

CITY OF PINE LAKE, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

JAMES L. WHITAKER, P.C.

CERTIFIED PUBLIC ACCOUNTANT

SNELLVILLE, GEORGIA 30078



**CITY OF PINE LAKE, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Pine Lake, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of City of Pine Lake, Georgia (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the discretely presented component unit and each major fund of the City of Pine Lake, Georgia, as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the General Fund and the McAllister Environmental Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 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 Pine Lake, Georgia's basic financial statements. The individual fund budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Pine Lake, Georgia's basic financial statements for the year ended December 31, 2014, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pine Lake, Georgia's basic financial statements as a whole. The individual fund financial statements, related to the 2014 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 30, 2016 on our consideration of City of Pine Lake, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Pine Lake, Georgia's internal control over financial reporting and compliance.

Snellville, Georgia
June 30, 2016

James L. Whitaker, P.C.

CITY OF PINE LAKE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pine Lake, we offer readers of the City of Pine Lake's financial statements this narrative overview and analysis of the financial activities of the City of Pine Lake for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented in this analysis with their review of the financial statements.

Financial Highlights

- The assets of the City of Pine Lake exceeded its liabilities at December 31, 2015 by \$2,752,520. Of this amount unrestricted net position of \$535,372 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net position increased by \$26,283. Of this amount an increase of \$20,788 was associated with governmental activities and an increase of \$5,495 was associated with business-type activities.
- As of the close of the current fiscal year, the City of Pine Lake's governmental funds reported combined ending fund balances of \$602,130 an increase of \$43,714 in comparison with the prior year's fund balances. Of this amount \$115,806 is restricted for capital projects specified in the revenue bond ordinance and federal and state financial assistance agreements; \$93,867 is restricted for environmental projects; and \$12,241 is nonspendable and in the form of prepaid expenses and the City had an unassigned fund balance of \$380,216.
- The City of Pine Lake's total debt obligations consisted of the DDA's 2009 revenue bonds in the amount of \$748,264 and capital lease obligations totaling \$32,469. The City made \$50,279 in principal payments during 2015.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Pine Lake's basic financial statements. The City of Pine Lake's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Pine Lake's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (For example, stormwater fees are recognized as income when they are billed but the payments will be received in the future. Expenses are recognized when incurred but may be paid sometime in the future.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Pine Lake include general government, sanitation, public safety and courts, public improvements, and parks and recreation. The business-type activity of the City is Stormwater management.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Pine Lake can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains five major governmental funds. The City's major governmental funds are the General Fund, the McAllister Environmental Fund, Revenue Bond Fund, Capital Projects Fund and the Grant Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each major fund. The governmental funds financial statements begin on page 14.

The City of Pine Lake adopts an annual budget for its General Fund and the McAllister Environmental Special Revenue Fund. The annual budget for solid waste management is developed as part of the General Fund. Pine Lake sets a fee for solid waste management and a plot fee to help finance sanitation and other maintenance activities. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the FY 15 budget. The budgetary comparison statements begin on page 18.

Proprietary funds. The City of Pine Lake maintains one enterprise fund (a component of proprietary funds) to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Stormwater Utility.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Stormwater Utility.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24.

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements beginning on page 43.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2015, the City's assets exceeded its liabilities by \$2,752,520, largely due to a large investment into capital assets. The City's net capital assets decreased by \$83,200 (or 2.9%) from 2014 to 2015 (to \$2,788,208). Capital assets are used to provide services to citizens and they are not available for future spending. Of the total net position of \$2,752,520, \$209,673 (7.6 percent) is restricted for environmental and capital outlay purposes. The City had unrestricted net position of \$535,372 or 19.5%.

City of Pine Lake's Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 723,257	\$ 670,748	\$ 118,292	\$ 113,511	\$ 841,549	\$ 784,259
Capital assets	<u>2,788,208</u>	<u>2,871,408</u>	<u>-</u>	<u>-</u>	<u>2,788,208</u>	<u>2,871,408</u>
Total assets	<u>3,511,465</u>	<u>3,542,156</u>	<u>118,292</u>	<u>113,511</u>	<u>3,629,757</u>	<u>3,655,667</u>
Current liabilities	94,404	95,604	2,100	2,814	96,504	98,418
Long-term liabilities	<u>780,733</u>	<u>831,012</u>	<u>-</u>	<u>-</u>	<u>780,733</u>	<u>831,012</u>
Total liabilities	<u>875,137</u>	<u>926,616</u>	<u>2,100</u>	<u>2,814</u>	<u>877,237</u>	<u>929,430</u>
Net position:						
Net investment in capital assets	2,007,475	2,040,396	-	-	2,007,475	2,040,396
Restricted	209,673	190,500	-	-	209,673	190,500
Unrestricted	<u>419,180</u>	<u>384,644</u>	<u>116,192</u>	<u>110,697</u>	<u>535,372</u>	<u>495,341</u>
Total net position	<u>\$ 2,636,328</u>	<u>\$ 2,615,540</u>	<u>\$ 116,192</u>	<u>\$ 110,697</u>	<u>\$ 2,752,520</u>	<u>\$ 2,726,237</u>

A portion of the net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of \$535,372 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Pine Lake is able to report positive balances in all three categories of net position.

