

CITY OF BLAKELY, GEORGIA

**Financial Statements and
Supplemental Information**
For the year ended December 31, 2016

And
Auditor's Report

City of Blakely, Georgia

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City of Blakely, Georgia

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Geer & Associates

Certified Public Accountants, P.C.

Independent Auditors' Report

Mayor and Council Members
City of Blakely
Blakely, Georgia

Mayor and Council Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Blakely, Georgia, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Blakely, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Blakely Georgia, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require the budgetary comparison information (pages 36-43) 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 Blakely, Georgia's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional combining, individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the City of Blakely, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City of Blakely, Georgia's internal control over financial reporting and compliance.

Respectfully submitted,

Geer & Associates

Geer & Associates
Albany, Georgia
June 27, 2017

CITY OF BLAKELY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash, including time deposits	\$ 522,142	\$ 1,023,015	\$ 1,545,157
Investments	-	4,910,147	4,910,147
Accounts receivable	78,491	1,488,488	1,566,979
Due from other governments	-	-	-
Inventory	35,919	256,460	292,379
Prepays	-	1,522	1,522
Property tax receivable	205,068	-	205,068
Total current assets	<u>841,620</u>	<u>7,679,632</u>	<u>8,521,252</u>
Noncurrent assets			
Restricted assets:			
Cash	-	-	-
Land	132,719	15,707	148,426
Capital assets (net)	1,199,524	13,761,476	14,961,000
Total noncurrent assets	<u>1,332,243</u>	<u>13,777,183</u>	<u>15,109,426</u>
Total assets	<u>2,173,863</u>	<u>21,456,815</u>	<u>23,630,678</u>
Deferred outflows of resources			
	<u>303,260</u>	<u>-</u>	<u>303,260</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Accounts payable	86,846	1,455,169	1,542,015
Customer deposits	-	344,559	344,559
Landfill postclosure, current portion	-	-	-
Debt and lease payable, current portion	-	29,580	29,580
Bonds payable	-	370,000	370,000
Total current liabilities	<u>86,846</u>	<u>2,199,308</u>	<u>2,286,154</u>
Noncurrent liabilities			
Compensated absences	84,356	88,653	173,009
Landfill postclosure	-	-	-
Net pension liability	1,943,671	-	1,943,671
Debt and lease payable, less current portion	-	276,838	276,838
Bonds payable	-	6,145,000	6,145,000
Total noncurrent liabilities	<u>2,028,027</u>	<u>6,510,491</u>	<u>8,538,518</u>
Total liabilities	<u>2,114,873</u>	<u>8,709,799</u>	<u>10,824,672</u>
Deferred inflows of resources			
	<u>81,165</u>	<u>-</u>	<u>81,165</u>
NET POSITION			
Net investment in capital assets	1,027,276	8,412,683	9,439,959
Restricted for:			
Capital projects	238,268	-	238,268
Unrestricted	(984,459)	4,334,333	3,349,874
Total net position	<u>\$ 281,085</u>	<u>\$ 12,747,016</u>	<u>\$ 13,028,101</u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Functions/Program	Expenses	Program Revenues			Primary Government		Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Government Activities Net	Business-type Activities Net	Government Activities Net
					(Expense)/ Revenue	(Expense)/ Revenue	(Expense)/ Revenue
PRIMARY GOVERNMENT:							
Governmental Activities							
General government	\$ 1,951,815	\$ 396,118	\$ -	\$ -	\$ (1,555,697)		\$ (1,555,697)
Public works	618,832	-	-	-	(618,832)		(618,832)
Public safety	1,099,780	131,585	-	263,096	(705,099)		(705,099)
Interest	-	-	-	-	-		-
Total general government	<u>\$ 3,670,427</u>	<u>\$ 527,703</u>	<u>\$ -</u>	<u>\$ 263,096</u>	<u>(2,879,628)</u>		<u>(2,879,628)</u>
BUSINESS-TYPE ACTIVITIES							
Water & Sewer	\$ 1,588,107	\$ 1,586,755	\$ -	\$ -		\$ (1,352)	\$ (1,352)
Electric	7,818,349	9,483,702	-	-		1,665,353	1,665,353
Gas	947,659	1,139,873	-	-		192,214	192,214
Sanitation	1,097,694	1,185,511	-	-		87,817	87,817
Telecommunication	409,620	215,905	-	-		(193,715)	(193,715)
Total business-type activities	<u>\$ 11,861,429</u>	<u>\$ 13,611,746</u>	<u>\$ -</u>	<u>\$ -</u>		<u>1,750,317</u>	<u>1,750,317</u>
Net (expense)/revenue					\$ (2,879,628)	\$ 1,750,317	\$ (1,129,311)
General revenues							
Property taxes					584,853	-	584,853
Franchise taxes					290,915	-	290,915
Local option sales tax					430,901	-	430,901
Special purpose local option tax					323,034	-	323,034
Insurance premium tax					316,315	-	316,315
Interest and investment revenue					3,396	77,032	80,428
Miscellaneous Income					458,321	168,369	626,690
Transfers					1,279,114	(1,279,114)	-
Total general revenues and transfers					<u>3,686,849</u>	<u>(1,033,713)</u>	<u>2,653,136</u>
Changes in net position					807,221	716,604	1,523,825
Net position--beginning					2,735,662	12,521,374	15,257,036
Prior period adjustment					(3,261,798)	(490,962)	(3,752,760)
Net position--ending					<u>\$ 281,085</u>	<u>\$ 12,747,016</u>	<u>\$ 13,028,101</u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Splst Capital Improvement Project Fund	E-911 Special Revenue Fund	Hotel/Motel Tax Fund	Non-Major Fund	Total Funds
ASSETS						
Cash, including time deposits	\$ 336,084	\$ 186,058	\$ -	\$ -	\$ -	\$ 522,142
Accounts receivable	61,415	-	17,076	-	-	78,491
Taxes receivable	147,242	57,826	-	-	-	205,068
Inventory	35,919	-	-	-	-	35,919
Prepaid	-	-	-	-	-	-
Restricted assets- cash	-	-	-	-	-	-
Total assets	\$ 580,660	\$ 243,884	\$ 17,076	\$ -	\$ -	\$ 841,620
LIABILITIES						
Accounts payable	\$ 74,011	\$ 5,616	\$ 7,219	\$ -	\$ -	\$ 86,846
Total liabilities	74,011	5,616	7,219	-	-	86,846
DEFERRED INFLOW OF RESOURCES						
Unavailable revenue- taxes	30,791	-	-	-	-	30,791
	<u>30,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,791</u>
FUND BALANCES						
Unassigned	475,630	-	-	-	-	475,630
Nonspendable	-	-	-	-	-	-
Restricted for:						
Splst capital improvements	-	238,268	9,857	-	-	248,125
Total fund balances	475,630	238,268	9,857	-	-	723,755
Total liabilities and fund balances	\$ 580,432	\$ 243,884	\$ 17,076	\$ -	\$ -	\$ 841,392
Total Fund Balance						\$ 723,983
 Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,303,908						1,332,243
Deferred outflows of resources						303,260
 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:						
Deferred taxes						30,791
Net pension liability						(1,943,671)
Compensated absences						(84,356)
Deferred inflows of resources						(81,165)
Net position of governmental activities						<u>\$ 281,085</u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	General Fund	Splst Capital Improvement Fund	E-911 Special Revenue Fund	Hotel/Motel Tax Fund	CDBG Grant Fund	Total
REVENUES						
Taxes	\$ 1,622,984	\$ 323,034	\$ -	\$ 34,083	\$ -	\$ 1,980,101
Charges for services	396,132	-	88,832	-	-	484,964
Grant	263,096	-	-	-	10,000	273,096
Interest	2,971	425	-	-	-	3,396
Miscellaneous	414,238	-	-	-	-	414,238
Total revenues	<u>2,699,421</u>	<u>323,459</u>	<u>88,832</u>	<u>34,083</u>	<u>10,000</u>	<u>3,111,712</u>
XPENDITURES						
Current expenditures:						
General government	2,038,445	273,179	-	-	-	2,311,624
Public safety	818,742	-	281,038	-	10,000	1,109,780
Public works	618,832	-	-	-	-	618,832
Recreation	-	-	-	31,088	-	31,088
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>3,476,019</u>	<u>-</u>	<u>281,038</u>	<u>31,088</u>	<u>10,000</u>	<u>3,757,057</u>
Excess (deficiency) of revenue/expenditures	(776,598)	323,459	(192,206)	2,995	-	(642,350)
OTHER FINANCING SOURCES (USES)						
Transfers	1,077,051	-	202,063	(2,995)	-	1,276,119
Total other financing sources (uses)	<u>716,233</u>	<u>(273,179)</u>	<u>202,063</u>	<u>-</u>	<u>-</u>	<u>645,117</u>
Net change in fund balances	(60,365)	50,280	9,857	-	-	(228)
Fund balance, beginning	535,995	187,988	-	-	-	723,983
Prior Period Adjustment	(360,818)	-	-	-	-	(360,818)
Fund balance, ending	<u>\$ 475,630</u>	<u>\$ 238,268</u>	<u>\$ 9,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 723,755</u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

