</u>	<u>20,632</u>	<u>12,487,630</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,685,176</u>	<u>\$ 177,953</u>	<u>\$ 20,632</u>	<u>\$ 12,883,761</u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

Differences in amounts reported for governmental activities in the statement of net position on page 1:

Fund balances – total governmental funds	\$ 12,487,630
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	73,603
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,252,796
Deferred outflows, such as deferred outflows from pensions, are not paid in the current period and, therefore, are not reported in the funds.	544,931
Net pension liability created by governmental activities are not financial resources and, therefore, not reported in the funds.	(1,516,429)
Deferred inflows, such as deferred inflows from pensions, are not received in the current period and, therefore, are not reported in the funds.	(251,775)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(200,551)</u>
	<u><u>\$ 21,390,205</u></u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>General Fund</b>	<b>SPLOST Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 6,581,390	\$ -	\$ 76,013	\$ 6,657,403
Licenses and permits	159,932	-	-	159,932
Charges for services	292,563	-	-	292,563
Intergovernmental	101,330	1,414,173	615,003	2,130,506
Fines, fees and forfeitures	543,777	-	3,475	547,252
Investment earnings	76,077	487	15	76,579
Other	218,993	-	-	218,993
Total revenues	<u>7,974,062</u>	<u>1,414,660</u>	<u>694,506</u>	<u>10,083,228</u>
<b>EXPENDITURES</b>				
Current				
Judicial	374,131	-	-	374,131
General government	1,109,901	-	-	1,109,901
Public safety	3,729,246	174,890	7,946	3,912,082
Public works	1,577,620	11,822	-	1,589,442
Housing and development	187,668	-	-	187,668
Public welfare	37,428	-	-	37,428
Culture and recreation	329,245	-	-	329,245
Capital outlay	-	719,583	-	719,583
Debt service				
Principal	-	147,090	-	147,090
Interest	-	7,753	-	7,753
Total expenditures	<u>7,345,239</u>	<u>1,061,138</u>	<u>7,946</u>	<u>8,414,323</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	628,823	353,522	686,560	1,668,905
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	76,013	33,215	-	109,228
Transfers to other funds	<u>(33,215)</u>	<u>(386,250)</u>	<u>(691,016)</u>	<u>(1,110,481)</u>
<b>NET CHANGE IN FUND BALANCE</b>	671,621	487	(4,456)	667,652
<b>FUND BALANCES</b>				
Beginning	<u>11,674,306</u>	<u>120,584</u>	<u>25,088</u>	<u>11,819,978</u>
Ending	<u>\$ 12,345,927</u>	<u>\$ 121,071</u>	<u>\$ 20,632</u>	<u>\$ 12,487,630</u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Differences in amounts reported for governmental activities in the statement of activities on page 2:

Net change in fund balances – total governmental funds	\$	667,652
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay reported as expenditures in the governmental funds are reported as capital assets in the statement of activities.		836,995
--	--	---------

Depreciation expense on governmental capital assets are included in the statement of activities.		(497,597)
--	--	-----------

Long-term liabilities in the statement of net position include an estimated liability for compensated absences. These are planned to be liquidated with future resources; therefore, the increase or decrease in the liability does not affect expenditures in the governmental funds.		(6,560)
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Net pension liability in the statement of net position includes an estimated liability for participation in the GMEBS. The increase or decrease in the liability does not affect expenditures in the governmental funds.		44,496
--	--	--------

Repayment of long-term debt and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		147,090
---	--	---------

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.		(26,212)
--	--	----------

	\$	<u>1,165,864</u>
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(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**BUSINESS-TYPE ACTIVITIES**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 4,905,579
Certificates of deposit	2,023,144
Accounts receivable, net of allowance for uncollectibles of \$35,000	445,188
Interest receivable	22,908
Due from other funds	17,867
Prepaid insurance	<u>34,718</u>
Total current assets	<u>7,449,404</u>

**LONG-TERM ASSETS**

**Restricted Assets**

Investments in money market account, restricted by bond covenants	1,089,057
Bond construction account	1,449,513
Bond interest and sinking funds	<u>222,638</u>
	<u>2,761,208</u>

**Capital Assets**

Land and other nondepreciable assets	718,436
Property, plant, and equipment	<u>30,421,566</u>
	31,140,002
Less accumulated depreciation	<u>9,282,686</u>
Net capital assets	<u>21,857,316</u>

**Other Assets**

Prepaid bond insurance	<u>13,618</u>
Total long-term assets	<u>24,632,142</u>

Total assets	<u>32,081,546</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Bond issue costs	559,083
Pension related items	157,934
Deferred loss on debt refunding	<u>815,747</u>
Total deferred outflows of resources	<u>1,532,764</u>

(The accompanying notes are an integral part of these statements.)

**LIABILITIES, DEFERRED INFLOWS OF  
RESOURCES, AND NET POSITION**

**CURRENT LIABILITIES**

Current maturities of bonds payable	490,000
Accounts payable	888,755
Due to other funds	1,103
Payroll withholdings and accruals	12,514
Accrued interest payable	100,133
Compensated absences payable	47,316
Customer deposits	<u>176,975</u>
Total current liabilities	<u>1,716,796</u>

**LONG-TERM LIABILITIES**

Bonds payable, net of current portion	12,949,433
Net pension liability	<u>439,496</u>
Total long-term liabilities	<u>13,388,929</u>
Total liabilities	<u>15,105,725</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension related items	<u>72,970</u>
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**NET POSITION**

Net investment in capital assets	8,417,883
Restricted for debt service	222,638
Unrestricted	<u>9,795,094</u>
Total net position	<u>\$ 18,435,615</u>

(The accompanying notes are an integral part of these statements.)



**CITY OF FORT OGLETHORPE, GEORGIA**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2017**

**OPERATING REVENUES**

Water sales	\$ 1,517,640
Sewer charges	3,538,924
Water and sewer taps	61,400
Meter and reconnect fees	36,505
Other	<u>78,722</u>
 Total revenues	 <u>5,233,191</u>

**OPERATING EXPENSES**

Depreciation and amortization	803,748
General operating expenses	<u>3,707,545</u>
 Total expenses	 <u>4,511,293</u>

**OPERATING INCOME**

721,898

**NONOPERATING REVENUE (EXPENSE)**

Interest revenue	37,921
Interest expense	<u>(403,258)</u>
 Income before transfers	 356,561

**TRANSFERS**

Transfer from other funds	<u>1,001,253</u>
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**CHANGE IN NET POSITION**

1,357,814

**NET POSITION**

Beginning	<u>17,077,801</u>
 Ending	 <u><u>\$ 18,435,615</u></u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from user fees	\$ 5,202,952
Payments to employees	(666,767)
Payments for goods and other services	(2,347,119)
Other receipts	<u>77,303</u>
Net cash provided by operating activities	<u>2,266,369</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Cash paid for capital assets	(1,424,422)
Payments on long-term debt	(485,000)
Transfers in from other funds	1,001,253
Interest paid	<u>(404,166)</u>
Net cash used by capital and related financing activities	<u>(1,312,335)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Receipts from loans to other fund	<u>3,533</u>
Net cash provided by other financing activities	<u>3,533</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net change in certificate of deposit	(18,846)
Interest received	<u>32,047</u>
Net cash provided by investing activities	<u>13,201</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

970,768

**CASH AND CASH EQUIVALENTS**

Beginning	<u>6,696,019</u>
Ending	<u><u>\$ 7,666,787</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 721,898
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	803,748
Premiums on bond refunding	(1,418)
Net change in operating assets	26,063
Net change in operating liabilities	<u>716,078</u>
Net cash provided by operating activities	<u><u>\$ 2,266,369</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	\$ 4,905,579
Restricted cash and cash equivalents	<u>2,761,208</u>
	<u><u>\$ 7,666,787</u></u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**AGENCY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**DECEMBER 31, 2017**

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ <u>          -</u>	\$ <u>  543,777  </u>	\$ <u>  543,777  </u>	\$ <u>          -</u>
 <b>LIABILITIES</b>				
Due to general fund	\$ <u>          -</u>	\$ <u>  543,777  </u>	\$ <u>  543,777  </u>	\$ <u>          -</u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**DECEMBER 31, 2017**

	<b>Recreation Commission December 31, 2017</b>	<b>Downtown Development Authority September 30, 2017</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 246	\$ 1,391	\$ 1,637
 Total assets	 \$ 246	 \$ 1,391	 \$ 1,637
 <b>NET POSITION</b>			
Unrestricted	\$ 246	\$ 1,391	\$ 1,637
 Total net position	 \$ 246	 \$ 1,391	 \$ 1,637

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**YEAR ENDED DECEMBER 31, 2017**

<u>Functions/Programs</u>	Program Revenues			(Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Recreation Commission	Downtown Development Authority	Total
<b>Recreation Commission</b>						
Recreation Commission operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Downtown Development Authority</b>						
Downtown Development Authority operations	-	-	-	-	-	-
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-
<b>GENERAL REVENUES</b>						
				Interest	-	1
				Total general revenues	-	1
				Change in net position	-	1
<b>NET POSITION</b>						
				Beginning	246	1,390
				Ending	<u>\$ 246</u>	<u>\$ 1,391</u>
					<u>\$ 1,637</u>	<u>\$ 1,637</u>

(The accompanying notes are an integral part of these statements.)

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The City of Fort Oglethorpe, Georgia operates under the Council-City Manager form of government, in which the City is governed by a mayor and five council members, with day to day operations vested in the appointed city manager.

The accounting policies of the City conform to generally accepted accounting principles applicable to local governments. The more significant policies of the City are summarized below.

**Reporting Entity**

The accompanying financial statements include all funds of the City of Fort Oglethorpe, Georgia (the primary government).

For purposes of these financial statements, management has considered the existence of any potential component units, using the criteria set forth by accounting principles generally accepted in the United States of America and by statements from the Governmental Accounting Standards Board.

Component units include organizations which are legally separate from the primary government. They are considered component units because their boards are appointed by the City or because there is a financial benefit/burden relationship with the City.

Component units are determined to be presented blended or discretely, based upon the services provided and the amount of accountability to the governing authority.

The City's financial statements include the financial statements (the only ones available) of The Downtown Development Authority of the City of Fort Oglethorpe, Georgia, which was established to develop the downtown area of the City. This discretely presented component unit operates as a special revenue fund.

The City's financial statements include the financial statements (the only ones available) of the Fort Oglethorpe Recreation Commission, which was established to support a citywide recreation program. This discretely presented component unit operates as a special revenue fund.

The Housing Authority of the City of Fort Oglethorpe, Georgia is a legally separate entity and is not considered a component unit under the criteria referred to above, but a related organization. Although its board was originally appointed by the City governing authority, the City is not able to impose its will upon the Housing Authority, and a financial benefit/burden relationship does not exist between the two governmental entities.

**Basis of Presentation**

In accordance with current accounting standards, the basic financial statements include government-wide, based on the City as a whole, and fund financial statements, with emphasis on major funds. Both the government-wide and fund statements categorize activities as either governmental or business-type. The government-wide statements of net position and activities have eliminated internal balances and transfers between the activities of the governmental funds, which were presented separately in the fund financial statements.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

Transfers between governmental activities and business-type activities of the primary government are separately stated on the government-wide statement of net position. Cash balances held by agency funds for governmental activities of the primary government are eliminated in the government-wide statement of net position and in the fund financial statements.

The government-wide statement of activities reflects both the gross and net cost of functional categories which are otherwise supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues are those directly associated with the function and include revenues from fines and forfeitures, licenses and permit fees, and charges for services. Operating and capital grants and contributions are limited to the funding of a specific operating expense or capital acquisition.

At the fund level, major funds are presented separately while nonmajor funds are combined into a single column. Major funds are determined based on their percentage of assets, liabilities, revenues or expenditures compared to the total of the same for all governmental funds, and on their percentage of the same for the total of all governmental and proprietary funds, as applicable. The general fund and SPLOST capital projects funds are the only funds reported as major governmental funds. The major enterprise fund is the Water and Sewer Fund.