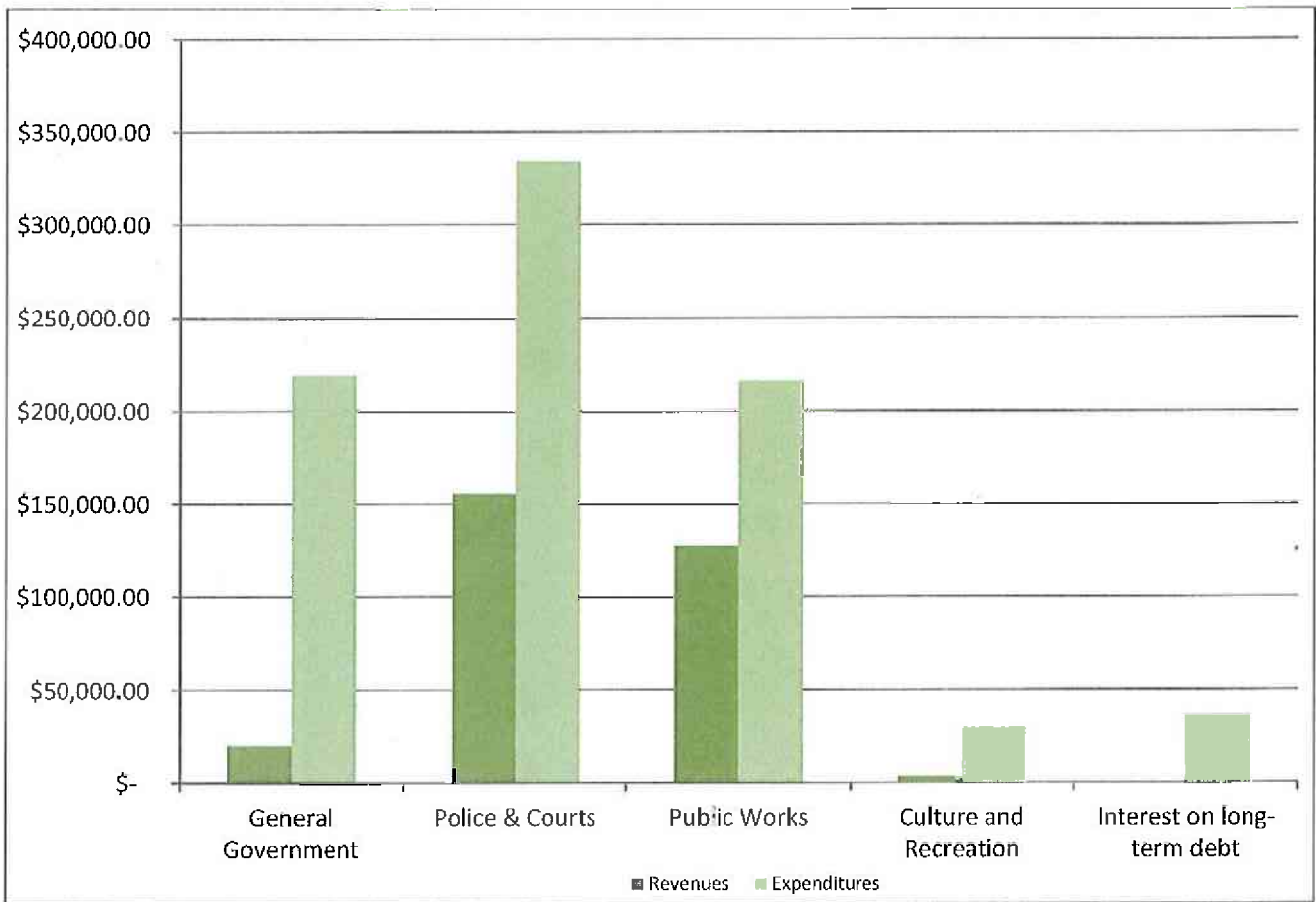
Governmental activities. Governmental activities increased the City's net position by \$20,788 or .8%. Key elements of this increase are as follows:

**City of Pine Lake's Change in Net Position
For The Years Ended December 31, 2015 and 2014**

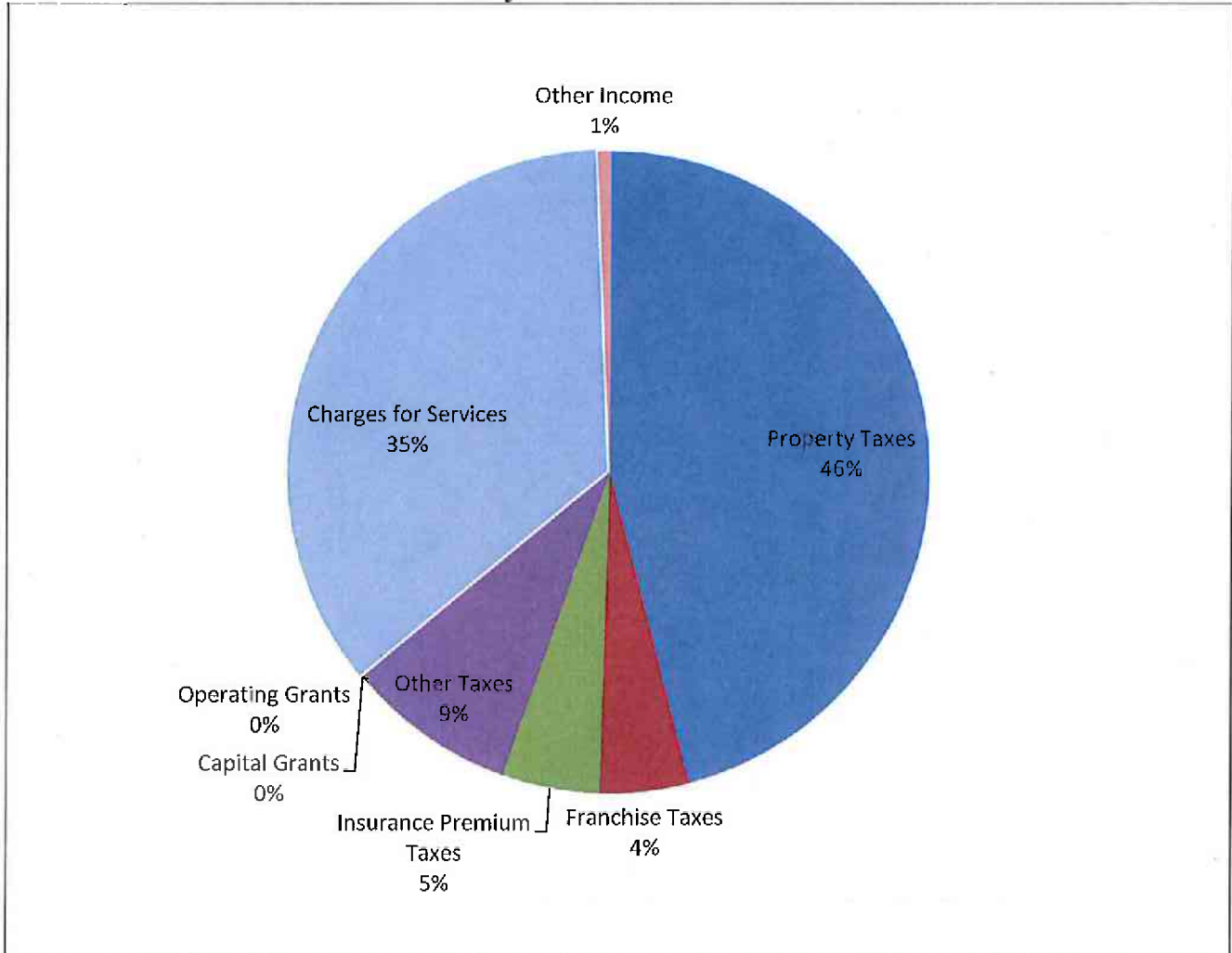
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues -						
Charges for services	\$ 302,473	\$ 337,955	\$ 47,250	\$ 46,807	\$ 349,723	\$ 384,762
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	2,695	-	-	-	2,695
General Revenues-						
Property taxes	393,514	372,430	-	-	393,514	372,430
Franchise taxes	38,601	35,970	-	-	38,601	35,970
Insurance premium taxes	42,063	39,372	-	-	42,063	39,372
Other taxes	73,885	74,847	-	-	73,885	74,847
Interest	1,217	1,551	-	-	1,217	1,551
Other	4,377	4,762	-	-	4,377	4,762
	<u>856,130</u>	<u>869,582</u>	<u>47,250</u>	<u>46,807</u>	<u>903,380</u>	<u>916,389</u>
Expenses:						
General government	218,868	213,463	-	-	218,868	213,463
Police and courts	334,258	288,668	-	-	334,258	288,668
Public works	216,190	216,770	-	-	216,190	216,770
Culture and recreation	29,789	26,422	-	-	29,789	26,422
Interest on long-term debt	36,237	38,290	-	-	36,237	38,290
Stormwater	-	-	41,755	46,274	41,755	46,274
	<u>835,342</u>	<u>783,613</u>	<u>41,755</u>	<u>46,274</u>	<u>877,097</u>	<u>829,887</u>
Increase (decrease) in net position before transfers	20,788	85,969	5,495	533	26,283	86,502
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	20,788	85,969	5,495	533	26,283	86,502
Net position - beginning	<u>2,615,540</u>	<u>2,529,571</u>	<u>110,697</u>	<u>110,164</u>	<u>2,726,237</u>	<u>2,639,735</u>
Net position - ending	<u>\$ 2,636,328</u>	<u>\$ 2,615,540</u>	<u>\$ 116,192</u>	<u>\$ 110,697</u>	<u>\$ 2,752,520</u>	<u>\$ 2,726,237</u>