Reconciliation of the change in fund balances--total governmental funds
to the change in net position of governmental activities:

Net change in fund balances--total governmental funds	\$ (228)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	935,965
Depreciation expense	<u>(124,699)</u>
	<u>811,266</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:	
Note obligation principal payments	-
Deferred taxes	28
Compensated absences	<u>(3,845)</u>
	<u>(3,817)</u>
Changes in Net Position of Governmental Activities	<u><u>\$ 807,221</u></u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
 COMBINING STATEMENT OF NET POSITION
 ALL PROPRIETARY FUND TYPES
 DECEMBER 31, 2016

	Water and Sewer	Electric	Gas Fund	Sanitation	Telecommunication	Combined
	Enterprise Fund	Enterprise Fund	Enterprise Fund	Fund	Fund	Total
Assets and Deferred Outflows of Resources						
Current assets:						
Cash	\$ 770,665	\$ -	\$ -	\$ -	\$ 252,350	\$ 1,023,015
Investments	-	4,910,147	-	-	-	4,910,147
Accounts Receivable (net)	263,371	766,452	265,891	192,774	-	1,488,488
Prepaid Insurance	-	-	1,522	-	-	1,522
Inventory	67,653	159,796	11,379	17,632	-	256,460
Noncurrent assets:						
Land	2,500	2,000	-	11,207	-	15,707
Capital assets, net of depreciation	11,488,719	439,094	203,336	212,162	1,418,165	13,761,476
Total assets	<u>12,592,908</u>	<u>6,277,489</u>	<u>482,128</u>	<u>433,775</u>	<u>1,670,515</u>	<u>21,456,815</u>
Deferred Outflows	-	-	-	-	-	-
Liabilities and Deferred Inflows of Resources						
Current liabilities:						
Accounts Payable	56,733	687,445	88,758	56,643	565,590	1,455,169
Customer deposits	97,452	203,957	43,150	-	-	344,559
Landfill	-	-	-	-	-	-
Notes payable, current portion	29,580	-	-	-	-	29,580
Bonds payable, current portion	370,000	-	-	-	-	370,000
Noncurrent liabilities:						
Landfill liability	-	-	-	-	-	-
Compensated absences	20,203	27,078	17,191	14,286	9,895	88,653
Net pension liability	-	-	-	-	-	-
Note payable, less current portion	276,838	-	-	-	-	276,838
Bonds payable, current portion	6,145,000	-	-	-	-	6,145,000
Total liabilities	<u>6,995,806</u>	<u>918,480</u>	<u>149,099</u>	<u>70,929</u>	<u>575,485</u>	<u>8,709,799</u>
Deferred Inflows	-	-	-	-	-	-
NET POSITION						
Net investment in capital assets	6,126,719	441,094	203,336	223,369	1,418,165	8,412,683
Unrestricted (deficit)	(223,199)	4,917,915	129,693	(166,941)	(323,135)	4,334,333
Total net position	<u>\$ 5,903,520</u>	<u>\$ 5,359,009</u>	<u>\$ 333,029</u>	<u>\$ 56,428</u>	<u>\$ 1,095,030</u>	<u>\$ 12,747,016</u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
 COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
 ALL PROPRIETARY FUND TYPES
 DECEMBER 31, 2016

	Water and Sewer Enterprise Fund	Electric Enterprise Fund	Gas Enterprise Fund	Sanitation Fund	Telecommunication Fund	Combined Total
OPERATING REVENUES						
Charges for services	\$ 1,586,755	\$ 9,483,702	\$ 1,139,873	\$ 1,185,511	\$ 215,905	\$ 13,611,746
Other income	18,588	69,731	2,535	50,487	27,028	168,369
Total operating revenues	<u>1,605,343</u>	<u>9,553,433</u>	<u>1,142,408</u>	<u>1,235,998</u>	<u>242,933</u>	<u>13,780,115</u>
OPERATING EXPENSES						
Personnel services	470,491	663,841	251,968	482,736	406,136	2,275,172
Contract services and purchases for resale	141,054	6,915,045	51,758	478,515	-	7,586,372
Supplies, materials, and repairs	230,450	188,073	607,088	85,662	-	1,111,273
Depreciation & amortization	746,112	51,390	36,845	50,781	3,484	888,612
Total operating expense	<u>1,588,107</u>	<u>7,818,349</u>	<u>947,659</u>	<u>1,097,694</u>	<u>409,620</u>	<u>11,861,429</u>
Operating income (loss)	17,236	1,735,084	194,749	138,304	(166,687)	1,918,686
Non-Operating Revenue (Expenses)						
Interest and investment revenue	4,308	72,724	-	-	-	77,032
Interest expense	-	-	-	-	-	-
Total nonoperating revenue(expense)	<u>4,308</u>	<u>72,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,032</u>
Income (loss) before contributions and transfers	21,544	1,807,808	194,749	138,304	(166,687)	1,995,718
Capital asset transfer	-	-	-	-	-	-
Transfers In/(Out)	(656,043)	(1,641,735)	(198,383)	(64,480)	1,281,527	(1,279,114)
Change in net position	(634,499)	166,073	(3,634)	73,824	1,114,840	716,604
Total net position--beginning	7,144,051	4,902,150	485,170	(9,977)	(20)	12,521,374
Prior period adjustment	(606,032)	290,786	(148,507)	(7,419)	(19,790)	(490,962)
Total net position--ending	<u>\$ 5,903,520</u>	<u>\$ 5,359,009</u>	<u>\$ 333,029</u>	<u>\$ 56,428</u>	<u>\$ 1,095,030</u>	<u>\$ 12,747,016</u>

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
 COMBINING STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 DECEMBER 31, 2016

	Water and Sewer Enterprise Fund	Electric Enterprise Fund	Gas Enterprise Fund	Sanitation Fund	Telecommunication Fund	Combined Total
Cash flows from operating activities:						
Receipts from customers	\$ 1,538,322	\$ 9,484,160	\$ 1,164,566	\$ 1,111,326	\$ 242,933	\$ 13,541,307
Payments to suppliers	(297,910)	(6,978,176)	(689,043)	(396,826)	-	(8,361,955)
Payments to employees	(473,997)	(664,683)	(284,597)	(477,580)	(416,031)	(2,316,888)
Net cash provided by (used by) operating activities	766,415	1,841,301	190,926	236,920	(173,098)	2,862,464
Cash flows from noncapital financial activities:						
Transfers in (out)	(656,043)	(1,641,735)	(198,383)	(64,480)	1,281,527	(1,279,114)
Net cash provided by (used by) noncapital financial activities	(656,043)	(1,641,735)	(198,383)	(64,480)	1,281,527	(1,279,114)
Cash flows from capital and related financial activities:						
Addition to capital assets	(124,377)	(68,965)	(31,105)	(172,440)	(1,418,165)	(1,815,052)
Principal paid on bond indebtedness	-	-	-	-	562,086	562,086
Principal paid on Note indebtedness	-	-	-	-	-	-
Interest paid on bonds payable	(320,000)	-	-	-	-	(320,000)
Interest paid on notes payable	-	-	-	-	-	-
Net cash used by capital and related financing activities	(444,377)	(68,965)	(31,105)	(172,440)	(856,079)	(1,572,966)
Cash flows from investing activities:						
Investment revenue	4,308	72,724	-	-	-	77,032
Net cash provided (used by) investing activities	4,308	72,724	-	-	-	77,032
Net increase (decrease) in cash	(329,697)	203,325	-	-	252,350	125,978
Cash and cash equivalents at beginning of year	1,100,362	4,706,822	-	-	-	5,807,184
Cash and cash equivalents at end of year	\$ 770,665	\$ 4,910,147	\$ -	\$ -	252,350	\$ 5,933,162

See accompanying notes to basic financial statements.