**Basis of Accounting**

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liability is incurred. The government-wide financial statements report information on all of the nonfiduciary activities of the City as a whole.

The fund level financial statements of the governmental funds, which consist of the general fund, special revenue funds, debt service funds, and capital projects funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they are susceptible to accrual, which is defined as being both measurable, meaning that the amount of the transaction can be determined, and available, meaning collectible within the current period or soon enough thereafter (generally defined as within 60 days) to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property and other taxes, federal and state grants, other state funds, interest income and charges for services. Expenditures are generally recognized when the liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay and other employee amounts which are expected to be liquidated with future resources.

Since the governmental funds statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following the applicable fund statement which reconciles the adjustments necessary to convert the fund financial statements to the governmental activities column of the government-wide presentation.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

All business-type activities, including the primary government proprietary fund, and fiduciary funds use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the liability is incurred. For its proprietary funds and business-type activities, the City applies all GASB pronouncements. Operating revenues of proprietary funds are those revenues that result from the activities of the fund, such as user fees and charges for services. All other revenue is considered nonoperating revenue and includes grants, investment earnings, and gain on the sale of capital assets. Likewise, operating expenses are those expenses related to the principal activity of the fund, including salaries and related costs, other services, operating supplies and depreciation. Nonoperating expenses include all other expenses not considered operating, such as interest expense.

Agency funds are custodial in nature, as they receive and disburse receipts for other funds and other entities. The City's agency fund uses the accrual basis of accounting.

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

**Fund Accounting**

The accounts of the City are organized on the basis of funds, which are considered separate accounting entities. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Amounts reported in the fund financial statements as due to or due from other funds are eliminated upon preparation of the government-wide statement of net position. The various funds are grouped into fund types as follows:

**Governmental Funds**

**General Fund**

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund, or those for which it is considered fiscally responsible to be accounted for in a separate fund.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted to expenditures for specified purposes.

**Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities not financed by proprietary or trust funds.



**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise and therefore funded primarily through user charges.

Fiduciary Funds

Trust and Agency Funds

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Non-current governmental assets/liabilities

Governmental activities capital assets and long-term debt are not presented in the fund level statements, but these records are maintained and incorporated into the governmental activities section of the government-wide financial statements.

The City maintains the following funds:

General fund

Special revenue funds

Confiscated Assets Fund, which accounts for revenues and expenditures associated with currency forfeitures and drug fines and restitution.

Law Enforcement Fund, which accounts for grants and other specific revenues, and related expenditures, associated with the operation of law enforcement.

Hotel/Motel Tax Fund, which accounts for tax revenues from hotels and motels located in the City.

Recreation Commission Fund (a discretely presented component unit), which accounts for revenues and expenditures associated with the recreational activities of the Commission.

Downtown Development Authority (a discretely presented component unit), which accounts for certain revenues and expenditures associated with development of the City's downtown area.

Capital projects funds

SPLOST Capital Projects Fund, which accounts for the acquisition of assets with proceeds from the special local option sales tax.

CDBG Grant Fund, which accounts for acquisition of assets with proceeds from state or federal Community Development Block Grants.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

**Proprietary funds**

The Water and Sewer Fund is an enterprise fund, which accounts for the City's water and sewer operations.

**Fiduciary funds**

Municipal Court Fund, an agency fund, which accounts for receipts and disbursements of the Clerk's office, primarily fines and forfeitures. This fund collects only for the City's general fund, which then disburses, as required, to other governmental entities. As there are no receipts for or disbursements to other entities, and no funds are held for other entities, no "Statement of Fiduciary Assets and Liabilities" is presented in these financial statements.

**Pensions**

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Georgia Municipal Employees Benefit System (GMEBS) and additions to/deductions from the GMEBS fiduciary net position have been determined on the same basis as they are reported to GMEBS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Equity**

Fund equity at the governmental fund 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 assets and 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 in spendable 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 be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. The Council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are intended to be used for a specific purpose. Intent can be expressed by the Council or by an official or body to which the Council delegates authority through the passing of a resolution.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Equity (continued)**

Unassigned – Fund balances are reported as unassigned when the residual amount does not meet any of the above criteria. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted amounts of fund balance are available for expenditure, 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 balances in the following order: committed, assigned, unassigned.

Net position – Net position represents the residual of all elements presented in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balances section above. All other net position is reported as unrestricted.

**Budget and budgetary control**

Although no budget to actual statements are presented in the basic financial statements, the City provides, for information purposes, its budget requirements and process. Annual revenue estimates and expenditure appropriations, on the modified accrual basis of accounting, are prepared for all governmental funds, with the exception of the capital projects funds, for which no annual appropriation is required and none is adopted. The projects accounted for in the capital projects funds are subject to budgetary control on a project basis. Providing budgetary information on an annual basis does not provide meaningful information because projects extend over more than one reporting period. A budget is not required for proprietary fund types. The City, however, adopts a budget on the accrual basis of accounting for its proprietary fund.

The budget is prepared by the City Manager and presented to the City Council for review and questions. A public hearing is held to obtain taxpayer comments, after which the budget is adopted by resolution.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgetary integration is employed as a management tool during the fiscal year, and the budget is amended, as necessary, to meet changing needs. Management may transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department and/or fund must be approved by the City Council. All annual budgetary appropriations lapse at the end of the fiscal year.

**Receivables**

Receivables are reported at the outstanding principal amount, and are recorded net of an allowance for amounts considered uncollectible.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Estimates**

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

**Capital Assets**

For the fund financial statements, capital assets of governmental funds are recorded as expenditures at the time of purchase. For its proprietary funds and for governmental funds at the government-wide presentation, the City capitalizes long-lived assets with an original cost of \$5,000 or more. Such assets are recorded at cost.

For its proprietary funds and for its governmental funds at the government-wide presentation, depreciation of property and equipment, public improvements, and water and sewer systems are provided over periods of 3 to 40 years, based upon the estimated useful lives of the individual assets, by the straight-line method.

**Public Domain Assets**

Public domain (infrastructure) assets, which include roads, streets, curbs, gutters, sidewalks, etc., are recorded in governmental funds as expenditures at the time of purchase. Under current accounting standards, governments are required to report public domain assets acquired after December 31, 2003 as capital assets. Because the City is a phase 3 government for implementation of GASB Statement No. 34, it is not required to report infrastructure acquired in years prior to December 31, 2003.

**Property Taxes**

Property tax levies for the current year are based on \$6.632 per thousand of assessed valuation of property located in the City. Property is assessed by the Assessors of Property in Catoosa and Walker Counties. Property taxes are levied by the City and collected by the respective Counties, which remit to the City on a monthly basis. Property taxes are levied for a calendar year on October 20 and are delinquent after December 20 of each year. Property taxes attach as an enforceable lien on property as of the levy date.

**Notes payable**

Notes payable reported in governmental funds are expected to be liquidated with future, expendable, available resources.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

**Discounts/premiums/issuance costs**

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Discounts/premiums/issuance costs (continued)**

In proprietary funds, with regards to bond issuance costs, the City has chosen to follow the guidance set forth in GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Under this guidance, a regulated business-type activity should capitalize all or part of an incurred cost that otherwise would be charged to expense if both of the following criteria are met:

- 1) It is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- 2) Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

As a result, bond issuance costs are deferred and amortized over the benefit or payment period.

**Cash equivalents**

For purposes of these financial statements, the City considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Investments**

The City is restricted to investments of cash and certificates of deposit with financial institutions and in the State of Georgia Local Government Investment Pool.

**Restricted Assets**

Certain assets of the proprietary fund are classified as restricted because their use is limited by applicable bond covenants. These restricted assets consist of cash and cash equivalents.

**Prepaid expenses**

Prepaid expenses consist of certain payments which reflect costs applicable to future periods. In governmental funds, these types of costs are recorded as expenditures during the term of the benefit period, rather than when paid.

**Compensated Absences**

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave; however, accumulated sick pay is not paid. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. None of the liability is recorded in the governmental funds, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources. The liability for compensated absences of the proprietary fund is recorded as a liability of that fund.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources**

The City has adopted the provisions of GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources - a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources - an acquisition of net assets by the government that is applicable to a future reporting period.

As of December 31, 2017, the proprietary fund had deferred outflows of resources of \$559,083 related to bond issue costs, \$157,934 related to pensions, and \$815,747 related to a deferred loss on debt refunding and deferred inflows of \$72,970 related to pensions. In governmental funds, the City had deferred inflows of resources of \$73,603 from deferred property taxes. At the government-wide level, the City had deferred outflows of resources of \$565,350 and deferred inflows of resources of \$254,339 both related to pensions.

**(2) CASH AND INVESTMENTS**

The City reports its cash and other investments under GASB Statement Number 40, "Deposit and Investment Risk Disclosures." This statement eliminated or modified portions of the disclosures previously required by GASB Statement Number 3. GASB Statement Number 40 is designed to improve financial reporting of deposit and investment risks.

At December 31, 2017, the primary government's cash and investments consist of the following:

	<b>Weighted Average Maturity (Years)</b>	<b>Fair Value</b>
Savings and money market accounts	0.00	13,411,018
Certificates of deposit	0.10	7,091,853
	<u>0.05</u>	<u>\$ 20,502,871</u>

Interest Rate Risk – As a means of limiting its exposure to losses resulting from rising interest rates, the City's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The City's investments experienced no significant fluctuations in fair value during the year.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(2) CASH AND INVESTMENTS (continued)**

Custodial Credit Risk – The City’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 110% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance, by collateral held by the City’s agent in the City’s name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the City may participate. The City’s policy is to limit its investments to certificates of deposit and savings and money market accounts with local banks and Georgia Fund 1, a combined state and local government investment pool (in which the City had no funds at December 31, 2017).

Investments in the local government investment pool are specifically invested in “Georgia Fund 1”. Georgia Fund 1, created by OCGA 36-83-8, is a Standard and Poor’s AAA rated investment pool which is managed by the Office of the State Treasurer to maintain principal stability. The pool is not registered with the SEC as an investment company and the State does not consider Georgia Fund 1 to be a 2a-7 like pool. Georgia Fund 1 is managed to maintain a constant net asset value of \$1.00 per share and a weighted maturity of 90 days or less, with the maximum maturity of any investment limited to 397 days. The pool consists of U.S. treasury obligations, securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities, banker’s acceptances, overnight and term repurchase agreements with highly rated counterparties, and collateralized bank accounts. The investment in the Georgia Fund 1 is valued at fair market value. The fair values of investments in external investment pools are the same as the value of the pool shares.

Credit Risk – The City’s policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

**(3) INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS**

Most interfund receivable and payable balances are attributable to unsettled balances for charges between funds, and are expected to be paid within one year. The interfund payable of \$1,103 for the water and sewer fund results from the general fund paying expenses on behalf of the water and sewer fund. The interfund payable of \$17,867 for the general fund results from an over payment to the general fund of expenses for the water and sewer fund. It is anticipated that these balances will be settled in the next fiscal year.

Interfund receivables and payables at December 31, 2017, are as follows:

	<u>Receivables</u>	<u>Payables</u>
General fund - major governmental fund	\$ 1,103	\$ 17,867
Water and sewer fund - major enterprise fund	<u>17,867</u>	<u>1,103</u>
	<u>\$ 18,970</u>	<u>\$ 18,970</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(3) INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (continued)**

The purpose of transfers are to allocate revenues from the fund that collects them to the fund that expends the resources based on the budgetary operations of the City.