- Total revenues decreased by 1.5% in 2015. The decrease is due to reductions in fines and forfeitures of \$27,000 and permits of \$10,000. However, taxes increased by \$25,000 or 4.86% with the largest increase in property taxes. The increase in property taxes totaled approximately \$21,000 or 5.66%. The reason for the increase in property taxes is due to the increase in property assessed values of 37.7% over 2014 values. The millage rate decreased from 28.11 mills in 2014 to 21.402 mills in 2015.
- Following settlement of a decade-long lawsuit between DeKalb County and its municipalities, the Homestead Option Sales Tax (HOST) distributions began in 2011. HOST is a countywide one-cent sales tax to offset property taxes that was approved by voters in 1997. This money is to be used for capital improvements. The 2015 HOST receipts totaled \$20,021.
- The total cost of Governmental Activities increased a total of \$51,729 (or 6.6%) from \$783,613 for 2014 to \$835,342 for 2015. Expenditures increased in Police and Court activities due to salaries and benefits for additional police and court personnel.

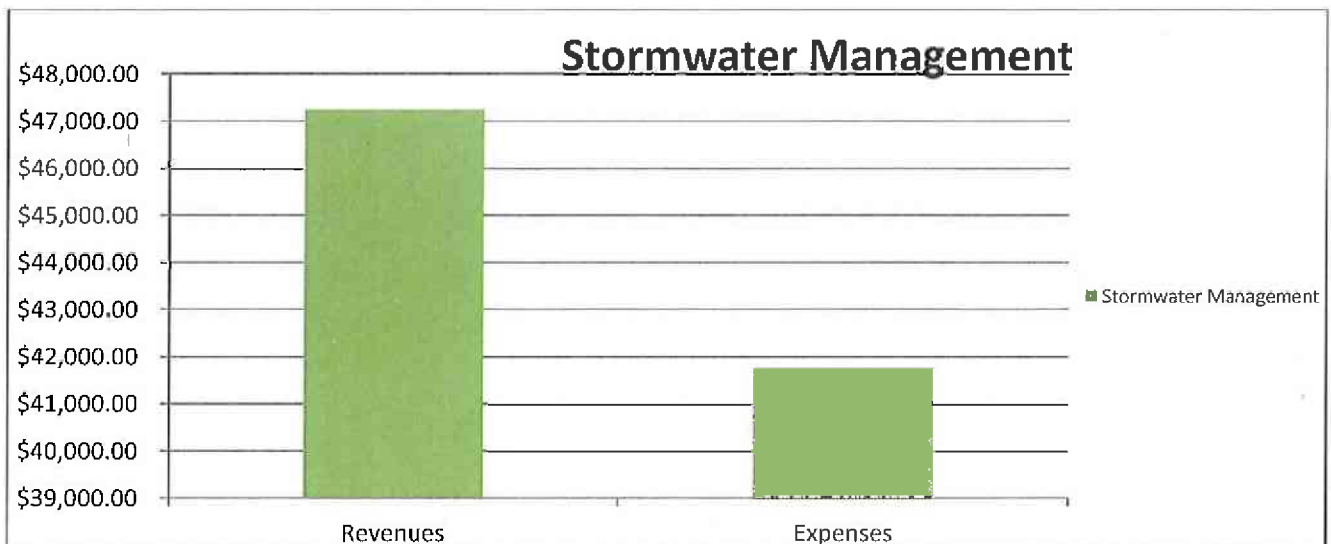
Expenses and Program Revenues-Governmental Activities



Revenue by Source-Governmental Activities



Business-type activities: The stormwater utility received \$47,250 from impervious surface fees and showed \$41,755 in expenses. Revenues of this fund are used for the maintenance and upkeep of the City's stormwater infrastructure and state mandated testing requirements.