CITY OF BLAKELY, GEORGIA
 COMBINING STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 DECEMBER 31, 2016

	Water and Sewer Enterprise Fund	Electric Enterprise Fund	Gas Enterprise Fund	Sanitation Fund	Telecommunication Fund	Combined Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 21,544	\$ 1,807,808	\$ 194,749	\$ 138,304	\$ (166,687)	\$ 1,995,718
Adjustment to reconville operating income to net cash provided by operating activities:						
Depreciation and amortization	746,112	51,390	36,845	50,781	3,484.00	888,612
Changes in assets and liabilities						
Accounts receivable	(48,433)	(69,273)	(22,158)	51,555	-	(88,309)
Prepaid	5,727	5,220	2,475	6,711	-	20,133
Inventories	19,479	23,208	221	(2,798)	-	40,110
Accounts payable	11,962	3,555	8,565	(12,789)	-	11,293
Compensated absences	(3,506)	(842)	(32,629)	5,156	(9,895.00)	(31,821)
Customer deposits	13,530	20,235	2,858	-	-	36,623
Net cash provided by operating activities	<u>\$ 766,415</u>	<u>\$ 1,841,301</u>	<u>\$ 190,926</u>	<u>\$ 236,920</u>	<u>\$ (173,098)</u>	<u>\$ 2,872,359</u>
Noncash investing, capital, and financing activities:						
There were capital asset transfers made between the various funds						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to basic financial statements.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 1.A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2003, the City implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented. The City implemented GASB 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Non-spendable Fund Balance:** Fund balances are reported as non-spendable 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 Balance:** 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 Balance:** 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 City Council also may modify or rescind the commitment.
- **Assigned Fund Balance:** Fund balances are reported as assigned when amounts are constrained by the City intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City finance committee or the City clerk to assign fund balances.
- **Unassigned Fund Balance:** Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

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

- Committed
- Assigned
- Unassigned

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units board; the City is either able to impose its will on the unit or a financial benefit or a burden relationship exists. The City combined financial statements include the accounts of all City operations. The criteria for including organizations as component units with the City reporting entity, as set forth in Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is fiscal dependency by the organization on the City.

Management of the City has determined that no organization meets the above requirement for inclusion, and as such, no component units are included in the City reporting entity.

NOTE 1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities, if they exist. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. The types of transactions reported as program revenues of the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if they exist

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 1.B. BASIS OF PRESENTATION (CONTINUED)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds Types

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital outlay.

Proprietary Fund Types

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public, if they exist. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The economic measurement focus concerns determining cost as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Fiduciary Funds (Not included in government-wide statements)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resource measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings, income taxes withheld by employers, estate taxes, fines and forfeitures and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advanced, deferred until expenditures are made.

Property taxes and special assessments (in the debt service funds), though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred and prepaid expenditures are recognized in governmental funds during the benefiting period rather than when purchased. However, principal and interest on long-term debt, which has not been matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 1.B. BASIS OF PRESENTATION (CONTINUED)

Major Funds

Fund	Brief Description
General	Accounts for all activities except those legally or administratively required to be accounted for in other funds.
Special Revenue Funds:	
Hotel/Motel Tax Fund	Accounts for all hotel/motel tax revenues and disbursements to the Better Home Town for economic improvement.
Capital Projects Funds:	
SPLOST Capital Improvement Project Fund	Accounts for all SPLOST revenues and expenditures as required by SPLOST referendums.
CDBG Capital Improvement	
Projects Funds	Accounts for all CDBG revenues and expenditures used for capital project purposes.
Grant Fund	Accounts for grant revenues and expenditures used for specific projects
Enterprise Funds:	
Water and Sewer	Accounts for all revenues and expenditures of the water and sewer system.
Natural Gas	Accounts for all revenues and expenditures of the natural gas system.
Electric	Accounts for all revenues and expenditures of the electric system.
Solid-waste Transfer Facility	Accounts for all revenues and expenditures of the solid-waste transfer facility.
Tele Communications	Accounts for all revenue and expenditures of the Tele Communications and related assets.

NOTE 1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spend-able financial resources during a given period. These funds use fund balance as their measure of available spend-able financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. All proprietary funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, cash, including time deposits, includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as due to and from other funds. Short-term inter-fund loans are reported as inter-fund receivables and payables. Long-term inter-fund loans (non-current portion) are reported as advances from and to other funds. Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.E. for details of inter-fund transactions, including receivables and payables at year-end.

Inventories

Inventories consist of materials and supplies and are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The cost of inventories is expensed when consumed.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for un-collectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for un-collectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by proprietary funds are reported in both the business-type activities column of the government-wide statement of net position and in the individual proprietary funds.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the Governmental . Wide financial statements. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The City has chosen not to capitalize infrastructure acquired prior to implementation of Statement 34.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follow: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years. The capitalization threshold for capital assets is \$5,000.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

General Fund:		
	Equipment	2-15 years
	Buildings & Infrastructure	35-50 years
Enterprise Funds:		
Water and Sewer:		
	Plant, tanks, wells, and extensions	35-50 years
	Equipment	2-15 years
Natural Gas System:		
	Distribution system	40 years
	Machinery and equipment	2-15 years
Electrical System:		
	Distribution system	40 years
	Transformers and equipment	2-20 years
Solid-waste transfer facility:		
	Equipment	7 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary or governmental funds that are legally restricted as to their use. Primarily, restricted assets are related to bond reserve, sinking fund requirements & bond ordinance. The City's policy is to first apply restricted resources when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment if applicable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

On the modified accrual basis of accounting, accumulated vacation leave benefits, liabilities of the governmental and proprietary fund types are recognized when payable.

Accumulated sick leave benefits are not recorded. These benefits are paid only upon employee illness and the amount payable at December 31, 2016 cannot be reasonably estimated.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position- All other net position that do not meet the definition of restricted or net investment in capital assets.

**City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016**

NOTE 1.D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as unassigned, assigned, committed, restricted and non-spendable. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 1.E. REVENUES, EXPENDITURES, AND EXPENSES

Special Local Option Sales Tax

The City receives sales tax revenue from Early County, Georgia, for the purpose of making capital improvements, improvements on sidewalks, streets, and repair of equipment for the maintenance of these expenses.

Property Tax

Under State law, municipalities may levy a property tax. Property taxes are levied in the fall of each year (September 15 for the current year taxes) based on the assessed value of property on the previous January 1. The due date for these taxes was December 20th and the lien date was the following March 1st. Taxes are collected throughout the year. Receivables are not recorded when levied. Taxes not expected to be collected within sixty days after the end of the fiscal year are not recorded as deferred revenue.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds and general fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. All other revenues and expenses not defined above are considered non-operating revenues and expenses.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds—By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund—By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Inter-fund Transfers

Permanent re-allocation of resources between funds of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Activities, all inter-fund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows. Annual budgets are adopted for all City funds. Under state law, the City Clerk submits an annual budget to the Council for consideration and approval no later than December 15. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Community Development Block Grant	Agreement and O.C.G.A.
SPLOST Capital Improvement Fund	Agreement and O.C.G.A.
General Fund	O.C.G.A.
Water and Sewer Enterprise Fund	Agreement and O.C.G.A.
Natural Gas System Enterprise Fund	Agreement and O.C.G.A.
Electric Enterprise Fund	Agreement and O.C.G.A.
Solid-Waste Transfer Facility Enterprise Fund	Agreement and O.C.G.A.
Hotel/Motel Tax Fund	Agreement and O.C.G.A.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Georgia or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

Investments of the City whose population exceeds 3,000, according to the latest census information, are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Georgia is pledged.
- b. Certificates of deposit or savings accounts that is either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. City, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; money judgments; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous items a., b., c., and d.

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Community Development Block Grant	Agreement and O.C.G.A.
SPLOST Capital Improvement Fund	Agreement and O.C.G.A.
General Fund	O.C.G.A.
Water and Sewer Enterprise Fund	Agreement and O.C.G.A.
Natural Gas System Enterprise Fund	Agreement and O.C.G.A.
Electric Enterprise Fund	Agreement and O.C.G.A.
Solid Waste Transfer Facility Enterprise Fund	Agreement and O.C.G.A.
Hotel/Motel Tax Fund	Agreement and O.C.G.A.

For the year ended December 31, 2016, the City complied, in all material respects.

2.D. DEBT RESTRICTIONS AND COVENANTS

Revenue Bonds Payable

The ordinance providing for the issuance of bonds provides for the establishment of various funds which must be maintained for debt service, construction, cash reserves, etc. As of December 31, 2016, the City was in compliance with the provisions of the 1996 Combined Utility Revenue Bonds Ordinance that requires assets to be accumulated in a restricted account for the payment of future debt service. The Ordinance requires monthly sinking fund deposits to the Combined Utility Sinking Fund. Such deposits are being made on a monthly basis to the Sinking Fund. As a result, the City had appropriated sufficient amounts in the Sinking Fund as of December 31, 2016.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

The Code of Georgia prohibits the creation of a deficit fund balance in any individual fund. The City was in compliance with this statute for the year ended December 31, 2016.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/ expenses.

3.A. CASH AND INVESTMENTS

The city does not have a formal investment policy for interest rates, credit, concentration or credit or custodial credit risks.

Deposits

As of December 31, 2016, the carrying amount of the City's bank deposits was \$1,543,410 and the respective bank balances totaled \$1,830,717. Of the total bank balance, \$750,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$1,080,717 was collateralized with pooled securities held by the financial institution's trust departments. These securities are held in the name of the financial institution and not that of the City.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

3.B. INVESTMENTS

Municipal Electric Authority of Georgia (MEAG) Trust

On April 1, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (The Trust).