Transfers for the year ended December 31, 2017, were as follows:

From hotel/motel tax (nonmajor) fund to general fund (major)	\$ 76,013
From general fund (major) to SPLOST capital projects funds (major)	\$ 33,215
From SPLOST capital projects fund (major) to water and sewer fund (major)	\$ 386,250
From CDBG (nonmajor) to water and sewer fund (major)	\$ 615,003

**(4) CAPITAL ASSETS**

**Governmental activities**

A summary of changes in capital assets and accumulated depreciation for governmental activities is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and Reclassifications</u>	<u>Ending</u>
<b>Nondepreciable capital assets</b>				
Land	\$ 1,029,268	\$ -	\$ -	\$ 1,029,268
Construction in progress	117,103	733,030	-	850,133
<b>Nondepreciable capital assets</b>	<u>\$ 1,146,371</u>	<u>\$ 733,030</u>	<u>\$ -</u>	<u>\$ 1,879,401</u>
<b>Depreciable capital assets</b>				
Public improvements	\$ 5,658,601	\$ -	\$ -	\$ 5,658,601
Buildings	6,503,523	-	-	6,503,523
Equipment, vehicles, furniture and fixtures	4,450,684	103,965	-	4,554,649
	16,612,808	103,965	-	16,716,773
<b>Less accumulated depreciation</b>				
Public improvements	1,403,435	154,661	-	1,558,096
Buildings	2,754,887	159,866	-	2,914,753
Equipment, vehicles, furniture and fixtures	3,687,459	183,070	-	3,870,529
	7,845,781	497,597	-	8,343,378
<b>Depreciable capital assets, net</b>	<u>\$ 8,767,027</u>	<u>\$ (393,632)</u>	<u>\$ -</u>	<u>\$ 8,373,395</u>



**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(4) CAPITAL ASSETS (continued)**

Depreciation charged to expense totaled \$497,597, and is charged to functions as follows:

General government	\$ 184,942
Public safety	121,540
Public works	79,992
Culture and recreation	111,123
	<u>\$ 497,597</u>

**Business-type activities**

Capital assets of the proprietary fund are recorded at cost, including capitalized interest incurred during the construction phase, as applicable. Depreciation is provided on the cost of individual items of property by the straight-line method, over the estimated useful lives of 3 to 10 years for furniture, equipment and vehicles; 10 to 40 years for buildings and plants; 5 to 40 years for water and sewer system; 5 to 39 years for public improvements; and 20 to 40 years for transmission lines. Depreciation charged to expense totaled \$736,835.

A summary of proprietary fund changes in capital assets and accumulated depreciation is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions and Reclassifications</u>	<u>Ending</u>
<b>Nondepreciable capital assets</b>				
Land	\$ 89,156	\$ -	\$ -	\$ 89,156
Construction in progress	299,460	1,400,054	(1,070,234)	629,280
<b>Nondepreciable capital assets</b>	<u>\$ 388,616</u>	<u>\$ 1,400,054</u>	<u>\$ (1,070,234)</u>	<u>\$ 718,436</u>
<b>Depreciable capital assets</b>				
Buildings	\$ 565,435	\$ -	\$ -	\$ 565,435
Water/sewer system	27,823,760	-	1,070,234	28,893,994
Equipment and vehicles	978,779	24,366	(41,008)	962,137
	<u>29,367,974</u>	<u>24,366</u>	<u>1,029,226</u>	<u>30,421,566</u>
<b>Less accumulated depreciation</b>				
Buildings	103,197	13,543	-	116,740
Water/sewer system	7,590,979	687,715	10,821	8,289,515
Equipment and vehicles	892,683	35,577	(51,829)	876,431
	<u>8,586,859</u>	<u>736,835</u>	<u>(41,008)</u>	<u>9,282,686</u>
<b>Depreciable capital assets, net</b>	<u>\$ 20,781,115</u>	<u>\$ (712,469)</u>	<u>\$ 1,070,234</u>	<u>\$ 21,138,880</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(5) LONG-TERM DEBT**

**Governmental activities**

Debt for governmental activities reported in the government-wide statement of net position represents amounts not expected to be paid with expendable, available resources, and consists of the following:

Capital lease obligations recorded in the government-wide statement of net position consist of the following:

Lease financed with Bank of America, for acquisition of a fire truck in the amount of \$459,846 under a lease purchase agreement, payable in yearly payments of \$58,975 including interest at 4.8%, through 2018 \$ 56,273

Maturities of lease obligations are as follows:

	<u>Gross Payments</u>	<u>Imputed Interest</u>	<u>Net Present Value</u>
For the year ending December 31, 2018	<u>\$ 58,973</u>	<u>\$ 2,700</u>	<u>\$ 56,273</u>

The gross amount of governmental activities assets recorded under existing capital leases in the government-wide statement of net position is \$459,846 for an equipment lease. Accumulated amortization of assets acquired under capital leases is recorded at \$292,559. Amortization expense for assets acquired under capital leases is \$30,656.

A summary of changes in long-term debt for governmental activities is as follows:

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
Capital lease obligations	\$ 203,363	\$ -	\$ (147,090)	\$ 56,273
Compensated absences	137,718	6,560	-	144,278
Net pension liability	<u>1,917,717</u>	<u>-</u>	<u>(401,288)</u>	<u>1,516,429</u>
	<u>\$ 2,258,798</u>	<u>\$ 6,560</u>	<u>\$ (548,378)</u>	<u>\$ 1,716,980</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(5) LONG-TERM DEBT (continued)**

**Governmental activities (continued)**

Presentation of long-term debt of governmental activities in the government-wide statement of net position is as follows:

Due within one year	
Capital lease obligations	\$ 56,273
Compensated absences	144,278
	<u>\$ 200,551</u>
Due in more than one year	
Net pension liability	<u>\$ 1,516,429</u>

The resources of the general fund have been used in prior years to liquidate the balance of the compensated absences relative to governmental activities.

**Business-type activities**

Bonds payable of the water and sewer fund consist of the following:

Series 2014 Water and Sewer Revenue Refunding and improvement bonds, total original borrowings \$15,370,000, to provide for refinancing of a portion of the 2009 Water and Sewer bonds, interest not to exceed 3.65%, payable semi-annually in varying amounts through October, 2038	<u>\$ 13,410,000</u>
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Maturities of proprietary fund bonds payable are as follows:

	<u>Gross Payments</u>	<u>Imputed Interest</u>	<u>Net Present Value</u>
For the year ending December 31, 2018	\$ 890,530	\$ 400,530	\$ 490,000
2019	890,730	390,730	500,000
2020	893,730	383,730	510,000
2021	893,530	373,530	520,000
2022	893,130	363,130	530,000
2023-2027	4,455,810	1,615,810	2,840,000
2028-2032	4,455,718	1,175,718	3,280,000
2033-2037	4,458,200	583,200	3,875,000
2038	<u>896,572</u>	<u>31,572</u>	<u>865,000</u>
	<u>\$ 18,727,950</u>	<u>\$ 5,317,950</u>	<u>\$ 13,410,000</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**(5) LONG-TERM DEBT (continued)**

**Business-type activities (continued)**

A summary of changes in long-term debt for business-type activities is as follows:

	<b>Beginning Balance</b>	<b>Adjustments and Additions</b>	<b>Adjustments and Retirements</b>	<b>Ending Balance</b>
Revenue bonds	\$ 13,895,000	\$ -	\$ (485,000)	\$ 13,410,000
Compensated absences	45,848	1,468	-	47,316
Net pension liability	<u>487,849</u>	<u>-</u>	<u>(48,353)</u>	<u>439,496</u>
	<u>14,428,697</u>	<u>1,468</u>	<u>(533,353)</u>	13,896,812
Premium on bond refunding				<u>29,433</u>
				<u><u>\$ 13,926,245</u></u>

Presentation of long-term debt of business-type activities in the government-wide statement of net position is as follows:

Due within one year	
Revenue bonds	\$ 490,000
Compensated absences	<u>47,316</u>
	<u><u>\$ 537,316</u></u>
Due in more than one year	
Revenue bonds	\$ 12,949,433
Net pension liability	<u>439,496</u>
	<u><u>\$ 13,388,929</u></u>

During 2014, the City defeased its Series 2009 Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds and to provide for construction funds to do sewer projects. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At December 31, 2017 \$8,955,000 of bonds outstanding are considered defeased.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(6) OPERATING LEASES**

The City leases equipment under operating leases expiring at various times from April, 2017 through April 25, 2022 at various amounts totaling \$525 per month. Minimum obligations relative to these leases are as follows:

For the year ending December 31, 2018	\$ 6,295
2019	6,295
2020	6,295
2021	6,295
2022	<u>2,098</u>
	<u>\$ 27,278</u>

Rent expense relative to the above leases was \$3,302 for the year ended December 31, 2017.

**(7) PENSION PLAN**

**DEFINED BENEFIT PLAN**

**Plan description**

Employees of the City are provided a defined benefit pension plan through the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by Georgia Municipal Association. The City has the right to establish and amend the benefit provisions of the plan.

These amendments become effective once approved by the Board of Trustees of GMEBS. GMEBS issues a publically available financial report that can be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street SW, Atlanta, Georgia 30303.

All regular employees of the City were eligible to participate in GMEBS after one year of service through December 31, 2002. The plan was amended to require all employees hired on or after January 1, 2003 to meet a 40 hour eligibility condition. Subsequently, the plan was amended to limit credited service for prior military service and prior governmental service to 60 months combined for regular employees hired on or after December 1, 2004.

Officials and municipal legal officers in office prior to April 1, 1993 can become participants and receive credit for service until end of current term. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 65 with five years of service.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Eligible employees become vested after five years of service. Benefit provisions are established in state statute and city ordinance.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(7) PENSION PLAN (continued)**

**DEFINED BENEFIT PLAN (continued)**

**Employees covered by benefit terms**

As of June 30, 2017, the Plan year end, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	43
Active employees	76
	<hr/>
	<u>162</u>

**Contributions**

The GMEBS Board of Trustees adopts an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the Plan. The annual minimum contribution is the sum of 1) the normal cost (including administrative expenses), 2) the closed level dollar amortization of the unfunded actuarial accrued liability over a period that ranges from 10 to 30 years based on the funding policy adopted by the GMEBS Board of Trustees, and 3) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

The annual recommended contribution is the greater of 1) the minimum contribution described above and 2) normal cost (including administrative expenses) with interest, adjusted by a full funding credit to ensure that contributions are not required if a plan's assets exceed the present value of future benefits.

For the year ended December 31, 2017, the Actuarially Determined Contribution was \$411,451, based on a rate of 13.92 percent of covered payroll. The City's net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as June 30, 2017.

**Net Pension Liability**

The total pension liability as of March 31, 2017, 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% plus service based merit increases
Investment rate of return	7.75 percent, on-going basis, based on long-term expected rate of return on pension plan investments
Cost-of-Living Adjustment	0.0 percent

The mortality and economic actuarial assumptions used in the July 1, 2017 valuation were approved by the Board in December, 2014 based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014 conducted by Segal Consulting, the Plan's actuaries.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(7) PENSION PLAN (continued)**

**Net Pension Liability (continued)**

The RP-2000 mortality tables were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a four-year review of mortality experience for the period January 1, 2010 to June 30, 2014. Mortality experience will be reviewed periodically and updated if necessary.

The long-term expected rate of return on pension plan investment 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. The difference between the resulting rate and the rate on the ongoing basis is a margin for adverse deviation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of March 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long - Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	6.71%	45%
International Equity	7.71%	20%
Real estate	5.21%	10%
Global Fixed Income	3.36%	5%
Domestic Fixed Income	2.11%	20%
Cash	0.00%	0%
Total		100%

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

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(7) PENSION PLAN (continued)**

	<b>Changes in the Net Pension Liability</b>		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at 3/31/2016	\$ 8,290,534	\$ 5,884,968	\$ 2,405,566
Changes for the year:			
Service cost	147,352	-	147,352
Interest	628,465	-	628,465
Differences between expected and actual experience	(82,176)	-	(82,176)
Contributions - employer	-	419,319	(419,319)
Contributions - employee		-	-
Net investment income		744,315	(744,315)
Benefit payments, including refunds of employee contributions	(362,617)	(362,617)	-
Administrative expense	-	(20,352)	20,352
Net changes	331,024	780,665	(449,641)
Balance at 3/31/2017	<u>\$ 8,621,558</u>	<u>\$ 6,665,633</u>	<u>\$ 1,955,925</u>

**Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability of the City 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 one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate.