Financial Analysis of the Government's Funds

As noted earlier, the City of Pine Lake used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

At December 31, 2015 the City's governmental funds reported combined ending fund balances of \$602,130. Of this amount, the City had an unassigned fund balance of \$380,216. The remainder of fund balance is restricted to indicate that it is not available for new spending because \$115,806 is restricted for capital projects under the bond issue and grant agreements; \$93,867 is restricted for environmental purposes and \$12,241 is nonspendable and in the form of prepaid expenses.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$380,216 while the total fund balance totaled \$392,457. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47.4% of the total general fund expenditures, while total fund balance represents 48.9% of that same amount.

During the current fiscal year the fund balance of the City's general fund increased by \$24,541. The increase was the result of the City maintaining a level of expenditures that remained within the level of revenues even though revenues decreased by approximately \$23,000 compared to 2014 totals. The decrease in revenues were from fines and forfeitures of \$25,000 and building permits of \$10,000. The City implemented a moratorium on issuing building permits which lead to the decrease in building permits fees for the year.

The McAllister Environmental Special Revenue Fund is used to account for the bequest of Dr. Ann Dunn McAllister. The bequest received during 2010 of \$115,500 is to be used to support work for the growth and preservation of the natural environment as a bird-friendly habitat. This fund had no significant transactions during 2015.

The Revenue Bond Capital Project Fund was created during 2010 to properly account for the proceeds from the 2009 Downtown Development Authority revenue bonds. The City created this fund during 2010 by transferring the remaining related assets as of December 31, 2009 of \$684,784 to the fund. The Fund transferred \$13,772 to the newly created Capital Projects Fund during 2015 to properly account for the HOST Tax revenues.

The Grant Capital Project Fund was created during 2013 to account for the proceeds from federal and state grants and other financial assistance that are to be used for capital improvements. The City received grants from DeKalb County in the amount of \$810,000 and from the Georgia Environmental Finance Authority in the amount of \$687,500 for improvements to Snapfinger Creek and other related projects during 2012. No significant transactions occurred in this fund during the 2015.

The Capital Projects Fund was created during 2015 to account for the proceeds from the HOST Tax and other sources that are to be used for capital projects.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

The General Fund expenditures for FY 2015 were \$802,088 compared to the final budget amount of \$942,712. Certain anticipated expenditures were delayed, such as hiring of personnel. Additionally, other expenditures were deferred beyond the fiscal year, such as equipment purchases.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets at December 31, 2015 amounts to \$2,788,208 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobiles, equipment, and parks. No significant increases or decreases in capital assets occurred during 2015. Additional information on the City’s capital assets can be found in Note 7 on page 35 of this report.

Long-term debt. At the end of the current fiscal year, the City had \$780,733 in outstanding debt consisting of the following:

CITY OF PINE LAKE'S OUTSTANDING DEBT

	<u>Balance</u>
Governmental Activities:	
Revenue Bonds	\$ 748,264
Capital Lease Obligation	<u>32,469</u>
Total Long-Term Debt	<u>\$ 780,733</u>

The City’s total debt decreased by \$50,279 which includes normal debt service payments. Additional information on the City’s long-term debt can be found in note 8 on page 36 of this report.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Pine Lake is approximately \$1,981,000 which is significantly in excess of the City of Pine Lake’s outstanding general obligation debt.

Status of the City of Pine Lake’s Economy

- Net assessed property values increased 37.7% for 2015.
- The City was under a moratorium for construction of anything other than single family residential during 2015. With the improving economy, there were a number of inquiries regarding commercial upgrades and construction.

All of these factors were considered in preparing the City of Pine Lake’s budget for F/Y 2016.

Requests for Information

This financial report is designed to provide a general overview of the City of Pine Lake’s finances, comply with finance-related laws and regulations, and demonstrate the City’s commitment to public accountability. Questions concerning this report or requests for additional information can be obtained by contacting the City at (404) 292-4250 or at the following address:

City of Pine Lake
P.O. Box 1325
Pine Lake, GA 30072

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**CITY OF PINE LAKE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Dev. Auth.</u>
Assets				
Cash and Cash Equivalents	\$ 436,941	\$ 106,069	\$ 543,010	\$ -
Receivables, net				
Taxes	70,454	-	70,454	-
Accounts	10,911	4,345	15,256	-
Internal balances	(7,878)	7,878	-	-
Due from Primary Government	-	-	-	754,414
Prepaid Items	12,241	-	12,241	-
Restricted Assets -				
Cash	200,588	-	200,588	-
Non-Depreciable Capital Assets	120,203	-	120,203	-
Depreciable Capital Assets, Net	<u>2,668,005</u>	<u>-</u>	<u>2,668,005</u>	<u>-</u>
Total Assets	<u>3,511,465</u>	<u>118,292</u>	<u>3,629,757</u>	<u>754,414</u>

See accompanying notes to the basic financial statements.