The Trust was created by MEAG in anticipation of future deregulation of the electric industry which will provide customers with a choice among electric suppliers for their retail electric power supply. This is expected to include customers assigned to electric systems of political subdivisions which are wholesale power customers of MEAG, such as City of Blakely. MEAG expects that after such legislation is effective, market rates for power will result which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to deposit funds to be invested at the best prudent rates of return and be applied, in accordance with the provisions of the Trust to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Blakely, and within the account the account creates the following three sub-accounts in which the City of Blakely participates:

1. Flexible Operating Trust Account - This type of sub-account may be funded from contributions by the City, from the City's Discretionary Reserve Fund with MEAG, or from any other available funds.

According to Trust provisions, the City has the following withdrawal rights with respect to this Fund:

The City also has the right to borrow, if certain conditions are met, part or all of the funds in the Flexible Operating Trust Account for the purpose of paying the cost of any capital expenditure, provided that the City executes and delivers to the Trustee a promissory note and such other documents reasonably satisfactory to MEAG in which the City agrees to repay the withdrawn amount to the Trustee.

The balance of this account on December 31, 2016, is \$2,089,458

2. Credit Support Operating Trust Account - This type of sub account may be funded from the funds allocated to the City's account in MEAG's Rate Stabilization Reserve Fund or the City's Discretionary Reserve with MEAG, or from any other available funds.

According to Trust provisions, the City has the following withdrawal rights with respect to this fund:

Prior to the anticipated actual deregulation date, the City shall have the right to cause the Trustee to use funds from the credit Support Operating Trust Account to reduce, or as credit against, its monthly billings (i) to mitigate wholesale rate increases which have an impact of greater than 20% on the City's wholesale cost in any year, (ii) to mitigate the adverse impact of any wholesale cost increase which results from the phase-out of special rates in any year, and (iii) to mitigate the impact of wholesale costs which exceed the system average wholesale cost by more than 20% in any year, all as set forth in a certificate of the City and MEAG.

The balance of the account was transferred on October 14, 2015 and did not have a balance as of December 31, 2017. Since the City's right to control these funds is contingent upon future events, these funds are not recorded as an asset in the City's financial statements.

3. Reserve Funded Debt Trust . This type of sub account may be funded from contributions by MEAG from any funds it has available for such purposes.

According to the Trust provisions, the City has no right to withdraw amounts from the Reserve Funded Debt Trust Account unless MEAG consents in writing thereto, and in the event MEAG should consent to a withdrawal, the withdrawn funds must be applied to the outstanding balance of the City's current monthly billing on account of its entitlement or obligation share(s) under its Power Sales Contract(s) of MEAG's Annual Project Generation Fixed Charges.

The balance of the account on December 31, 2016, is \$440,386.

Since the City has no right to control these funds, these funds are not recorded as an asset in the City's financial statements.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 3.B. INVESTMENTS (CONTINUED)

4. **New Generation and Capacity Funding Account** . This type of sub account may be funded from contributions by MEAG from any of its own funds that is has available for such purposes, including funds contained within the MEAG Flexible Operating Trust Account.

According to Trust provisions, the City shall at any time have the right to cause the Trustee to use funds from the New Generation and Capacity Funding Account for any or all of the following purposes:

- i. To be applied as a credit against the City's obligation share of either Costs of Acquisition and Construction or that portion of Project Annual Costs consisting of Other Annual Costs of the Plant Vogtle Additional Units Non-PPA Project, the Plant Vogtle Additional Units PPA Project and the Plant Vogtle Additional Units PPA-2 Project, without the consent of MEAG, or that portion of Project Annual Costs consisting of Annual Fixed Costs of the Plant Vogtle Additional Units Non-PPA Project, the Plant Vogtle Additional Units PPA Project, and the Plant Vogtle Additional Units PPA-2 Project, with the consent of MEAG, which will not be withheld unless there are adverse federal tax consequences that impact the City.
- ii. To be applied as a credit against the City's obligation share of either Costs of Acquisition and Construction or that portion of Project Annual Costs consisting of Other Annual Costs of any future generation project created by MEAG after the effective date of the Amendment, without the consent of MEAG, or that portion of Project Annual Costs consisting of Annual Fixed Costs of any future generation project created by MEAG after the effective date of the Amendment, with the consent of MEAG.
- iii. In the event MEAG provides the City with the option of paying interest expense incurred in connection with the construction of any generation project prior to commercial operation date and to the extent that such payments do not result in adverse federal tax consequences that impact the City, to be applied as a credit against any capital contributions committed to by such Beneficiary in connection with exercising such option.
- iv. To be applied as a credit against capacity charges incurred by the City in connection with power purchase agreements entered into by MEAG for the purpose of meeting the supplemental power needs of the City.
- v. As payment to MEAG to mitigate that portion of any budgeted Bulk Power Supply cost increases incurred by the City in a Power Supply Year which exceeds the City's prior year's budgeted Bulk Power Supply costs by greater than twelve percent (12%).

The balance of the account on December 31, 2016, is \$2,820,689

NOTE 3.C. ACCOUNTS RECEIVABLE

Operating Funds Receivable

Accounts receivable at December 31, 2016 are as follows:

Returned checks and misc.	\$	18,534
Fines & Forfeitures		3,978
Splost		57,826
Property Taxes		147,241
Lost		38,903
		<u>266,482</u>
Gas fund		265,891
Water and sewer fund		263,371
Electrical fund		766,452
Solid-Waste fund		192,774
		<u>1,488,488</u>
Total	\$	<u>1,754,970</u>

NOTE 3.D. PROPERTY TAX REVENUE & RECEIVABLE

The City levied property during the year ended December 31, 2016. The total amount of property tax revenue was \$584,853

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 3.E. INTERFUND TRANSFERS

During the course of normal operations, numerous transactions take place between funds such as expenditures or transfers of resources to provide services, service debt or construct assets. These inter-fund transactions are eliminated and no interest is charged on such transfers.

Transfers

	TRANSFERS IN						Total	Purpose
	General Fund	Water & Sewer	Solid Waste	Electric	Gas	Telecom		
TRANSFERS OUT								
General Fund	\$ 1,279,114	\$ -	\$ -	\$ -	\$ -	\$ 1,281,527	\$ 2,560,641	
Water	(656,043)	-	-	-	-	-	(656,043)	
Natural Gas	(198,383)	-	-	-	-	-	(198,383)	Operating
Electric system	(1,641,735)	-	-	-	-	-	(1,641,735)	Operating
Hotel/Motel	-	-	-	-	-	-	-	Operating
Solid Waste	(64,480)	-	-	-	-	-	(64,480)	Capital
Splost capital project	-	-	-	-	-	-	-	Capital
	<u>\$ (1,281,527)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,281,527</u>	<u>\$ -</u>	

NOTE 3.F. RESTRICTED ASSETS

Restricted assets at December 31, 2016, consist of cash on deposit for payment of indebtedness related to the 1996 Combined Utility Revenue Bonds in the Water and Sewer Fund, and funds for SPLOST.

NOTE 3.G. CAPITAL ASSETS

Capital assets by fund type are summarized as follows:

	Balance as of 12/31/2015	Additions	Deductions	Adjustments	Balance as of 12/31/2016
General Fund:					
Nondepreciable assets:					
Land	\$ 132,719	\$ -	\$ -	\$ -	\$ 132,719
Construction in progress	-	-	-	-	-
Total nondepreciable assets	<u>132,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,719</u>
Depreciable assets:					
Infrastructure	2,272,782	-	-	351,828	2,624,610
Buildings	2,964,980	-	-	(1,340,070)	1,624,910
Machinery & equipment	2,945,108	304,967	-	1,003,837	4,253,912
Total depreciable assets	<u>8,182,870</u>	<u>304,967</u>	<u>-</u>	<u>15,595</u>	<u>8,503,432</u>
Accumulated depreciation					
Infrastructure	(452,109)	(25,926)	-	(2,047,263)	(2,525,298)
Buildings	(2,780,120)	(18,163)	-	1,422,524	(1,375,759)
Machinery & equipment	(1,812,667)	(80,610)	-	(1,509,574)	(3,402,851)
Total accumulated depreciation	<u>(5,044,896)</u>	<u>(124,699)</u>	<u>-</u>	<u>(2,134,313)</u>	<u>(7,303,908)</u>
Total depreciable assets, net	<u>3,137,974</u>	<u>180,268</u>	<u>-</u>	<u>(2,118,718)</u>	<u>1,199,524</u>
Total general government assets	<u>\$ 3,270,693</u>	<u>\$ 180,268</u>	<u>\$ -</u>	<u>\$ (2,118,718)</u>	<u>\$ 1,332,243</u>

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 3.G. CAPITAL ASSETS (CONTINUED)