	Current		
	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Net pension (asset) liability	\$ 2,895,816	\$ 1,955,925	\$ 1,156,485

**Pension expense**

For the year ended December 31, 2017, the City recognized pension expense of \$398,981.



**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(7) PENSION PLAN (continued)**

**Deferred outflows of resources and deferred inflows of resources**

For the year ended December 31, 2017, the City reported deferred outflows of resources 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	135,290	54,784
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	258,987	269,961
Contributions subsequent to the measurement date of March 31, 2017	<u>308,588</u>	<u>-</u>
	<u>\$ 702,865</u>	<u>\$ 324,745</u>

Amounts reported as deferred outflows (inflows) of resources, with the exception of contributions subsequent to the measurement date related to pensions will be recognized in pension expense as follows:

For the year ending December 31,	2018	116,610
	2019	(18,680)
	2020	28,965
	2021	<u>(57,364)</u>
		<u>\$ 69,531</u>

In the table shown above, the amounts will increase (decrease) pension expense in the years indicated.

**DEFINED CONTRIBUTION PLAN**

**Plan Description**

The City maintains a defined contribution plan through the Georgia Municipal Employees Benefit System (GMEBS) covering all full-time employees with at least one year of service. The plan is a 457(b) plan for the contributions of all eligible employees combined with a 401(a) plan that allows the City to match contributions on behalf of the employees. Employees may elect to contribute a percentage of their salary up to the limits set forth by the Internal Revenue Service. The City then matches those contributions 100% up to 4%. In addition, employees vest 20% each year and are 100% vested after 5 years of service. Employee and employer contributions during the year ended December 31, 2017 were approximately \$87,172 and \$64,604, respectively. There were no forfeitures at December 31, 2017.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(8) RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The City's policy is to purchase commercial insurance for its risk related to the above losses. The risks covered by commercial insurance include general liability, errors and omissions, and property and casualty losses, with a minor deductible payable by the City. Settled claims have not exceeded coverage for the three years ended December 31, 2017, 2016, and 2015. Deductibles for which the City was responsible amounted to \$2,059, \$15,051, and \$2,508, for the same three years, respectively.

The City also manages its risk of loss related to injuries to employees through the purchase of commercial workers' compensation insurance. Payment of eligible claims is based on statutory requirements, and the City has no deductible in connection with claims paid.

**(9) LITIGATION**

The City is also the defendant in certain other legal actions which are being vigorously defended.

It is the opinion of management and legal counsel that none of the aforementioned proceedings will have a material effect on the financial position of the City.

**(10) COMMITMENTS**

At December 31, 2017, the City has construction commitments in the amount of \$2,273,017, with \$1,078,478 unpaid on these contracts.

**(11) HOTEL/MOTEL LODGING TAX**

The City of Fort Oglethorpe, Georgia, levies a 6% lodging tax, of which 3% is required to be spent for tourism and development, as authorized in Georgia code OCGA 48-13-51. A summary of the transactions for the year ended December 31, 2017, is as follows:

Lodging tax – 6%	\$ 76,013
Disbursements for tourism and development	\$ 38,006

**(12) JOINT VENTURE**

Under Georgia law, the City, in conjunction with other cities and counties in the eleven City northwest Georgia area, is a member of the Northwest Georgia Regional Commission and is required to pay annual dues thereto. During the year ended December 31, 2017, the City paid \$9,839 in such dues. Membership in a regional commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34. Each regional commission board membership includes the chief elected official of each City and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of its applicable regional commission. Separate financial statements may be obtained from:

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**(12) JOINT VENTURE (continued)**

Northwest Georgia Regional Commission  
P.O. Box 1798  
1 Jackson Hill Drive  
Rome, Georgia 30162-1798

**(13) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 4, 2018, the date which these financial statements were available for issue.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## **GENERAL FUND**

The general fund is used to account for resources traditionally associated with government which are not legally or by sound financial management to be accounted for in another fund.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>TAXES</b>				
Property taxes	\$ 1,582,075	\$ 1,582,075	\$ 1,679,198	\$ 97,123
Motor vehicle tax	294,500	294,500	306,131	11,631
Business and occupation tax	1,020,000	1,102,562	1,117,267	14,705
General sales and use tax	2,020,000	2,020,000	1,984,518	(35,482)
Franchise tax	1,063,200	1,063,200	1,022,816	(40,384)
Real estate transfer tax	12,500	12,500	15,348	2,848
Intangible tax	37,000	37,000	42,088	5,088
Alcoholic beverage tax	390,000	390,000	404,481	14,481
Other taxes	3,000	3,000	9,543	6,543
	<u>6,422,275</u>	<u>6,504,837</u>	<u>6,581,390</u>	<u>76,553</u>
Total taxes				
<b>LICENSES AND PERMITS</b>				
Alcoholic beverage license	50,000	50,000	53,350	3,350
Other licenses and permits	105,600	105,600	106,582	982
	<u>155,600</u>	<u>155,600</u>	<u>159,932</u>	<u>4,332</u>
Total licenses and permits				
<b>INTERGOVERNMENTAL</b>				
Federal financial assistance	50,500	50,500	1,718	(48,782)
DOT revenue	84,500	84,500	86,293	1,793
Federal government in lieu of taxes	13,000	13,000	13,319	319
	<u>148,000</u>	<u>148,000</u>	<u>101,330</u>	<u>(46,670)</u>
Total intergovernmental				
<b>CHARGES FOR SERVICES</b>				
Public safety	176,500	176,500	178,381	1,881
Background checks	3,000	3,000	5,795	2,795
Culture and recreation	99,300	109,300	108,250	(1,050)
Other services	100	100	137	37
	<u>278,900</u>	<u>288,900</u>	<u>292,563</u>	<u>3,663</u>
Total charges for services				

**CITY OF FORT OGLETHORPE, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final</u>
				<u>Budget</u>
<b>FINES AND FORFEITURES</b>				
Police and courts	\$ 698,000	\$ 698,000	\$ 543,777	\$ (154,223)
Total fines and forfeitures	698,000	698,000	543,777	(154,223)
<b>MISCELLANEOUS</b>				
Investment Income	40,000	40,000	76,077	36,077
Property rental	159,164	159,164	157,580	(1,584)
Insurance recovery	-	23,043	22,649	(394)
Other	9,000	11,065	38,764	27,699
Total miscellaneous	208,164	233,272	295,070	61,798
Total revenues	7,910,939	8,028,609	7,974,062	(54,547)
<b>EXPENDITURES</b>				
<b>Judicial</b>				
Municipal Court	449,397	449,397	374,131	75,266
Total judicial	449,397	449,397	374,131	75,266
<b>General Government</b>				
Legislative	130,154	130,154	126,645	3,509
Executive	297,895	197,495	123,641	73,854
Administration	515,838	550,238	468,844	81,394
General government buildings	431,158	448,958	390,771	58,187
Total general government	1,375,045	1,326,845	1,109,901	216,944
<b>Public Safety</b>				
Police	2,477,616	2,540,224	2,335,355	204,869
Fire	1,476,246	1,523,912	1,393,891	130,021
Total public safety	3,953,862	4,064,136	3,729,246	334,890

**CITY OF FORT OGLETHORPE, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2017**

	<b>Budget</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>EXPENDITURES (continued)</b>				
<b>Public works</b>				
Public works administration	\$ 151,417	\$ 151,417	\$ 140,219	\$ 11,198
Highways and streets	746,154	837,081	602,011	235,070
Traffic engineering	131,305	131,305	123,592	7,713
Solid waste collection	637,228	643,228	626,878	16,350
Maintenance and shop	108,055	108,055	84,920	23,135
	<u>1,774,159</u>	<u>1,871,086</u>	<u>1,577,620</u>	<u>293,466</u>
<b>Culture and Recreation</b>				
Parks administration	74,645	62,113	15,023	47,090
Parks operation	232,949	249,749	208,067	41,682
Swimming pools	103,383	103,383	96,393	6,990
Senior center	13,267	13,267	9,762	3,505
	<u>424,244</u>	<u>428,512</u>	<u>329,245</u>	<u>99,267</u>
<b>Public welfare</b>				
Tourism	30,000	37,000	37,428	(428)
	<u>30,000</u>	<u>37,000</u>	<u>37,428</u>	<u>(428)</u>
<b>Housing and development</b>				
Protective inspection	147,532	197,933	187,668	10,265
	<u>147,532</u>	<u>197,933</u>	<u>187,668</u>	<u>10,265</u>
Total expenditures	<u>8,154,239</u>	<u>8,374,909</u>	<u>7,345,239</u>	<u>1,029,670</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(243,300)</u>	<u>(346,300)</u>	<u>628,823</u>	<u>975,123</u>



**CITY OF FORT OGLETHORPE, GEORGIA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final</u>
				<u>Budget</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	\$ 65,000	\$ 79,000	\$ 76,013	\$ (2,987)
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(33,215)</u>	<u>(33,215)</u>
	<u>65,000</u>	<u>79,000</u>	<u>42,798</u>	<u>(36,202)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>AND OTHER SOURCES OVER</b>				
<b>EXPENDITURES AND OTHER USES</b>	(178,300)	(267,300)	671,621	938,921
<b>FUND BALANCES</b>				
Beginning	<u>11,674,306</u>	<u>11,674,306</u>	<u>11,674,306</u>	<u>-</u>
Ending	<u>\$ 11,496,006</u>	<u>\$ 11,407,006</u>	<u>\$ 12,345,927</u>	<u>\$ 938,921</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The budget is prepared on the same basis as the expenditures are presented, therefore no reconciliation between the budget basis and the basis under generally accepted accounting principles is required.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**SCHEDULE OF CHANGES IN THE NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**LAST FISCAL YEAR ENDING JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 147,352	\$ 289,992	\$ 189,965
Interest	628,465	557,072	536,323
Difference between expected and actual experience	(82,176)	405,870	(32,501)
Changes of assumptions	-	-	(136,407)
Benefit payments, including refunds of employee contributions	<u>(362,617)</u>	<u>(300,839)</u>	<u>(278,484)</u>
Net change in total pension liability	331,024	952,095	278,896
Total pension liability - beginning	<u>8,290,534</u>	<u>7,338,439</u>	<u>7,059,543</u>
Total pension liability - ending (a)	<u><u>\$ 8,621,558</u></u>	<u><u>\$ 8,290,534</u></u>	<u><u>\$ 7,338,439</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 419,319	\$ 402,730	\$ 382,655
Contributions - employee	-	-	-
Net investment income	744,315	19,548	506,324
Benefit payments, including refunds of employee contributions	(362,617)	(300,839)	(278,484)
Administrative expense	<u>(20,352)</u>	<u>(14,680)</u>	<u>(13,555)</u>
Net change in total pension liability	780,665	106,759	596,940
Plan fiduciary net position - beginning	<u>5,884,968</u>	<u>5,778,209</u>	<u>5,181,269</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,665,633</u></u>	<u><u>\$ 5,884,968</u></u>	<u><u>\$ 5,778,209</u></u>
<b>NET PENSION LIABILITY</b>			
Net pension liability (a-b)	<u><u>\$ 1,955,925</u></u>	<u><u>\$ 2,405,566</u></u>	<u><u>\$ 1,560,230</u></u>
Plan fiduciary net position as a percentage of total pension liability	77.31%	70.98%	78.74%
Covered employee payroll	\$ 2,967,249	\$ 2,908,780	\$ 2,982,861
Net pension liability as a percentage of covered-employee payroll	65.92%	82.70%	52.31%

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYEE PENSION PLAN OF GMEBS**  
**LAST FISCAL YEAR ENDING JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 411,451	\$ 421,942	\$ 396,326
Contributions in relation to the actuarially determined contribution	<u>419,319</u>	<u>421,942</u>	<u>396,326</u>
Contribution deficiency (excess)	<u>\$ (7,868)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,967,249	\$ 2,908,780	\$ 2,982,861
Contributions as a percentage of covered-employee payroll	14.13%	14.51%	13.29%

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years information are available.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION**  
**IN THE PUBLIC EMPLOYEE PENSION PLAN OF GMEBS**  
**LAST FISCAL YEAR ENDING JUNE 30, 2017**

**NOTES TO SCHEDULE**

**Valuation date**

The actuarially determined contribution was determined as of July 1, 2017, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution will be reported for the fiscal year ending December 31, 2018.