Continued

**CITY OF PINE LAKE, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Dev. Auth.
Liabilities				
Accounts payable	\$ 41,556	\$ 2,100	\$ 43,656	\$ -
Accrued liabilities -				
Salaries and wages	38,356	-	38,356	-
Interest	7,165	-	7,165	6,150
Unearned revenues	7,327	-	7,327	-
Long-Term Liabilities -				
Due Within One Year	52,442	-	52,442	43,633
Due In More Than One Year	728,291	-	728,291	704,631
Total Liabilities	<u>875,137</u>	<u>2,100</u>	<u>877,237</u>	<u>754,414</u>
Net Position				
Net investment in capital assets	2,007,475	-	2,007,475	-
Restricted for -				
Environmental projects	93,867	-	93,867	-
Capital outlay	115,806	-	115,806	-
Unrestricted	419,180	116,192	535,372	-
Total Net Position	<u>\$ 2,636,328</u>	<u>\$ 116,192</u>	<u>\$ 2,752,520</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Concluded

**CITY OF PINE LAKE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 218,868	\$ 19,907	\$ -	\$ -
Police and Courts	334,258	155,265	-	-
Public Works	216,190	127,301	-	-
Culture and Recreation	29,789	-	-	-
Community Development	-	-	-	-
Interest	36,237	-	-	-
Total Governmental Activities	<u>835,342</u>	<u>302,473</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Stormwater Management	41,755	47,250	-	-
Total Business-Type Activities	<u>41,755</u>	<u>47,250</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 877,097</u>	<u>\$ 349,723</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit:				
Downtown Development Authority	\$ 35,111	\$ -	\$ -	\$ -

General Revenues:

Taxes:

- Property
- Franchise
- Intangible
- Motor vehicle
- Insurance premium
- Alcohol beverage
- Occupational
- Real estate transfer
- Host tax

Investment earnings

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - End of Year

See accompanying notes to the basic financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business- Type Activities	Total	Downtown Dev. Auth.
\$ (198,961)	\$ -	\$ (198,961)	\$ -
(178,993)	-	(178,993)	-
(88,889)	-	(88,889)	-
(29,789)	-	(29,789)	-
-	-	-	-
(36,237)	-	(36,237)	-
<u>(532,869)</u>	<u>-</u>	<u>(532,869)</u>	<u>-</u>
-	5,495	5,495	-
-	5,495	5,495	-
<u>(532,869)</u>	<u>5,495</u>	<u>(527,374)</u>	<u>-</u>
-	-	-	(35,111)
393,514	-	393,514	-
38,601	-	38,601	-
10,236	-	10,236	-
22,828	-	22,828	-
42,063	-	42,063	-
7,592	-	7,592	-
7,865	-	7,865	-
5,343	-	5,343	-
20,021	-	20,021	-
1,217	-	1,217	35,111
4,377	-	4,377	-
<u>553,657</u>	<u>-</u>	<u>553,657</u>	<u>35,111</u>
-	-	-	-
<u>553,657</u>	<u>-</u>	<u>553,657</u>	<u>35,111</u>
20,788	5,495	26,283	-
<u>2,615,540</u>	<u>110,697</u>	<u>2,726,237</u>	<u>-</u>
<u>\$ 2,636,328</u>	<u>\$ 116,192</u>	<u>\$ 2,752,520</u>	<u>\$ -</u>

**CITY OF PINE LAKE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Special Revenue	Capital Projects		Total Governmental Funds	
		McAllister Environmental Fund	Revenue Bond Fund	Grant Fund		Capital Projects Fund
ASSETS						
Cash	\$ 436,941	\$ -	\$ -	\$ -	\$ -	\$ 436,941
Receivables-						
Accounts	10,911	-	-	-	-	10,911
Taxes	61,369	-	-	-	9,085	70,454
Due from other funds	-	-	-	-	-	-
Prepaid items	12,241	-	-	-	-	12,241
Cash - restricted	-	93,867	75,646	6,362	24,713	200,588
Total assets	\$ 521,462	\$ 93,867	\$ 75,646	\$ 6,362	\$ 33,798	\$ 731,135
LIABILITIES						
Accounts payable	\$ 41,556	\$ -	\$ -	\$ -	\$ -	\$ 41,556
Accrued salaries and wages	38,356	-	-	-	-	38,356
Due to other funds	7,878	-	-	-	-	7,878
Unearned Revenue	7,327	-	-	-	-	7,327
Total liabilities	95,117	-	-	-	-	95,117
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	33,888	-	-	-	-	33,888
FUND BALANCE						
Nonspendable - Prepaid items	12,241	-	-	-	-	12,241
Restricted -						
Environmental projects	-	93,867	-	-	-	93,867
Capital projects	-	-	75,646	6,362	33,798	115,806
Unassigned	380,216	-	-	-	-	380,216
Total fund balance	392,457	93,867	75,646	6,362	33,798	602,130
Total liabilities, deferred inflows of resources and fund balance	\$ 521,462	\$ 93,867	\$ 75,646	\$ 6,362	\$ 33,798	\$ 731,135

See accompanying notes to the basic financial statements.