	Balance as of 12/31/2015	Additions	Deductions	Adjustments	Balance as of 12/31/2016
Enterprise Funds:					
Water and Sewer Enterprise Fund:					
Nondepreciable assets					
Land	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Construction in progress	-	-	-	-	-
Total nondepreciable assets	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Depreciable assets					
Plant, systems & equipment	21,274,089	153,878	-	597,205	22,025,172
Total depreciable assets	<u>21,274,089</u>	<u>153,878</u>	<u>-</u>	<u>597,205</u>	<u>22,025,172</u>
Accumulated depreciation					
Plant, systems & equipment	(8,314,870)	(746,112)	-	(281,061)	(9,342,043)
Total accumulated depreciation	<u>(8,314,870)</u>	<u>(746,112)</u>	<u>-</u>	<u>(281,061)</u>	<u>(9,342,043)</u>
Total depreciable assets, net	<u>12,959,219</u>	<u>(592,234)</u>	<u>-</u>	<u>316,144</u>	<u>12,683,129</u>
Total water & sewer fund assets	<u>\$ 12,961,719</u>	<u>\$ (592,234)</u>	<u>\$ -</u>	<u>\$ 316,144</u>	<u>\$ 12,685,629</u>
Natural Gas System Enterprise Fund					
Depreciable assets					
Plant, systems & equipment	607,412	31,305	-	-	638,717
Total depreciable assets	<u>607,412</u>	<u>31,305</u>	<u>-</u>	<u>-</u>	<u>638,717</u>
Accumulated depreciation					
Plant, systems & equipment	(146,522)	(288,859)	-	-	(435,381)
Total accumulated depreciation	<u>(146,522)</u>	<u>(288,859)</u>	<u>-</u>	<u>-</u>	<u>(435,381)</u>
Total depreciable assets, net	<u>460,890</u>	<u>(257,554)</u>	<u>-</u>	<u>-</u>	<u>203,336</u>
Total natural gas system fund assets	<u>\$ 460,890</u>	<u>\$ (257,554)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,336</u>
Electric Enterprise Fund					
Nondepreciable assets					
Land	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
Total nondepreciable assets	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Depreciable assets					
Plant, systems & equipment	2,243,214	65,965	-	(60,588)	2,248,591
Total depreciable assets	<u>2,243,214</u>	<u>65,965</u>	<u>-</u>	<u>(60,588)</u>	<u>2,248,591</u>
Accumulated depreciation					
Plant, systems & equipment	(1,868,985)	(146,919)	-	-	(2,015,904)
Total accumulated depreciation	<u>(1,868,985)</u>	<u>(146,919)</u>	<u>-</u>	<u>-</u>	<u>(2,015,904)</u>
Total depreciable assets, net	<u>374,229</u>	<u>(80,954)</u>	<u>-</u>	<u>(60,588)</u>	<u>232,687</u>
Total electric fund assets	<u>\$ 376,229</u>	<u>\$ (80,954)</u>	<u>\$ -</u>	<u>\$ (60,588)</u>	<u>\$ 234,687</u>
Solid Waste Transfer Facility Enterprise Fund					
Nondepreciable assets					
Land	\$ 141,198	\$ -	\$ -	\$ (129,991)	\$ 11,207
Total nondepreciable assets	<u>141,198</u>	<u>-</u>	<u>-</u>	<u>(129,991)</u>	<u>11,207</u>
Depreciable assets					
Plant, systems & equipment	2,611,059	172,440	-	-	2,783,499
Total depreciable assets	<u>2,611,059</u>	<u>172,440</u>	<u>-</u>	<u>-</u>	<u>2,783,499</u>
Accumulated depreciation					
Plant, systems & equipment	(2,400,591)	(119,964)	-	-	(2,520,555)
Total accumulated depreciation	<u>(2,400,591)</u>	<u>(119,964)</u>	<u>-</u>	<u>-</u>	<u>(2,520,555)</u>
Total depreciable assets, net	<u>210,468</u>	<u>52,476</u>	<u>-</u>	<u>-</u>	<u>262,944</u>
Total solid waste transfer facility fund assets	<u>\$ 351,666</u>	<u>\$ 52,476</u>	<u>\$ -</u>	<u>\$ (129,991)</u>	<u>\$ 274,151</u>

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 3.G. CAPITAL ASSETS (CONTINUED)

	Balance as of 12/31/2015	Additions	Deductions	Adjustments	Balance as of 12/31/2016
Tele-Communication Fund:					
Nondepreciable assets					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Total nondepreciable assets	-	-	-	-	-
Depreciable assets					
Plant, systems & equipment	-	1,418,165	-	-	1,418,165
Total depreciable assets	-	1,418,165	-	-	1,418,165
Accumulated depreciation					
Plant, systems & equipment	-	(1,632)	-	-	(1,632)
Total accumulated depreciation	-	(1,632)	-	-	(1,632)
Total depreciable assets, net	-	1,416,533	-	-	1,416,533
Total solid waste transfer facility fund assets	\$ -	\$ 1,416,533	\$ -	\$ -	\$ 1,416,533

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation was charged to functions as follows:

Governmental activities	
General government	\$ 124,699
Business-type activities	
Water and sewer fund	746,112
Natural gas fund	36,845
Electric fund	51,390
Solid-waste transfer facility fund	50,781
Tele-Communication	3,484
	<u>\$ 1,013,311</u>

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 3.H. LONG TERM DEBT

Summary of Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	<u>Balance December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Fund Type:					
Compensated Absences	\$ 70,588	\$ 13,768	\$ -	\$ 84,356	\$ -
Notes Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
	<u>\$ 70,588</u>	<u>\$ 13,768</u>	<u>\$ -</u>	<u>\$ 84,356</u>	<u>\$ -</u>
Proprietary Funds:					
Landfill Postclosure Liability	\$ 130,278	\$ -	\$ 15,589	\$ 114,689	\$ 15,589
Compensated Absences	76,197	12,456	-	88,653	-
Notes Payable	120,356	100,000	28,627	191,729	29,580
Bonds Payable	6,835,000	-	320,000	6,515,000	370,000
Totals	<u>\$ 7,161,831</u>	<u>\$ 112,456</u>	<u>\$ 364,216</u>	<u>\$ 6,910,071</u>	<u>\$ 415,169</u>

NOTE 3.H. LONG TERM DEBT (CONTINUED)

Proprietary Funds

On August 14, 2014, the City obtained a loan from the Georgia Municipal Association Environmental Facilities Authority for the purchase of a 2014 Freightliner Heil Refuse Truck. The total loan was for \$148,061 at 3.33% payable in five annual payments of \$32,635 beginning August 14, 2016. The balance of this note on December 31, 2016 was \$91,729

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 29,580	\$ 3,055	\$ 29,580
2018	30,565	2,070	32,635
2019	31,584	1,051	32,635
	<u>\$ 91,729</u>	<u>\$ 6,176</u>	<u>\$ 94,850</u>

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

Bonds Payable

On January 1, 2009, the City of Blakely, Georgia issued \$7,965,000 of its General Obligation Bonds (Sewer Project), Series 2009A with annual interest rates ranging from 2.0% to 4.35%. The proceeds will be used to expand the Plant Street Facility capacity from 1.312 Million Gallons per Day (MGD) to 2.0 MGD, replacing the current operations building and upgrading other operating systems and equipment. The Bonds are direct general obligations to the City and are payable from the levy of an ad valorem tax, without limitation as to rate or amount, levied on all taxable property including all real property, within the City subject to taxation for general obligation bond purposes. The balance as of December 31, 2016 was \$6,515,000.

Annual future debt service requirements for the maturity of the Series 2009A Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	370,000	265,280	635,280
2018	430,000	250,480	680,480
2019	450,000	233,280	683,280
2020	475,000	215,280	690,280
2021	505,000	197,943	702,943
2022-2026	2,910,000	672,083	3,582,083
2027-2028	1,375,000	90,145	1,465,145
Total	<u>\$ 6,515,000</u>	<u>\$ 1,924,491</u>	<u>\$ 8,439,491</u>

Compensated Absences

Compensated absences will be liquidated by the prospective funds they are recorded in. The funds used to liquidate compensated absences are the General Fund, the Water and Sewer Enterprise Fund, the Electric Enterprise Fund, the Solid-Waste Enterprise Fund, the Natural Gas Enterprise Fund and Tele-Communication Fund.

NOTE 3I. PROGRAM REVENUES DESCRIPTIONS

General government	
Business licenses and fees	\$ 396,118
Public Safety	
Fines and forfeitures	\$ 131,585
Water and Sewer Fund	
Water and sewer services	\$ 1,586,755
Natural Gas Fund	
Natural gas fees	\$ 1,142,408
Electric Fund	
Electric fees	\$ 9,483,702
Solid-Waste Transfer Fund	
Landfill fees	\$ 1,185,511
Tele-Communication Fund	
Telecom Fees	\$ 215,905

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 4.A. PENSION PLAN

The Plan is a defined benefit plan and is administered by the Georgia Municipal Association. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the Plan was approved by resolution of the City Council. All full-time employees are eligible to participate in the City's noncontributory defined benefit pension plan after completion of one year of service. Benefits vest after five years of service, and participants become eligible to retire at age 65 with 5 years of participation in the plan.