**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	Varies - Net effective amortization period of ten years
Asset valuation	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 the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Net investment rate of return	7.75%
Projected salary increases	3.25% plus service merit increases
Retirement age	Pattern of retirement determined by experience study
Mortality	Customizable table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustment	0.00%

## **OTHER SUPPLEMENTARY INFORMATION**

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2017**

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Confiscated Assets	Law Enforcement	Hotel/Motel Tax	Total	CDBG Grant	
ASSETS						
Cash and cash equivalents	\$ 20,632	\$ -	\$ -	\$ 20,632	\$ -	\$ 20,632
Total assets	\$ 20,632	\$ -	\$ -	\$ 20,632	\$ -	\$ 20,632
LIABILITIES AND FUND BALANCES						
Fund balances						
Restricted for						
Public safety	\$ 20,632	\$ -	\$ -	\$ 20,632	\$ -	\$ 20,632
Total fund balances	20,632	-	-	20,632	-	20,632
Total liabilities and fund balances	\$ 20,632	\$ -	\$ -	\$ 20,632	\$ -	\$ 20,632

**CITY OF FORT OGLETHORPE, GEORGIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Confiscated Assets</u>	<u>Law Enforcement</u>	<u>Hotel/ Motel Tax</u>	<u>Total</u>	<u>CDBG Grant</u>	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 76,013	\$ 76,013	\$ -	\$ 76,013
Intergovernmental	-	-	-	-	615,003	615,003
Fines, fees and forfeitures	3,475	-	-	3,475	-	3,475
Interest	15	-	-	15	-	15
	<u>3,490</u>	<u>-</u>	<u>76,013</u>	<u>79,503</u>	<u>615,003</u>	<u>694,506</u>
Total revenues						
<b>EXPENDITURES</b>						
Current						
Public safety	7,946	-	-	7,946	-	7,946
	<u>7,946</u>	<u>-</u>	<u>-</u>	<u>7,946</u>	<u>-</u>	<u>7,946</u>
Total expenditures						
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(4,456)	-	76,013	71,557	615,003	686,560
<b>OTHER FINANCING USES</b>						
Transfer to other funds	-	-	(76,013)	(76,013)	(615,003)	(691,016)
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	(4,456)	-	-	(4,456)	-	(4,456)
<b>FUND BALANCES</b>						
Beginning	25,088	-	-	25,088	-	25,088
	<u>25,088</u>	<u>-</u>	<u>-</u>	<u>25,088</u>	<u>-</u>	<u>25,088</u>
Ending	<u>\$ 20,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,632</u>	<u>\$ -</u>	<u>\$ 20,632</u>



## **FINANCIAL SCHEDULES**

**CITY OF FORT OGLETHORPE, GEORGIA**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Prior to 2013</u>	<u>Total</u>
<b>TAXES RECEIVABLE</b>						
Beginning	\$ -	\$ 138,078	\$ 24,800	\$ 4,916	\$ 21	\$ 167,815
<b>TAX LEVY</b>	1,630,083	-	-	-	-	1,630,083
<b>ADJUSTMENTS</b>						
Releases, net of pickups	(3,999)	(1,112)	(127)	(224)	215	(5,247)
<b>COLLECTIONS</b>	<u>(1,514,261)</u>	<u>(124,076)</u>	<u>(20,851)</u>	<u>(4,624)</u>	<u>(236)</u>	<u>(1,664,048)</u>
<b>TAXES RECEIVABLE</b>						
Ending	<u>111,823</u>	<u>12,890</u>	<u>3,822</u>	<u>68</u>	<u>-</u>	<u>128,603</u>
Less allowance for uncollectible taxes	<u>(528)</u>	<u>(87)</u>	<u>(34)</u>	<u>(2)</u>	<u>-</u>	<u>(651)</u>
<b>TAXES RECEIVABLE</b>						
Net	<u>\$ 111,295</u>	<u>\$ 12,803</u>	<u>\$ 3,788</u>	<u>\$ 66</u>	<u>\$ -</u>	<u>\$ 127,952</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**SCHEDULE OF WATER AND SEWER RATES**  
**DECEMBER 31, 2017**

The water and sewer rates for the City of Fort Oglethorpe, Georgia are as follows:

	<u>Water Rates</u>	<u>Sewer Rates</u>
<b>Residential</b>		
First 2,000 gallons	\$17.49/minimum	\$18.98/minimum
All over 2,000 gallons	\$4.62/1,000 gallons	\$5.00/1,000 gallons
<b>Commercial</b>		
First 2,000 gallons	\$22.96/minimum	\$24.30/minimum
All over 2,000 gallons	\$8.87/1,000 gallons	\$9.51/1,000 gallons

As of December 31, 2017, the City had approximately 3,206 water customers and 6,092 sewer customers.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2017**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Pass-Through Number	Beginning Accrued (Deferred)	Cash Receipts (Refunds)	Expenditures	Ending Accrued (Deferred)
<b>U.S. Department of Justice</b>						
Justice Assistance Grant Byrne Vest Program	16.580		-	1,428	1,718	290
Total Department of Justice			-	1,428	1,718	290
<b>U.S. Department of Housing &amp; Urban Development</b>						
Pass-through from Georgia Department of Community Affairs						
Community Development Block Grant	14.218	14p-023-2-5665	-	324,967	324,967	-
Total Housing & Urban Development			-	324,967	324,967	-
<b>Total Federal Awards</b>			<u>\$ -</u>	<u>\$ 326,395</u>	<u>\$ 326,685</u>	<u>\$ 290</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**SEC RULE 15C2-12 CONTINUING DISCLOSURES  
ANNUAL OPERATING INFORMATION SECTION  
(Unaudited)**

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**General**

The water and sewer system is composed of a water storage and distribution system and a wastewater collection and disposal system. The City does not own or operate any water treatment facility or wastewater treatment facility but instead contracts with third party providers for those services. The Mayor and City council have ultimate authority and control over the policy and rate setting of the System. Water and sewer service is available to all residents and businesses within the City. The water system does not serve customers outside the corporate limits of the City. As of December 31, 2017, the water system provides water to 3,206 customers in the City. The Sewer system serves approximately 6,092 customers, 3,919 of whom are in the City and 2,173 of whom are outside the City limits.

**Water System**

The City's water system consists of a retail water distribution system with one ground water storage tank that has a two million gallon storage capacity. The City purchases virtually all of its treated water from the Tennessee-American Water Company (Tennessee American), a Tennessee Corporation and public utility that owns and operates a water utility system in and around the City of Chattanooga, Tennessee. In addition, the City can purchase water from the Catoosa Utility District on an as-needed basis at the then prevailing rate for water purchases from the Catoosa Utility District. The City has two connections to the Tennessee-American system and three connections to the Catoosa Utility District water system. Tennessee-American's water source is the Tennessee River and the Catoosa Utility District's water source is Yates Springs.

**Sewer System**

The City's sewer system is available to all areas within the corporate limits of the City. The Sewer system transports sewage through the Northwest Georgia Interceptor Sewer System to Chattanooga's Moccasin Bend Wastewater Treatment Facility for treatment. Rates for collection and treatment of wastewater are established each year based on projected costs and revenues. The City Council of Chattanooga has ultimate authority regarding operations of its sewer system and rate setting for wastewater treatment services. Uniform rates for operations and maintenance and debt service are established yearly for all regional users of the Moccasin Bend Wastewater Treatment Facility.

The aggregate rate is required by the Environmental Protections Division to be uniform system-wide. The aggregate regional rates for the last six years per thousand gallons of wastewater treated at the Moccasin Bend Wastewater Treatment Facility are as follows:

<u>Effective Date</u>	<u>Rate Per 1,000 Gallons</u>
July 1, 2012	0.9397
July 1, 2013	1.0387
July 1, 2014	1.0369
July 1, 2015	1.1503
July 1, 2016	1.2119
July 1, 2017	0.8434

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Sewer System (continued)**

*Capital Improvements to Water and Sewer System from Current Funds*

Over the years, the City has enlarged and extended its water and sewer system with funds derived from revenues of the System, City funding, GEFA Loans, and Federal grants. The following table shows the amounts from such sources spent on capital improvements to the System during the last six fiscal years.

Fiscal Year Ended December 31	SPLOST Funds	System Revenues	GEFA Loans	Federal Grants	Series 2009 Bonds	Series 2014 Bonds	Total
2012	\$ -	\$ -	\$ -	\$ -	\$ 955,623	\$ -	\$ 955,623
2013	-	-	-	1,100,000	1,256,072	-	2,356,072
2014	-	-	-	-	639,690	-	639,690
2015	-	-	-	-	1,389,798	1,553,810	2,943,608
2016	-	-	-	175,033	-	1,256,895	1,431,928
2017	-	-	-	324,967	-	697,151	1,022,118

The following table shows historical numbers of active water and sewer customers of the System for the last seven fiscal years who are billed directly by the City. There are approximately 2,249 customers of the System who are billed by the Catoosa Utility District. This table does not include inactive meters.

	2011	2012	2013 <sup>2</sup>	2014	2015	2016	2017
<b>Water</b>							
Residential <sup>1</sup>	2,355	2,385	2,389	2,426	2,732	2,779	2,854
Commercial	321	325	324	326	330	339	352
Total	<u>2,676</u>	<u>2,710</u>	<u>2,713</u>	<u>2,752</u>	<u>3,062</u>	<u>3,118</u>	<u>3,206</u>
<b>Sewer</b>							
Residential <sup>1</sup>	2,311	2,340	3,000	3,066	3,248	3,262	3,540
Commercial	315	319	364	366	295	292	303
Total	<u>2,626</u>	<u>2,659</u>	<u>3,364</u>	<u>3,432</u>	<u>3,543</u>	<u>3,554</u>	<u>3,843</u>

<sup>1</sup> Includes apartment complexes, which are served by a single connection.

<sup>2</sup> In 2013, the City began billing Tennessee-American customers for sewer charges. In prior years, Tennessee-American billed the customers directly and then remitted payment to the City.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Sewer System (continued)**

The following table shows historical data of water and sewer demand for the last six fiscal years.

<b>Fiscal Year</b>	<b>Daily Water Consumption</b>		<b>Daily Sewer Consumption</b>	
	<b>Peak (MDG)</b>	<b>Average (MDG)</b>	<b>Peak (MDG)</b>	<b>Average (MDG)</b>
2012	1.10	0.98	3.20	2.24
2013	1.12	0.97	3.93	2.71
2014	1.06	0.89	3.01	2.30
2015	1.15	0.90	2.79	2.40
2016	1.19	0.91	3.01	1.67
2017	0.90	0.77	2.84	2.28

The following table shows the ten largest water and sewer customers of the System for the fiscal year ended December 31, 2017. No independent investigation has been made of, and consequently no representation can be made as to, the stability or financial condition of any of the customers listed below or that such customers will continue to maintain their status as major customers of the water system.

<b>Customer</b>	<b>Type of Business</b>	<b>Gallons Metered (000s)</b>	<b>Annual Water and Sewer Revenue</b>	<b>Revenues as a Percent of Total System Revenues<sup>1</sup></b>
Cornerstone Medical Center	Healthcare	7,983	\$ 119,769	2.37%
Hallmark-Oglethorpe LLC	Apartments	7,936	97,251	1.92%
Battlewood Apartments	Apartments	5,527	84,183	1.66%
American Heritage Apartments	Apartments	4,891	77,256	1.53%
Golf Club of Fort Oglethorpe	Restaurant	2,951	54,517	1.08%
Fort Oglethorpe Nursing Home	Healthcare	2,682	49,849	0.99%
Parkside Operations	Healthcare	2,605	50,946	1.01%
Lake Winnepesaukah	Amusement Park	2,356	30,111	0.60%
Lakeview High School	School	1,614	29,783	0.59%
Rovert, Inc. DBA Pals	Car Wash	1,484	27,393	0.54%
Total		<u>40,029</u>	<u>\$ 621,058</u>	<u>12.34%</u>

<sup>1</sup> Based on total water and sewer revenues of \$5,056,366 for the fiscal year ended December 31, 2017.