CITY OF PINE LAKE, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

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

Total fund balances -- total governmental funds	\$ 602,130
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,788,208
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Unavailable revenues	33,888
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Revenue bond obligation - DDA	(748,264)
Capital lease obligation	(32,469)
Accrued interest payable	<u>(7,165)</u>
Net Position of governmental activities.	<u>\$ 2,636,328</u>

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

**CITY OF PINE LAKE, GEORGIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Special Revenue	Capital Projects			Total
		McAllister Environmental Fund	Revenue Bond Fund	Grant Fund	Capital Projects Fund	
REVENUES						
Taxes	\$ 523,617	\$ -	\$ -	\$ -	\$ 20,021	\$ 543,638
Licenses and permits	10,380	-	-	-	-	10,380
Intergovernmental	-	-	-	-	-	-
Charges for services	126,463	-	-	-	-	126,463
Fines and forfeitures	152,945	-	-	-	-	152,945
Interest	1,102	-	103	7	5	1,217
Rental Income	7,827	-	-	-	-	7,827
Other	4,295	-	-	-	-	4,295
Total revenues	<u>826,629</u>	<u>-</u>	<u>103</u>	<u>7</u>	<u>20,026</u>	<u>846,765</u>
EXPENDITURES						
Current-						
General government	216,427	-	-	-	-	216,427
Municipal court	120,623	-	-	-	-	120,623
Police	201,097	-	-	-	-	201,097
Public works	148,346	-	-	-	-	148,346
Culture and recreation	21,433	-	-	-	-	21,433
Capital Outlay	7,017	-	-	963	-	7,980
Debt Service -						
Principal	50,279	-	-	-	-	50,279
Interest	36,866	-	-	-	-	36,866
Debt issue cost	-	-	-	-	-	-
Total expenditures	<u>802,088</u>	<u>-</u>	<u>-</u>	<u>963</u>	<u>-</u>	<u>803,051</u>
Excess of revenues over (under) expenditures	24,541	-	103	(956)	20,026	43,714
Other financing sources (uses):						
Proceeds from debt issuance	-	-	-	-	-	-
Proceeds from asset sale	-	-	-	-	-	-
Transfers	-	-	(13,772)	-	13,772	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>(13,772)</u>	<u>-</u>	<u>13,772</u>	<u>-</u>
Net change in fund balance	24,541	-	(13,669)	(956)	33,798	43,714
Fund balance - beginning	367,916	93,867	89,315	7,318	-	558,416
Fund balance - ending	<u>\$ 392,457</u>	<u>\$ 93,867</u>	<u>\$ 75,646</u>	<u>\$ 6,362</u>	<u>\$ 33,798</u>	<u>\$ 602,130</u>

See accompanying notes to the basic financial statements.

**CITY OF PINE LAKE, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances -- total governmental funds \$ 43,714

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	6,593
Depreciation expense	(89,793)

Long term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Position.

Repayments of debt	50,279
Proceeds from debt issue	-

The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. This is the net amount of capital assets donated and written off.

-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference between the beginning and ending deferred revenue balances related to timing differences.

9,365

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest payable	630
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Change in Net Position of governmental activities. \$ 20,788

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

**CITY OF PINE LAKE, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -- BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	BUDGET AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 513,748	\$ 513,748	\$ 523,617	\$ 9,869
Licenses and permits	13,750	13,750	10,380	(3,370)
Intergovernmental grants	7,327	7,327	-	(7,327)
Charges for services	142,085	142,085	126,463	(15,622)
Fines, fees and forfeitures	248,725	248,725	152,945	(95,780)
Investment income	1,800	1,800	1,102	(698)
Miscellaneous	13,777	13,777	12,122	(1,655)
Total revenues	<u>941,212</u>	<u>941,212</u>	<u>826,629</u>	<u>(114,583)</u>
EXPENDITURES				
Current				
General Government	242,586	242,586	216,427	26,159
Municipal Court	127,753	127,753	120,623	7,130
Police	267,341	267,341	201,097	66,244
Public Works	168,216	168,216	148,346	19,870
Culture and Recreation	31,571	31,571	21,433	10,138
Capital Outlay	18,100	18,100	7,017	11,083
Debt Service				
Principal	50,278	50,278	50,279	(1)
Interest	36,867	36,867	36,866	1
Total expenditures	<u>942,712</u>	<u>942,712</u>	<u>802,088</u>	<u>140,624</u>
Excess of revenues over (under) expenditures	(1,500)	(1,500)	24,541	26,041
Other financing sources (uses):				
Proceeds from debt issuance	-	-	-	-
Proceeds from asset sale	1,500	1,500	-	(1,500)
Transfers	-	-	-	-
Total other financing sources (uses):	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Net change in fund balance	-	-	24,541	24,541
Fund balance - beginning	<u>367,916</u>	<u>367,916</u>	<u>367,916</u>	<u>-</u>
Fund balance - ending	<u>\$ 367,916</u>	<u>\$ 367,916</u>	<u>\$ 392,457</u>	<u>\$ 24,541</u>