The City of Blakely, Georgia is a participating member of the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee pension plan administered by the Board of Trustees of the System. The Georgia Municipal Employees Benefit System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Georgia Municipal Association, The Burgess Building, 201 Pryor Street, SW, Atlanta, GA 30303-3606

As of July 1, 2016, the date of the most recent actuarial valuation, there were 168 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	60
Vested terminated employees not yet receiving benefits	45
Active employees	<u>65</u>
Total	170

Funding Policy

The City is required to contribute an actuarially determined amount monthly to the Plan's trust. The contribution amount is determined using the actuarial methods and assumptions approved by the Board of Trustees, and must satisfy the minimum contribution requirements as set forth in the State of Georgia statutes. The annual recommended contribution is the sum of 1) the normal cost, 2) the 30-year level percentage of payroll amortization of the unfunded actuarial liability or the 10-year level percentage of payroll amortization of the surplus, and 3) interests on these amounts from the valuation date to the date contributions are paid. The recommended current rate of contribution for the City is 13.31% of annual covered payroll. Employees are not required to contribute to the Plan.

Actuarial Valuation Information

The City's actuarial valuation is as follows:

Valuation Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Closed level dollar remaining unfunded liability
Remaining Amortization Period	Remaining amortization period varies for the bases, with a net effective amortization period of 10 years
Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted 10% of the amount of the value exceeds or is less than the market value at end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

Net Investment Rate of Return	7.75%
Projected Salary Increases	3.25% plus service base merit increases
Cost of Living Adjustments	0.00%

Funded Plan Status

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Surplus) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
7/1/2009	\$ 3,374,773	\$ 4,651,571	\$ 1,276,798	72.55%	\$ 2,420,588	52.75%
7/1/2010	4,352,992	5,128,916	775,924	84.87%	2,442,031	31.77%
7/1/2011	4,548,338	5,542,325	993,987	82.07%	2,372,901	41.89%
7/1/2012	4,752,815	5,967,154	1,214,339	79.65%	2,687,152	45.19%
7/1/2013	5,001,653	6,125,955	1,124,302	81.65%	2,382,583	47.19%
7/1/2014	5,215,550	6,490,633	1,275,083	80.36%	2,046,450	62.31%
7/1/2015	5,387,571	6,550,042	1,162,471	82.25%	2,154,375	53.96%
7/1/2016	5,542,708	6,634,929	1,092,221	83.54%	2,306,454	47.35%

**Notes to Financial Statements
December 31, 2016**

NOTE 4.A. PENSION PLAN (CONTINUED)

Change in the Net
Pension Liability

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2015:	\$ 6,830,387	\$ 5,157,016	\$ 1,673,371
Changes for the year:			
Service cost	75,867	-	75,867
Interest	510,673	-	510,673
Differences between expected and actual experience	(13,181)	-	(13,181)
Contribution - employer	-	304,792	(304,792)
Contribution - employee	-	-	-
Net investment income	-	13,147	(13,147)
Benefit payments	(482,113)	(482,113)	-
Administrative expense	-	(14,880)	14,880
Other	-	-	-
Net changes	91,246	(179,054)	270,300
Balance at March 31, 2016:	<u>\$ 6,921,633</u>	<u>\$ 4,977,962</u>	<u>\$ 1,943,671</u>

Sensitivity of the Net Pension Liability to

Changes in the Discount Rate	1% Decrease	Current Rate	1% Increase
	-6.75%	-7.75%	-8.75%
	\$ 2,657,263	\$ 1,943,671	\$ 1,338,309

Pension expense for the year ended December 31, 2016

Service cost	\$ 75,867
Interest on TPL	510,673
Employee contributions	-
Administrative expenses	14,880
Expected return on assets	(392,221)
Expensed portion of current year period	
differences between expected and actual experience in TPL	(4,393)
Expensed portion of current year period differences	
between projected and actual investment earnings	75,814
Current year recognition of deferred inflows and outflows established in prior years.	(34,631)
Total expense	<u>\$ 245,989</u>

December 31, 2016

NOTE 4.A. PENSION PLAN (CONTINUED)

Deferred Outflows of Resources		Deferred Inflows of Resources
ifferences between expected and actual experience	\$ -	\$ (10,421)
ifferences in assumptions	-	(14,125)
ifference between projected and actual earnings on pension plan investments	246,641	
Total	<u>\$ 246,641</u>	<u>\$ (24,546)</u>

	Year Established	Outstanding	Recognized	Outstanding	2022 and					
		Balance January 1, 2016	During FYE December 31, 2016	Balance December 31, 2016	2017	2018	2019	2020	2021	Thereafter
Deferred Outflows/(inflows)										
Major Outflows:										
Investment	2016	379,074	75,814	303,260	75,815	75,815	75,815	75,815	-	-
		379,074	75,814	303,260						
Major Inflows										
Demographic	2015	(3,266)	(1,633)	(1,633)	(1,633)	-	-	-	-	-
Investment	2015	(75,492)	(18,873)	(56,619)	(18,873)	(18,873)	-	-	-	-
Assumption Change	2015	(28,250)	(14,125)	(14,125)	(14,125)	-	-	-	-	-
Demographic	2016	(13,181)	(4,393)	(8,788)	(4,394)	(4,394)	-	-	-	-
		(120,189)	(39,024)	(81,165)	(39,025)	(23,267)	-	-	-	-
Total		258,885	36,790	222,095	36,790	52,548	75,815	75,815	-	-

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 4.B. COMMITMENTS AND CONTINGENCIES

Compensated Absences

The City permits employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from service with the City. The estimated current portion of the liability for vested vacation benefits attribute to the City's governmental fund is recorded as an expenditure and liability. The long-term portion is recorded as a long term debt. The amounts attribute to proprietary funds are charged to expense and a corresponding liability in the applicable fund.

Risk Management and Litigation

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of asset; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The city attorney has advised that legal actions in process or pending should not materially affect the financial position of the City.

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 County has obtained insurance coverage from commercial insurance companies.

Pursuant to provisions of the Official Code of Georgia Annotated, the City of Blakely became a member of the GMA Inter-local Risk Management Agency. The agency established and administers one or more group self-insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of government. The agency is to defend and protect in accordance with the member government contracts and related coverage descriptions any member of the agency against liability or loss.

Blakely, Georgia must participate at all times in at least one fund that is established by the agency. Other responsibilities of the City are as follows:

1. To pay all contributions, assessments or other sums due the agency at such times and in such amounts as shall be established by the agency;
2. To select a person to serve as a member representative;
3. To allow the agency and its agents reasonable access to all facilities of the County and all records, including but not limited to financial records, which relate to the purpose of the agency to represent the County;
4. To allow attorneys appointed by the agency to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the fund established by the agency;
5. To assist and cooperate in the defense and settlement of claims against the County;
6. To furnish full cooperation to the agency's attorneys, claims adjusters, service company, and any agent, employee, officer or independent contractor of the agency relating to the purposes of the agency;
7. To follow all loss reduction and prevention procedures established by the agency;
8. To furnish to the agency such budget, operating and underwriting information as may be requested; and
9. To report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the agency or any fund established by the agency being required to pay claim for loss or injuries to County property or injuries to persons or property when such loss or injury is within the scope of the protection of a fund or funds in which the County participates.

Blakely, Georgia retains the first \$10,000 of each risk of loss in the form of a deductible. The City files all claims with the agency and the agency bills the City for any loss up to the \$10,000 deductible.

Pursuant to provisions of the Official Code of Georgia Annotated, Blakely, Georgia became a member of the GMA-GSIWCF (a Workers' Compensation Self-Insurance Fund). The liability of the fund to the employees of any employer (Blakely, Georgia is specifically limited to such obligations as are imposed by the applicable state laws against the employer for workers' compensation and/or employers' liability.)

As part of these risks pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the findings being required to pay any claims of loss. The County is also to allow the pools' agents and attorney to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Workers' Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding of compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false, or fraudulent. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation, or defense.

Compliance with Legal Provisions

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 4.B. COMMITMENTS AND CONTINGENCIES (CONTINUED)

NOTE 4.C. DEFERRED COMPENSATION PLAN

The City participates in the ACCG 457 Deferred Compensation Plan for the City of Blakely (the Plan), a defined contribution plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Government Employee Benefits Corporation of Georgia (GEBCorp). The Plan is available to all full-time City employees, and permits them to defer a portion of their salary until future years. During 2014, the City contributed \$10 per weekly pay period for each employee that participated in the plan and deferred at least \$10 per week. Distributions from the Plan are not available to employees until termination, retirement, death, disability or unforeseeable emergency. Plan assets are held in trust for the benefit of the plan participants and their beneficiaries, and will not be diverted to any other purpose.

Participation in the Plan was approved by resolution of the City Council. Plan provisions are established and may be amended by GEBCorp.

For the year ended December 31, 2016, actual contributions by the City and Plan participants were \$26,140 and \$45,568 respectively.