**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Comparison of Monthly Bills for Water and Sewer Services**

Set forth below is a comparison of average equivalent monthly residential water and sewer bills of customers of the System and customers of the City of Ringgold and the Catoosa Utility District. The rates shown are for service within City limits for 2,000 gallons of water used.

	<u>Fort Oglethorpe</u>	<u>Ringgold</u>	<u>Catoosa Utility District</u>
Water	\$ 17.49	\$ 14.03	\$ 12.50
Sewer	<u>18.98</u>	<u>15.30</u>	<u>24.67</u>
Total	<u>\$ 36.47</u>	<u>\$ 29.33</u>	<u>\$ 37.17</u>

The city has adjusted its water and sewer rate schedules annually, except for 2015. A summary of the general rate schedule in effect since January 1, 2012, to present is set forth below. The city passed a sewer rate increase in May of 2017 to be effective January 1, 2018.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Inside City Water Rate</u></b>						
<b>Residential</b>						
First 2,000 gal. (min.)	\$ 12.71	\$ 13.35	\$ 16.59	\$ 16.59	\$ 16.66	\$ 17.49
Each additional 1,000 gal.	\$ 3.36	\$ 3.53	\$ 4.37	\$ 4.37	\$ 4.40	\$ 4.62
<b>Commercial</b>						
First 2,000 gal. (min.)	\$ 16.69	\$ 17.52	\$ 21.23	\$ 21.23	\$ 21.87	\$ 22.96
Each additional 1,000 gal.	\$ 6.44	\$ 6.77	\$ 8.31	\$ 8.31	\$ 8.45	\$ 8.87
<b><u>Inside City Sewer Rate</u></b>						
<b>Residential</b>						
First 2,000 gal. (min.)	\$ 13.49	\$ 14.30	\$ 15.28	\$ 15.28	\$ 18.08	\$ 18.98
Each additional 1,000 gal.	\$ 3.51	\$ 3.72	\$ 4.04	\$ 4.04	\$ 4.76	\$ 5.00
<b>Commercial</b>						
First 2,000 gal. (min.)	\$ 17.32	\$ 18.36	\$ 20.06	\$ 20.06	\$ 23.14	\$ 24.30
Each additional 1,000 gal.	\$ 6.75	\$ 7.16	\$ 7.75	\$ 7.75	\$ 9.06	\$ 9.51

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Comparison of Monthly Bills for Water and Sewer Services (continued)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Outside City Sewer Rate</b>						
<b>(Catoosa Utility Water)</b>						
<b>Residential</b>						
First 2,000 gal. (min.)	\$ 17.54	\$ 18.59	\$ 21.57	\$ 21.57	\$ 23.51	\$ 24.67
Each additional 1,000 gal.	\$ 4.56	\$ 4.83	\$ 5.68	\$ 5.68	\$ 6.19	\$ 6.50
<b>Commercial</b>						
First 2,000 gal. (min.)	\$ 22.52	\$ 23.87	\$ 27.60	\$ 27.60	\$ 30.08	\$ 31.59
Each additional 1,000 gal.	\$ 8.78	\$ 9.31	\$ 10.80	\$ 10.80	\$ 11.77	\$ 12.36
<b>Outside City Sewer Rate</b>						
<b>(TN American Water)</b>						
<b>Residential</b>						
First 2,000 gal. (min.)	\$ 17.54	\$ 19.00	\$ 21.98	\$ 21.98	\$ 23.92	\$ 25.08
Each additional 1,000 gal.	\$ 4.56	\$ 4.83	\$ 5.68	\$ 5.68	\$ 6.19	\$ 6.50
<b>Commercial</b>						
First 2,000 gal. (min.)	\$ 21.25	\$ 24.28	\$ 28.01	\$ 28.01	\$ 30.49	\$ 32.00
Each additional 1,000 gal.	\$ 8.25	\$ 9.31	\$ 10.80	\$ 10.80	\$ 11.77	\$ 12.36

On July 17, 2014, the City Council unanimously adopted a resolution, dated as of July 18, 2014, providing for new rates for the water and sewer system. The resolution authorizes a three year annual staged increase of water and sewer rates of 5.0% per annum commencing on July 1, 2014. The resolution additionally provides for additional annual rate increases to (1) compensate for any increase of water or sewer system expense resulting from rate increases by the Tennessee American and Chattanooga; (2) provide for compliance with the bond covenants in the Resolution for the issuance of the Bonds; (3) make provision for the stabilization of annual water and sewer system revenues in the event certain material users of the System experience reductions to annual system usage or payment amounts; (4) make provision for the maintenance and upgrade of the City's underlying credit ratings as assigned by Standard & Poor's Corporation, Moody's Investors Service, or Fitch Rating Services; and (5) provide for the efficient operations of the System by authorizing the periodic adjustment of rates to achieve the referenced objectives, comply with existing bond covenants, and comply with State law.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Five year net assets history**

The table below sets forth a historical statement of net assets for the past five fiscal years of the system.

**City of Fort Oglethorpe**  
**Proprietary Fund – Water and Sewer Fund**  
**Historical Statements of Net Assets**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Current assets</b>					
Cash and cash equivalents	\$ 4,940,422	\$ 7,839,648	\$ 4,134,714	\$ 5,542,195	\$ 6,928,723
Receivables, net of allowance for uncollectibles	529,360	411,901	390,842	489,081	445,188
Interest receivable	-	-	3,876	17,034	22,908
Due from other funds	-	461	20,627	21,206	17,867
Prepaid insurance	<u>62,110</u>	<u>62,232</u>	<u>37,893</u>	<u>16,889</u>	<u>34,718</u>
 Total current assets	 5,531,892	 8,314,242	 4,587,952	 6,086,405	 7,449,404
<b>Long-term assets</b>					
Restricted assets					
Investments in CDs or MM, restricted by bond covenants	1,760,340	2,079,231	3,957,979	2,935,826	2,538,570
Bond interest and sinking funds	849,674	222,548	223,442	222,297	222,638
Capital assets					
Land and other non-depreciable assets	1,295,646	272,459	3,050,775	388,616	718,436
Property, plant and equipment	23,665,992	25,165,159	25,668,078	29,367,974	30,421,566
Accumulated depreciation	(6,759,455)	(7,272,100)	(7,900,629)	(8,586,860)	(9,282,686)
Other assets					
Prepaid bond insurance	<u>211,677</u>	<u>15,587</u>	<u>14,931</u>	<u>14,274</u>	<u>13,618</u>
 Total long-term assets	 <u>21,023,874</u>	 <u>20,482,884</u>	 <u>25,014,576</u>	 <u>24,342,127</u>	 <u>24,632,142</u>
 Total assets	 <u>26,555,766</u>	 <u>28,797,126</u>	 <u>29,602,528</u>	 <u>30,428,532</u>	 <u>32,081,546</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Five year net assets history (continued)**

**City of Fort Oglethorpe**  
**Proprietary Fund – Water and Sewer Fund**  
**Historical Statements of Net Assets**

**Deferred outflows of resources**

Bond issue costs	\$	-	\$ 639,914	\$ 612,970	\$ 586,026	\$ 559,083
Pension related items		-	-	66,969	189,081	157,934
Deferred loss on debt refunding		-	933,686	894,373	855,060	815,747
Total deferred outflows of resources		-	1,573,600	1,574,312	1,630,167	1,532,764

**Current liabilities**

Current maturities of notes and bonds	245,000	475,000	480,000	485,000	490,000
Accounts payable	353,200	132,806	388,194	213,272	888,755
Accrued interest payable	108,685	103,798	103,442	101,042	100,133
Due to other funds	1,761,780	1,395	1,108	909	1,103
Payroll withholdings and accruals	31,999	10,408	7,527	10,002	12,514
Compensated absences	35,215	44,597	46,107	45,848	47,316
Customer deposits	157,316	161,524	166,165	172,385	176,975
Total current liabilities	2,693,195	929,528	1,192,543	1,028,458	1,716,796

**Long-term liabilities**

Bonds payable, net of current portion	9,725,000	14,408,689	13,927,270	13,440,852	12,949,433
Net pension liability	-	-	351,520	487,849	439,496
Total long-term liabilities	9,725,000	14,408,689	14,278,790	13,928,701	13,388,929
Total liabilities	12,418,195	15,338,217	15,471,333	14,957,159	15,105,725

**Deferred inflows of resources**

Pension related items	-	-	43,622	23,739	72,970
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**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Five year net assets history (continued)**

**City of Fort Oglethorpe**  
**Proprietary Fund – Water and Sewer Fund**  
**Historical Statements of Net Assets**

**Net position**

Net investment in capital assets	8,232,183	3,281,829	6,410,954	7,243,878	8,417,883
Restricted for debt service	-	-	223,442	222,297	222,638
Unrestricted	<u>5,905,388</u>	<u>11,750,680</u>	<u>9,027,489</u>	<u>9,611,626</u>	<u>9,795,094</u>
 Total net position	 <u>\$14,137,571</u>	 <u>\$15,032,509</u>	 <u>\$15,661,885</u>	 <u>\$17,077,801</u>	 <u>\$18,435,615</u>

**Five Year Operating History**

The table below sets forth a historical, comparative summary of revenues and expenses for the past five fiscal years of the System. Information in the table for fiscal years 2013 to 2017 has been extracted from the “City of Fort Oglethorpe, Georgia, Proprietary Fund - Water and Sewer Fund, Statement of Revenues, Expenses and Changes in Net Position,” contained within the financial statements of the City for the fiscal years ended December 31, 2013, to December 31, 2017. Although taken from audited financial statements for fiscal years 2013 through 2017, no representation is made that the information is comparable from year to year, or that the information as shown, taken by itself, presents fairly the results of operation of the individual systems or the System for the fiscal years shown. For more complete information, reference is made to the audited financial statement of the City for fiscal year 2017, and to the audited financial statements of the City for fiscal years 2013 through 2016, copies of which are available from the City upon request.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Operating revenues</b>					
Water sales	\$ 1,201,607	\$ 1,305,264	\$ 1,380,027	\$ 1,500,849	\$ 1,517,640
Sewer charges	2,620,587	2,929,795	3,179,143	3,464,498	3,538,924
Water and sewer taps	25,998	73,000	52,550	99,955	61,400
Meter and reconnect fees	30,655	30,177	26,650	37,465	36,505
Federal financial asst.	125,234	-	-	-	-
Other	<u>76,233</u>	<u>100,935</u>	<u>141,992</u>	<u>69,769</u>	<u>78,722</u>
 Total revenues	 <u>4,080,314</u>	 <u>4,439,171</u>	 <u>4,780,362</u>	 <u>5,172,536</u>	 <u>5,233,191</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Five Year Operating History (continued)**

**City of Fort Oglethorpe**  
**Water and Sewer Fund**  
**Historical Statement of Revenues,**  
**Expenses, and Changes in Net Assets**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Operating expenses</b>					
Depreciation and amortization	591,853	852,259	695,440	753,144	803,748
General operating expense	<u>3,178,001</u>	<u>3,282,511</u>	<u>3,193,052</u>	<u>3,375,321</u>	<u>3,707,545</u>
Total expenses	<u>3,769,854</u>	<u>4,134,770</u>	<u>3,888,492</u>	<u>4,128,465</u>	<u>4,511,293</u>
Operating income	<u>310,460</u>	<u>304,401</u>	<u>891,870</u>	<u>1,044,071</u>	<u>721,898</u>
<b>Non-operating revenue (expense)</b>					
Interest revenue	43,649	8,372	10,658	23,260	37,921
Interest expense	<u>(438,339)</u>	<u>(243,701)</u>	<u>(414,836)</u>	<u>(411,367)</u>	<u>(403,258)</u>
Total non-operating revenue (expense)	<u>(394,690)</u>	<u>(235,329)</u>	<u>(404,178)</u>	<u>(388,107)</u>	<u>(365,337)</u>
Income (loss) before operating transfers	(84,230)	69,072	487,692	655,964	356,561
Transfers from other funds	<u>1,142,754</u>	<u>825,866</u>	<u>500,970</u>	<u>759,952</u>	<u>1,001,253</u>
Change in net position	<u>1,058,524</u>	<u>894,938</u>	<u>988,662</u>	<u>1,415,916</u>	<u>1,357,814</u>
<b>Net position</b>					
Beginning	13,079,047	14,137,571	15,032,509	15,661,885	17,077,801
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(359,286)</u>	<u>-</u>	<u>-</u>
Beginning, as restated	<u>13,079,047</u>	<u>14,137,571</u>	<u>14,673,223</u>	<u>15,661,885</u>	<u>17,077,801</u>
Ending	<u>\$14,137,571</u>	<u>\$15,032,509</u>	<u>\$15,661,885</u>	<u>\$17,077,801</u>	<u>\$18,435,615</u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Debt service schedule**

Set forth below are the principal and interest payment requirements of the City with respect to the Bonds.