NOTE 4.D. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The City stopped accepting solid waste at its landfill site April 8, 1994. State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The \$114,689 reported in the long-term debt as a landfill post closure liability at December 31, 2016, represents the projected annual cost to perform annually recurring post closure care for the approximately eighteen years remaining. Due to changes in technology, monitoring period, laws or regulations these costs may change in the future. The City intends to and expects to be able to finance post closure costs from current financial resources.

Prior to 1998, the City had expected its required monitoring period to be five years from April 8, 1994. In 1998 the City determined that its monitoring period would probably extend past the original five-year period and determined that an extension of the estimate to thirty years would be appropriate.

NOTE 4.E. POWER SALES CONTRACT

In July 1976 the City of Blakely entered into a contract with the Municipal Electric Authority of Georgia (MEAG). The purpose of the agreement was to secure electric power supply from MEAG. MEAG consented to provide this power supply to the City of Blakely in return for the City's promise to pay its share of MEAG's cost of generating and transmitting electrical power.

The term of the contract will continue in full force until such time, not exceeding fifty years, as all of MEAG's bonds and the interest thereon have been paid or provision for payment has been made or until such time as the MEAG Project is retired from service, whichever is later.

MEAG has issued bonds to generate funds for the purpose of building generation and transmission plants. Each participant, such as the City of Blakely, is responsible for their prorata share of those bonds until they are paid or deferred.

NOTE 4.F. RELATED ORGANIZATION

The City's related organization, Housing Authority, is excluded from the financial reporting entity because the City's accountability does not extend beyond making board appointments. The Housing Authority of the City of Blakely, Georgia is a related organization of the City of Blakely. The five citizens who serve as the governing board of the Housing Authority are appointed by the mayor and approved by the City Council. The City has no significant influence over the management, budget or policies of the Housing Authority. Audited financial statements are available from the Housing Authority.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 4.G. JOINT VENTURES

Southwest Georgia Regional Commission

City of Blakely, in conjunction with fifty- seven other cities and counties in the southwest Georgia area, participates in the Southwest Georgia Regional Commission. Membership in an RC is required by Code of Georgia Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The City of Blakely paid membership dues to the Southwest Georgia Regional Commission for the year ended December 31, 2016. The RC Board membership includes a representative of the membership governments who is selected by the respective governing body. Georgia law also provides that the member governments are liable for any debts or obligations of an RC beyond its resources. Financial statements are available from the RC at 30 West Broad Street, Camilla, Georgia 31730.

Early County Department of Public Safety

On September 12, 2000, the City executed, together with Early County, Georgia and the Sheriff of Early County, Georgia the ~~intergovernmental contract for Law Enforcement Cooperation~~. The purpose of this agreement is to consolidate each party's respective law enforcement services for economy, efficiency and other benefits. The agreement establishes the ~~Early County Department of Public Safety~~ (~~Department~~) which is now the common administrative unit of the parties for providing local law enforcement services in their respective jurisdictions. The law enforcement personnel, vehicles, equipment and facilities of the parties were brought together for consolidated ownership, supervision, activities and use through the Department.

The Department is administered by the ~~Early County~~ . Municipal Board of Public Safety (Board) created by the agreement. The Board is comprised of seven members made up as follows:

Ex-officio members:

- Mayor of Blakely or a designee
- Chair of the Early County Board of Commissioners or a designee
- Sheriff

Appointed members:

- Two members appointed by the City Council of Blakely
- Two members appointed by the Early County Board of Commissioners

The Department is responsible for preparing and recommending a detailed budget to the parties to the agreement in cooperation with the Sheriff. The City of Blakely is required to contribute 40 percent of the approved budget and Early County is required to contribute 60 percent of the approved budget.

Financial statements for the Department for the year ended December 31, 2016 are available from the Early County Department of Public Safety, P.O. Box 939, Blakely, Georgia 39823.

NOTE 4.H. HOTEL/MOTEL TAX

The City of Blakely has imposed a 5% hotel/motel tax on lodging facilities with the County. Revenues collected during the fiscal year ended December 31, 2016, were \$34,083. Of this amount, \$31,088 was paid to the Court Square Development Authority to promote tourism within the City of Blakely, Georgia.

NOTE 4.I. OTHER POSTEMPLOYMENT BENEFITS

The City of Blakely offers continued health care insurance to eligible retirees under federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

COBRA continuation coverage is the temporary extension of group health plan coverage that must be offered to certain Plan Participants and their eligible family members (called ~~Qualified Beneficiaries~~) at group rates. The right to COBRA continuation coverage is triggered by the occurrence of a life event that results in the loss of coverage under the terms of the Plan (the ~~Qualifying Event~~). The coverage must be identical to the Plan to the Plan coverage that the Qualified Beneficiary had immediately before the Qualifying Event, or if the coverage has been changed, the coverage must be identical to the coverage provided to similarly situated active employees who have not experienced a Qualifying Event.

The City of Blakely serves as the Plan Administrator for a Consolidated Omnibus Budget Reconciliation, COBRA, plan. The plan allows eligible employees to retain health insurance coverage not retiring from the City of Blakely. Qualified Beneficiaries include any individual who, on the day before a Qualifying Event, is covered under a Plan by virtue of being on that day either a covered Employee, the Spouse of a covered Employee, or a Dependent child of a covered Employee. The Plan is financed as on a pay-as-you-go- basis by each Plan participant.

NOTE 4.J. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of December 31, 2016, the City of Blakely did not exceed expenditures over appropriates.

NOTE 4.K. SUBSEQUENT EVENT

As of the date of this report, June 27, 2017, are no subsequent events that would materially affect the financial statements and require disclosures.

City of Blakely, Georgia
Notes to Financial Statements
December 31, 2016

NOTE 4.L. PRIOR PERIOD ADJUSTMENT

These adjustments were made to correct for pension liability allocations and fixed asset net asset values.

The pension liability had previously been allocated to the general fund and proprietary funds. After reviewing the allocation formulae, it was determined there was no foundation for the allocations that would be materially correct and that in order to effectively allocate the liability, an actuary would have to review the employee census for current and retired employees and provide a correct allocation within the actuary report.

The assets of respective funds were adjusted for accumulated depreciation and assets values were re-assessed. Management shall re-evaluate the assets during the next audit period.

	Governmental Activities	Business Activities
Net position, January 1, 2016, as previously reported	\$2,735,662	\$12,521,374
Adjustment of pension liability to General Fund	(634,360)	634,630
Adjustment of net fixed assets	<u>(2,627,438)</u>	<u>(1,125,322)</u>
Net position, January 1, 2016, as restated	<u>\$ 526,136</u>	<u>\$12,030,412</u>

Required Supplementary Information

Required supplementary information includes financial information disclosures that are required by the GASB but are not considered part of the basic financial statements. Such information includes:

ACCOUNTING BUDGETARY AND CONTROL

Budget Law

The City prepares its annual operating budget under the provisions of the Georgia Code. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to December 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to January 1, the budget is legally enacted through the passage of a resolution by the City Council.

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of State Law, except funds of public trust or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund. State statutes recognize the following object categories as the minimum legal level of control by department.

- Personal Services
- Materials and Supplies
- Other Services and Charges
- Capital Outlay
- Debt Service
- Inter-fund Transfers

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between department and object categories require the approval of the City Council.

The City prepared and adopted a legal annual budget for all governmental funds.

Budgetary Accounting

The annual operating budgets of governmental funds are prepared and presented on the cash basis of accounting.

Budget Requirements

There were no supplemental or decreases in budget appropriations made and approved by the City Council.

CITY OF BLAKELY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 600,760	\$ 600,760	\$ 584,853	\$ (15,907)
Franchise tax	30,000	30,000	42,767	12,767
Local option sales tax	475,000	475,000	430,901	(44,099)
Excise tax	180,000	180,000	152,796	(27,204)
Alcohol tax	108,000	108,000	95,352	(12,648)
Insurance premium tax	310,000	310,000	316,315	6,315
Charges for services	400,000	400,000	396,132	(3,868)
Interest revenue	3,000	3,000	2,971	(29)
Miscellaneous	400,000	102,800	414,238	311,438
Total revenues	<u>2,506,760</u>	<u>2,209,560</u>	<u>2,436,325</u>	<u>226,765</u>
EXPENDITURES				
Current:				
General government	1,497,934	1,497,934	667,163	830,771
Public works	832,475	832,475	618,832	213,643
Public safety	2,250,484	2,250,484	2,190,024	60,460
Total current expenditures	<u>4,580,893</u>	<u>4,580,893</u>	<u>3,476,019</u>	<u>1,104,874</u>
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,580,893</u>	<u>4,580,893</u>	<u>3,476,019</u>	<u>1,104,874</u>
Excess (deficiency) or revenues over expenditures	<u>(2,074,133)</u>	<u>(2,371,333)</u>	<u>(1,039,694)</u>	<u>(878,109)</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds				
Transfer in	-	-	1,077,051	(1,077,051)
Transfer out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,077,051</u>	<u>(1,077,051)</u>
Net change in fund balance			\$ 37,357	
Beginning fund balance			438,273	
Ending fund balance			<u>\$ 475,630</u>	

CITY OF BLAKELY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Final</u>		
Revenue				
Hotel/Motel tax	\$ 30,000	\$ 30,000	\$ 34,083	\$ 4,083
	<u>30,000</u>	<u>30,000</u>	<u>34,083</u>	<u>4,083</u>
Expenditure				
Court Square Development	30,000	30,000	31,088	(1,088)
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>31,088</u>	<u>(1,088)</u>
Transfers				
Transfers			(2,995)	
Total transfers			<u>(2,995)</u>	
Excess of Revenue over Expenditure			\$ -	
Beginning fund balance			-	
Ending fund balance			<u>\$ -</u>	

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CITY OF BLAKELY, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2016

	Fiscal Year End									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<i>Total pension liability</i>										
Service cost	\$ 75,867	\$ 79,493								
Interest	510,673	506,976								
Difference between expected and actual experience	(13,181)	(4,898)								
Changes in assumptions	-	(42,374)								
Changes of benefit terms	-	-	(Historical information prior to implementation of GASB 67/68 is not required)							
Benefit payments, including refunds of employee contributions	(482,113)	(500,882)								
Net change in total pension liability	91,246	38,315								
Total pension liability- beginning	6,830,387	6,792,072								
Total pension liability- ending (a)	<u>\$ 6,921,633</u>	<u>\$ 6,830,387</u>								
<i>Plan fiduciary net position</i>										
Contributions- employer	\$ 304,792	\$ 315,800								
Contributions- employees	-	-								
Net investment income	13,147	465,650								
Benefit payments, including refunds of employee contributions	(482,113)	(500,882)	(Historical information prior to implementation of GASB 67/68 is not required)							
Administrative expense	(14,880)	(13,779)								
Other	-	-								
Net change in fiduciary net position	(179,054)	266,789								
Plan fiduciary net position- beginning	5,157,016	4,890,227								
Plan fiduciary net position- ending (b)	<u>\$ 4,977,962</u>	<u>\$ 5,157,016</u>								
Net pension liability- ending (a)-(b)	<u>\$ 1,943,671</u>	<u>\$ 1,673,371</u>								
Plan's fiduciary net position as a percentage of the total pension liability	71.92%	75.50%	(Historical information prior to implementation of GASB 67/68 is not required)							
Covered-employee payroll	\$ 2,306,454	\$ 2,154,375								
Net pension liability as a percentage of Covered-employee payroll	84.27%	77.67%								

SUPPLEMENTARY INFORMATION

ADDITIONAL REPORTS AND SCHEDULES

**CITY OF BLAKELY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
SPLOST CAPITAL IMPROVEMENT PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Purpose Local option sales tax	\$ 408,000	\$ 408,000	\$ 323,034	\$ (84,966)
Interest revenue	<u>1,300</u>	<u>1,300</u>	<u>465</u>	<u>(835)</u>
Total revenues	<u>409,300</u>	<u>409,300</u>	<u>323,499</u>	<u>(84,966)</u>
EXPENDITURES				
Current:				
General government	300,000	300,000	273,179	26,821
Public safety	-	-	-	-
Public works	50,000	50,000	-	50,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current expenditures	<u>350,000</u>	<u>350,000</u>	<u>273,179</u>	<u>76,821</u>
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
Total capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>273,179</u>	<u>76,821</u>
Excess (deficiency) or revenues over expenditures	<u>59,300</u>	<u>59,300</u>	<u>50,320</u>	<u>(161,787)</u>
OTHER FINANCING SOURCES (USES)				
Long term borrowings				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,966)</u>
Net change in fund balance			\$ 50,320	
Beginning fund balance			<u>187,988</u>	
Ending fund balance			<u>\$ 238,308</u>	

**CITY OF BLAKELY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
CDBG CAPITAL IMPROVEMENT PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Capital grants	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Streets	-	-	-	-
Public safety	-	-	-	-
Miscellaneous	-	-	-	-
Total current expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total capital expenditures	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Excess (deficiency) or revenues over expenditures	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
OTHER FINANCING SOURCES (USES)				
Long term borrowings				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			\$ -	
Beginning fund balance			<u>-</u>	
Ending fund balance			<u>\$ -</u>	

Geer & Associates
Certified Public Accountants, P.C.

SPECIAL PURPOSE SALES AND USE TAX

Mayor and City Council
City of Blakely, Georgia
Blakely, Georgia

Gentlemen:

We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax Proceeds for Blakely, Georgia for the year ended December 31, 2016. This schedule is the responsibility of Blakely's management. Our responsibility is to express an opinion on the Schedule of Expenditures of the Special Purpose Local Option Sales Tax Proceeds 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 Governmental Auditing Standards, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Projects Constructed with Sales Tax Proceeds is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds. 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 of Expenditures of Special Purpose Local Option Sales Tax Proceeds. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Projects Constructed with Special Purpose Sales Tax Proceeds was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting and is not intended to be a complete presentation of Blakely's revenues and expenditures. In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in the City of Blakely, Georgia's resolution or ordinance calling for the tax for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Geer & Associates

Geer & Associates
June 27, 2016

**CITY OF BLAKELY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Project	Original Estimated Cost	Amended Estimated Cost	Years Ended Prior to January 1, 2015	Current Year	Total	Estimated Percentage of Completion
Overall Project Budget	2,700,000	2,700,000	2,005,866	259,866	2,265,732	84%
Equipment	(793,951)	793,951	597,156	196,795	793,951	100%
Landfill	(96,375)	96,375	96,375	-	96,375	100%
Water treatment system	(1,269,679)	1,269,679	1,210,608	59,071	1,269,679	100%
Gas Fund	(78,171)	78,171	78,171	-	78,171	100%
Electric Fund	(23,556)	23,556	23,556	-	23,556	100%
General Fund	(4,000)	4,000	-	4,000	4,000	100%
	<u>\$ (2,265,732)</u>	<u>\$ 2,265,732</u>	<u>\$ 2,005,866</u>	<u>\$ 259,866</u>	<u>\$ 2,265,732</u>	

Compliance Section

Geer & Associates

Certified Public Accountants, P.C.

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

Mayor and Council Members
City of Blakely
Blakely, Georgia

Council Members:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Blakely, Georgia as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Blakely's basic financial statements, and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Findings 2016-1.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Blakely's basic financial statements are free of material misstatement, we performed test 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 statements 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 test did not disclose instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

City of Blakely's Response to Findings

The City of Blakely's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Blakely'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

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

Respectfully submitted,
Geer & Associates
Geer & Associates
June 27, 2017

City of Blakely
Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued: Unmodified

Internal control over financial reporting

Material weakness(es) identified? No
Significant deficiency(s) No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No
Significant deficiency(s) identified None reported

Type of auditors report issued on compliance for major federal programs: Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? NA

City of Blakely
 Schedule of Expenditures of Federal Awards
 For The Year Ended December 31, 2016

Federal Grantors/Pass-Through Grantor/ Program Title	Pass Through Grantor Number	Program Award Amount	Cash/Accrued or Deferred Revenues December 31, 2015	Receipts		Expenditures	Cash/Accrued or Deferred Revenue December 31, 2016
				Federal Funds	Matching Contributions		
Nonmajor Programs:							
Passed Through Georgia Department of Community Affairs:							
Community Development Block Grant - No. 16-p-049-2-5835		500,000	-	10,000	-	10,000	-
Total Nonmajor Federal Awards FYE 12/31/16		500,000	-	10,000	-	10,000	-
Total Federal Awards FYE 12/31/16		500,000	-	10,000	-	10,000	-

Note 1.
BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial

**City of Blakely, Georgia
Schedule of Findings and Questioned Costs
for the Year Ended December 31, 2016**

Section II – Financial Statement Findings

Finding No. 2017-1

Repeat Finding

Criteria: Policies and procedures should be in place to ensure a better segregation of duties.

Statement of condition: There is a lack of segregation of duties throughout the City departments

Effect of condition: Lack of segregation of duties greatly increases the opportunity for theft/fraud.

Cause of condition: Procedures were not in place to ensure compliance.

Recommendation: Management has mitigated the risks associated with the lack of segregation of duties. However, due to the small number of accounting personnel management must continue to monitor all operations to ensure that duties are properly segregated.

Management response: We will review our operations to determine the most efficient and effective solution to properly segregate duties.

Contact person: Melinda Crook, City Clerk/Finance Director
Telephone: (229) 723-3677; Fax (229) 723-2520; E-mail: blakelyfinance@windstream.net

City of Blakely, Georgia
Schedule of Findings and Questioned Costs
for the Year Ended December 31, 2016

Schedule of Prior Year Findings

Finding No. 2015-1

See current year finding