<b>FYE (December 31)</b>	<b>Principal of the Bonds</b>	<b>Interest on the Bonds</b>	<b>Total Debt Service</b>
2017	485,000.00	404,167.50	889,167.50
2018	490,000.00	400,530.00	890,530.00
2019	500,000.00	390,730.00	890,730.00
2020	510,000.00	383,730.00	893,730.00
2021	520,000.00	373,530.00	893,530.00
2022	530,000.00	363,130.00	893,130.00
2023	540,000.00	351,205.00	891,205.00
2024	555,000.00	338,245.00	893,245.00
2025	565,000.00	324,370.00	889,370.00
2026	580,000.00	309,115.00	889,115.00
2027	600,000.00	292,875.00	892,875.00
2028	615,000.00	274,875.00	889,875.00
2029	635,000.00	256,425.00	891,425.00
2030	655,000.00	236,422.50	891,422.50
2031	675,000.00	215,135.00	890,135.00
2032	700,000.00	192,860.00	892,860.00
2033	725,000.00	169,060.00	894,060.00
2034	745,000.00	144,047.50	889,047.50
2035	775,000.00	117,972.50	892,972.50
2036	800,000.00	90,460.00	890,460.00
2037	830,000.00	61,660.00	891,660.00
2038	865,000.00	31,572.50	896,572.50
	<u>\$ 13,895,000.00</u>	<u>\$ 5,722,117.50</u>	<u>\$ 19,617,117.50</u>

**Historical and Pro-forma Debt Service Coverage Ratios**

The Net Revenues of the System will be pledged to the payment of the Bonds. Set forth below are historical and pro-forma debt service coverage ratios. The historical figures are based upon Net Revenues of the System available for Debt Service that occurred during fiscal year 2009 through fiscal year 2017. The pro-forma figures are based upon the financial forecast of the System's net revenues for fiscal year 2018.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

Historical and Pro-forma Debt Service Coverage Ratios (continued)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Operating revenues	\$ 2,919,305	\$ 3,410,754	\$ 3,820,205	\$ 3,906,402	\$ 4,080,314
Operating expenses	(2,744,693)	(2,802,495)	(2,958,587)	(3,089,447)	(3,178,001)
Interest earnings	32,799	152,294	112,343	93,800	43,649
Transfer revenues	<u>2,765,852</u>	<u>1,594,582</u>	<u>726,029</u>	<u>1,353,597</u>	<u>1,142,754</u>
RADS with transfers	<u>\$ 2,973,263</u>	<u>\$ 2,355,135</u>	<u>\$ 1,699,990</u>	<u>\$ 2,264,352</u>	<u>\$ 2,088,716</u>
RADS without transfers	<u>\$ 207,411</u>	<u>\$ 760,553</u>	<u>\$ 973,961</u>	<u>\$ 910,755</u>	<u>\$ 945,962</u>
Annual debt service	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000	\$ 675,000
DSCR with transfers	4.40	3.49	2.52	3.35	3.09
DSCR without transfers	0.31	1.13	1.44	1.35	1.40
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating revenues	\$ 4,439,171	\$ 4,780,362	\$ 5,172,536	\$ 5,233,191	\$ 5,786,646
Operating expenses	(4,134,770)	(3,193,052)	(3,375,321)	(3,707,545)	(3,684,174)
Interest earnings	8,372	10,658	23,260	37,921	45,876
Transfer revenues	<u>825,866</u>	<u>500,970</u>	<u>759,952</u>	<u>1,001,253</u>	<u>1,156,494</u>
RADS with transfers	<u>\$ 1,138,639</u>	<u>\$ 2,098,938</u>	<u>\$ 2,580,427</u>	<u>\$ 2,564,820</u>	<u>\$ 3,304,842</u>
RADS without transfers	<u>\$ 312,773</u>	<u>\$ 1,597,968</u>	<u>\$ 1,820,475</u>	<u>\$ 1,563,567</u>	<u>\$ 2,148,347</u>
Annual debt service	\$ 551,217	\$ 890,193	\$ 893,768	\$ 899,168	\$ 890,730
DSCR with transfers	2.07	2.36	2.89	2.85	3.71
DSCR without transfers	0.57	1.80	2.04	1.74	2.41

Note: Current State law does not permit the pledging of one percent special purpose county sales and use tax ("SPLOST") transfers to the repayment of revenue bonds. However, the 2013 SPLOST Agreement, hereinafter defined, provides for certain improvements to the System and the retirement of certain debt of the System to be paid from proceeds of the SPLOST. See "THE CITY OF FORT OGLETHORPE - County Special Purpose Local Option Sales Tax," herein. The City has set user rates to provide for the repayment of debt service assuming the receipt of zero SPLOST transfers. The Debt Service Coverage calculations contained in this Official Statement demonstrate debt service coverage which correctly demonstrates operating revenues plus transfers in the calculation of revenues available for debt service and historical and *pro forma* debt service coverage ratios. The table above contains historical and *pro forma* debt service coverage calculations which assume the receipt of zero SPLOST transfers. See also "Management Comments Concerning Material Trends in Revenues and Expenditures" herein.

The financial forecast set forth above is based solely upon assumptions made by the City, including, without limitation, assumptions as to rates for the services provided by the system, stability and growth of the customer base, and operating expenses. There is no assurance that actual events will correspond with such assumptions, that uncontrollable factors will not affect such assumptions, or that the forecasted results will be achieved by economic conditions and other uncontrollable factors and is dependent upon the occurrence of future events which cannot.

Be assured, thus, the actual results achieved may vary from those forecasted above, and such variations could have an adverse effect upon the system's net revenues available for debt service.



**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Operating Budget of the System**

The staff of the System prepares an annual operating budget for the System for management control purposes. The staff of the System uses the cash basis of accounting in its annual operating budget for the System, which is not consistent with the basis of accounting used in the System's financial statements and which is not consistent with generally accepted accounting principles. The System's operating budget does provide for actual anticipated depreciation results for the year budgeted.

Set forth below is a summary of the City's operating budget for its Water and Sewer Revenue Fund for the fiscal year ending December 31, 2017. The budget is based upon certain assumptions and estimates of the City's management regarding future events, transactions, and circumstances. Realizations of the results projected in this budget will depend upon implementation by management of policies and procedures consistent with the assumptions. Accordingly, the actual results achieved could materially vary from those projected in the budget shown.

**City of Fort Oglethorpe**  
**Water and Sewer Fund**  
**Fiscal Year Ending December 31, 2017**

<b>Reserve Funds</b>	\$ 76,850
<b>Operating revenues</b>	
Customer charges	4,964,709
Tap fees	71,000
Meter installations	4,500
Penalties	74,500
Interest income	17,000
Miscellaneous	<u>1,433</u>
 Total operating revenues	 <u><u>\$ 5,209,992</u></u>
 <b>Operating expenses</b>	
Water/sewer administration	\$ 1,361,645
Sewer operations	2,660,183
Sewer lift station maintenance	75,927
Water operations	928,394
Contingencies	86,790
Maintenance and shop	<u>97,053</u>
 Total operating expenses	 <u><u>\$ 5,209,992</u></u>

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Government Format and Principal Officials**

The City is governed by a City Council composed of a Mayor and five council members. Members of the City Council are elected from five numbered posts in the City's single election district. Candidates for City Council must have been a City resident for 12 months prior to the date of election and must designate the post from which election is sought. The members of the City Council serve staggered four-year terms. The Mayor is the chief elected officer of the City. The Mayor presides at all City Council meetings and has the right to take part in deliberations, but cannot vote on any question except in case of a tie. Information regarding the Mayor and current City Council members as of December 31, 2017, is as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>	<u>Years on Council</u>
Earl Gray, <i>Mayor</i>	December 31, 2019	Retail	7 years
Craig Crawford	December 31, 2021	Plumber	4 years
Derek Rogers	December 31, 2019	Web Design	3.8 years
Jim Childs	December 31, 2021	Retired	2 years
Paula Stinnett	December 31, 2021	Teacher	4 years
Rhonda James	December 31, 2019	Finance	2 years

The City Council appoints a City Manager. The City Manager is the chief executive and administrative officer of the City and has the responsibilities and duties, among other things, to (i) generally appoint and remove all City employees and administrative officers, (ii) direct and supervise all departments and divisions of the City, (iii) enforce all laws and ordinances of the City, and (iv) prepare and submit an annual operating budget to the City Council. Currently, the City Manager is Jennifer Payne-Simpkins. Jennifer Payne-Simpkins has served as City Manager since February 2017. Prior to this appointment, she has served in various administrative capacities for Gwinnett County and the city of Savannah, Georgia. She received a Masters Degree in Public Administration from the University of North Carolina at Wilmington in 2006.

**Employee Benefits**

The City's pension plan (the "**Plan**") is a noncontributory defined benefit pension plan covering all full-time employees. The Plan is administered by the Georgia Municipal Employees Benefits System ("**GMEBS**"), a statewide, agent multiple-employer type plan. GMEBS handles all administrative and investment functions relative to the Plan. Benefits are fully vested after five years of service.

Participants become eligible to retire at age 55, with 10 years of participation in the Plan or at age 65, with five years of participation in the Plan. Participating employees are not required to contribute to the Plan. The City is required to contribute 100% of the amounts necessary to fund the Plan at an actuarially determined rate. The current rate is 13.92% of annual covered payroll. Benefit provisions are established and amended by the authority of the City's governing body. The GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Georgia Municipal Association, Risk Management and Employees Benefit Services, 201 Prior Street, SW, Atlanta, Georgia 30303.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Employee Benefits (continued)**

The City's policy is to contribute the actuarially determined amount as recommended by GMEBS. The board of trustees of GMEBS has adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The annual recommended contribution is the sum of (i) the normal cost; (ii) the level dollar amortization of the unfunded actuarial accrued liability (initial unfunded actuarial accrued liability over 30 years from 1981 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods from the end of the year during which such changes arise); and (iii) interest on these amounts from the valuation date to the date contributions are paid (assumed monthly).

For the fiscal year ended December 31, 2017, the City's annual pension cost was \$411,451, which was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2016 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions include (a) 7.75% investment rate of return, (b) 3.50% projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for the 2016 Plan year.

The chart below shows the annual pension cost for the current year and the prior four years along with the percentage actually contributed by the City:

<b>Fiscal Year Ended December 31</b>	<b>Annual of Pension Cost ("APC")</b>	<b>Percentage APC Contributed</b>	<b>Net Pension Obligation</b>
2013	\$ 365,499	100%	\$ -
2014	\$ 378,098	100%	\$ -
2015	\$ 396,236	100%	\$ -
2016	\$ 421,942	100%	\$ -
2017	\$ 411,451	100%	\$ -

As of July 1, 2017, the most recent actuarial valuation date, the funded status of the Plan for the last four years was as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Accrued Liability (AAL)</b>	<b>Actuarial Unfunded/ (Surplus) AAL (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>UALL as a % of Covered Payroll</b>
July 1, 2017	\$ 6,902,725	\$ 7,977,184	\$ 1,074,459	\$ 2,967,249	36.21%
July 1, 2016	\$ 6,395,648	\$ 7,694,132	\$ 1,298,484	\$ 2,908,780	44.64%
July 1, 2015	\$ 5,904,222	\$ 7,148,570	\$ 1,244,348	\$ 2,982,861	41.72%
July 1, 2014	\$ 5,405,000	\$ 6,822,000	\$ 1,417,000	\$ 2,924,000	48.45%

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Insurance coverage**

The City is exposed to various risks of losses 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 from State National Insurance for its risk related to the above losses. The risks covered by commercial insurance include general liability, errors and omissions, and property and casualty losses, with a minor deductible payable by the City.

Type	Amount in Force	
Property		
Buildings & Business Personal Property	\$	24,151,741
Electronic Data Processing Equipment	\$	250,000
Business Income and Extra Expense	\$	500,000
Contractor's Equipment	\$	2,058,841
Automobile ACV	100 Units/\$1,000 ded.	

Type	Limits of Liability	
	Each Occurrence	Annual Aggregate
Casualty		
Commercial General Liability	\$ 1,000,000	\$ 3,000,000
Law Enforcement	\$ 1,000,000	\$ 3,000,000
Public Entity Employment Related	\$ 1,000,000	\$ 3,000,000
Public Entity Management Liability	\$ 1,000,000	\$ 3,000,000
Automobile Liability		\$ 1,000,000
Employee Benefits Liability	\$ 1,000,000	\$ 3,000,000
Cyber Coverage	\$ 1,000,000	\$ 1,000,000
Excess Liability	\$ 5,000,000	\$ 5,000,000
Crime		
Employee Theft	\$ 250,000	
Excess Theft	\$ 250,000	

Settled claims have not exceeded coverage for the past three fiscal years. Deductibles for which the City was responsible amounted to \$2,059, \$15,051 and \$2,508 per year for the same three years, respectively. The City pays unemployment claims to the Georgia Department of Labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

The City also manages its risk of loss related to injuries to employees through the purchase of Bitco commercial workers' compensation insurance. Payment of eligible claims is based on statutory requirements and the City has no deductible in connection with claims paid.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Chattanooga, TN-GA Metro Statistical Area – Largest Employers**

Set forth below are the largest employers located in the MSA, their type of service, and their approximate number of employees. There can be no assurance that any employer listed below will continue employment at the level stated. No independent investigation has been made of, and no representation can be made as to, the stability or financial condition of the companies listed.

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
Erlanger Health System	Hospital	7,628
BlueCross BlueShield of TN	Health Care Financing	6,083
Hamilton County Department of Education	School System	4,558
Tennessee Valley Authority	Utility-Electric Service	3,402
McKee Foods	Mfr. Cakes & Cookies	3,000
CHI Memorial	Health Care	2,869
Unum	Insurance	2,800
Volkswagen Chattanooga	Auto Manufacturing	2,444
City of Chattanooga	Government	2,282
Amazon	Distribution Center	1,955

Source: Chattanooga Chamber of Commerce website, [www.chattanooga-chamber.com](http://www.chattanooga-chamber.com), as of December 31, 2017.

**Civilian employment statistics of Catoosa County**

Employment includes nonagricultural wage and salary employment, self-employed, unpaid family and private household workers, and agricultural workers. Persons in labor disputes are counted as employed. The use of rounded data does not imply that the numbers are exact. U.S. estimates are unadjusted.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employment	32,029	29,124	29,729	30,836	32,136
Unemployment	<u>2,079</u>	<u>1,932</u>	<u>1,509</u>	<u>1,525</u>	<u>1,216</u>
Total	<u>34,108</u>	<u>31,056</u>	<u>31,238</u>	<u>32,361</u>	<u>33,352</u>
County Unemployment Rate	6.1%	6.2%	4.8%	4.7%	3.6%
State Unemployment Rate	8.2%	7.2%	5.5%	5.4%	4.4%
U.S. Unemployment Rate	7.4%	6.2%	5.0%	4.7%	4.1%

Source: State of Georgia, Department of Labor, Labor Information Systems, and U.S. Department of Labor, Bureau of Labor Statistics.

**Special local option sales tax**

Although SPLOST proceeds are not directly pledged for the payment of the Bonds, the City intends to utilize SPLOST revenues collected pursuant to the 2013 SPLOST Agreement, together with revenues of the System to pay the principal and interest associated with the Bonds.

**CITY OF FORT OGLETHORPE, GEORGIA**  
**STATISTICAL SECTION**  
**DECEMBER 31, 2017**

**Special local option sales tax (continued)**

The following table shows the history of SPLOST revenue collected by the City:

**City of Fort Oglethorpe, Georgia**  
**Special Local Option Sales Tax Monthly Collection History**  
**Fiscal Years Ended December 31**

<u>Month</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
January	\$ 109,431	\$ 105,343	\$ 109,393	\$ 112,525	\$ 113,951
February	78,396	86,933	87,167	83,262	88,248
March	105,900	90,790	88,311	90,378	86,669
April	104,980	98,137	97,904	98,376	96,469
May	91,426	94,002	93,433	92,736	94,207
June	95,073	97,558	99,382	94,058	99,078
July	91,783	97,290	100,943	101,155	102,679
August	88,335	95,862	100,439	96,293	105,284
September	97,554	92,091	99,768	96,726	100,669
October	91,182	92,910	98,404	85,333	100,453
November	91,439	88,320	95,537	93,274	97,414
December	92,927	100,162	101,543	96,204	100,775
	<u>\$ 1,138,426</u>	<u>\$ 1,139,398</u>	<u>\$ 1,172,224</u>	<u>\$ 1,140,320</u>	<u>\$ 1,185,896</u>

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

**To the Mayor and City Council  
City of Fort Oglethorpe, 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 Oglethorpe, Georgia as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Fort Oglethorpe, Georgia's basic financial statements, and have issued our report thereon dated May 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fort Oglethorpe, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fort Oglethorpe, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Oglethorpe, Georgia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fort Oglethorpe, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-1.

## **City of Fort Oglethorpe, Georgia's Response to Findings**

The City of Fort Oglethorpe, Georgia's response to the finding indicated in our audit is described in the accompanying schedule of findings and responses. City of Fort Oglethorpe, 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. The 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.

*Johnson, Wickey & Menckem, P.C.*

May 4, 2018  
Chattanooga, Tennessee

**CITY OF FORT OGLETHORPE, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS***

**Current Year Findings**

**2017-1 Noncompliance with State Law**

**Condition**

Georgia State law requires that sales of municipal property be sold to the highest bidder, either by sealed bids or by auction after due notice has been given. The governing authority of the municipal corporation shall cause notice to be published once in the office legal organ of the county in which the municipality is located or in a newspaper of general circulation in the community, not less than 15 days nor more than 60 days preceding the day of the auction or, if the sale is by sealed bids, preceding the last day for the receipt of proposals.

**Criteria**

The City sold municipal equipment without proper advertising and without a bid process.

**Effect**

Sales of equipment could be misappropriated.

**Recommendation**

All sales of City property and equipment should follow the advertising and bid procedures as outlined by State of Georgia law.

**Views of the Responsible Officials**

On February 8, 2017, the Mayor authorized the sale of surplus municipal property including one gas stove, one two-door Hobart cooler, one dishwasher with drain boards, one walk-in cooler, and one walk-in freezer for \$1,000.00 to Sam's Discount Restaurant Equipment. This sale took place without proper notice in the official legal organ of the county. There are no records to demonstrate that other vendors had the opportunity to bid on the equipment. On February 20, 2017, a city manager was hired by the Mayor and City Council of the City of Fort Oglethorpe. A process is in place to ensure that all sales of surplus property are advertised properly and sold to the highest bidder in accordance with state law.

**Prior Year Findings**

None

**SPECIAL LOCAL OPTION  
SALES TAX**

## INDEPENDENT AUDITORS' REPORT ON SPECIAL 1 PERCENT SALES AND USE TAX

To the Mayor and City Council  
City of Fort Oglethorpe, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Fort Oglethorpe, Georgia for the year ended December 31, 2017, and have issued our report thereon dated May 4, 2018. We have also audited the accompanying schedule of the City's projects constructed with special local option sales tax funds, for the year ended December 31, 2017. This schedule is the responsibility of the management of the City. Our responsibility is to express an opinion on the schedule based on our audit.

Specific projects allowed to be expended with Catoosa County funds have been identified in resolutions dated June 17, 2008 and January 15, 2013, which approved the intergovernmental agreements allowing the imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. Specific projects allowed to be expended with Walker County funds have been identified in intergovernmental agreements dated January 1, 1998, October 1, 2008, and August 1, 2013 which approved the imposition of the special sales and use tax authorized by Section 48-8-110 OCGA.

We conducted our audit of the schedule in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of the City's projects constructed with special local option sales tax funds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of the City's projects constructed with special local option sales tax funds, as referred to above, presents fairly, in all material respects, the amounts of projects constructed with proceeds from the City's allocation of special local option sales tax for the year ended December 31, 2017, on the modified accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Mayor, City Council, management, others within the organization, and state regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Johnson, Hickey & Murchison, P.C.*

May 4, 2018  
Chattanooga, Tennessee

**CITY OF FORT OGLETHORPE, GEORGIA  
SCHEDULE OF PROJECTS CONSTRUCTED  
WITH SPECIAL SALES TAX PROCEEDS  
YEAR ENDED DECEMBER 31, 2017**

PROJECT	ORIGINAL	REALLO- CATIONS	REVISED	EXPENDITURES			PERCENTAGE
	ESTIMATED COST		ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	OF COMPLETION
Catoosa County							
2009 Cycle							
Debt reduction sewer bonds	3,395,245	-	3,395,245	3,188,094	-	3,188,094	94%
Lease payments on public safety vehicles	516,011	-	516,011	579,128	-	579,128	112%
Streets and trails	700,000	322,402	1,022,402	1,022,402	-	1,022,402	100%
Building improvements	2,000,000	(322,402)	1,677,598	884,436	-	884,436	53%
GIS and IT projects	350,000	-	350,000	19,813	-	19,813	6%
Vehicles and equipment	150,744	-	150,744	106,689	-	106,689	71%
2014 Cycle							
Debt reduction sewer bonds	1,993,355	-	1,993,355	1,200,854	386,250	1,587,104	80%
Lease payments on public safety vehicles	523,505	-	523,505	309,686	154,843	464,529	89%
Streets and trails	50,000	-	50,000	-	-	-	0%
Recreation projects	250,000	-	250,000	-	-	-	0%
Building improvements	1,000,000	-	1,000,000	-	702,518	702,518	70%
Water and sewer projects	2,533,140	-	2,533,140	-	-	-	0%
Vehicles and equipment	800,000	-	800,000	272,393	203,777	476,170	60%
Walker County							
1998 Cycle							
Bike/pedestrian trail	97,500	(9,167)	88,333	28,005	-	28,005	32%
2008 Cycle							
Street, bridge, and sidewalk improvements, equipment, and other capital projects	148,500	(20,748)	127,752	65,018	-	65,018	51%
Public safety equipment	-	20,748	20,748	20,748	-	20,748	100%
2013 Cycle							
Street, bridge, and sidewalk improvements, equipment, and other capital projects	74,871	-	74,871	65,548	-	65,548	88%
	\$ 14,582,871	\$ (9,167)	\$ 14,573,704	\$ 7,762,814	\$ 1,447,388	\$ 9,210,202	

**Reconciliation of current year expenditures**

Total capital projects expenditures	1,061,138
Capital projects for water and sewer fund	<u>386,250</u>
	<u>\$ 1,447,388</u>