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

**CITY OF PINE LAKE, GEORGIA
McALLISTER ENVIRONMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -- BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	*BUDGET ORIGINAL / FINAL	ACTUAL	VARIANCE
REVENUES			
Investment income	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current			
Public Works	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Proceeds from deletion of capital assets	-	-	-
Transfers	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>93,867</u>	<u>93,867</u>	<u>-</u>
Fund balance - ending	<u>\$ 93,867</u>	<u>\$ 93,867</u>	<u>\$ -</u>

* No activity was anticipated by management for 2015.

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

**CITY OF PINE LAKE, GEORGIA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015 AND 2014**

	STORMWATER FUND	
	2015	2014
ASSETS		
Current assets		
Cash	\$ 106,069	\$ 79,115
Accounts receivable	4,345	5,708
Due from other funds	7,878	28,688
Total current assets	118,292	113,511
Total assets	118,292	113,511
 LIABILITIES		
Current liabilities		
Accounts payable	2,100	2,814
Total current liabilities	2,100	2,814
Long-term liabilities	-	-
Total liabilities	2,100	2,814
 NET POSITION		
Investment in capital assets	-	-
Unrestricted	116,192	110,697
Total Net Assets	\$ 116,192	\$ 110,697

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

**CITY OF PINE LAKE, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS DECEMBER 31, 2015 AND 2014**

	STORMWATER FUND	
	2015	2014
OPERATING REVENUES		
Charges for services	\$ 47,250	\$ 46,807
Total operating revenues	47,250	46,807
OPERATING EXPENSES		
Salaries and benefits	20,393	16,983
Contract services	21,362	29,088
Supplies	-	203
Total operating expenses	41,755	46,274
Operating income (loss)	5,495	533
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Transfers	-	-
Change in net position	5,495	533
NET POSITION - BEGINNING	110,697	110,164
NET POSITION - ENDING	\$ 116,192	\$ 110,697

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

**CITY OF PINE LAKE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS DECEMBER 31, 2015 AND 2014**

	STORMWATER FUND	
	2015	2014
Cash flows from operating activities:		
Cash received from customers and users	\$ 48,613	\$ 45,815
Cash paid to suppliers for goods	(28,413)	(29,529)
Cash paid to employees	(14,056)	(13,931)
Net cash provided from operating activities	6,144	2,355
Cash flows from investing activities:		
Other	-	-
Net cash from investing activities	-	-
Cash flows from non-capital financing activities:		
(Increase) decrease in due from other funds	20,810	16,200
FEMA grant	-	-
Net cash flows from non-capital financing activities	20,810	16,200
Cash flows from capital financing activities:		
Purchase of capital assets	-	-
Net cash flows from capital financing activities	-	-
Net cash flows	26,954	18,555
Cash and cash equivalents - beginning	79,115	60,560
Cash and cash equivalents - ending	\$ 106,069	\$ 79,115

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

**CITY OF PINE LAKE, GEORGIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS**

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

	STORMWATER FUND	
	2015	2014
Operating income (loss)	\$ 5,495	\$ 533
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	-	-
(Increase) decrease in receivables	1,363	(992)
Increase (decrease) in accounts payable	(714)	2,814
Total adjustments	649	1,822
Net cash from operating activities	\$ 6,144	\$ 2,355

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

**CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Presentation

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

B. The Reporting Entity

The City of Pine Lake, Georgia (the City) was established in 1937 and is located in DeKalb County. The City provides a variety of services to approximately 706 residents. These services are provided in whole by the City. These services include public safety, culture and recreation, sanitation, public improvements, planning and zoning, stormwater management and general administrative services.

Governmental Accounting Standards Board Statement (GASB) No. 14, as amended by GASB No. 61 defines the reporting entity for determining which potential component units should be included in a primary government's financial statements. Inclusion is based on organization's for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, the organization should be included as a component unit. The criteria for determining financial accountability includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the City regardless of whether the organization has a separate elected or appointed governing board. Blended component units, although legally separate entities, are, in substance part of the government's operations and are reported with similar funds of the primary government. Using the above criteria, the City has included in the City's financial report the City of Pine Lake Downtown Development Authority because of the significance of its operational and financial relationship with the City.

Discretely Presented Component Unit –

The component unit column in the Government – Wide Financial Statements includes the financial data of City of Pine Lake, Georgia Downtown Development Authority. This component unit is reported in a separate column to emphasize that it is legally separate from the City. The City of Pine Lake, Georgia Downtown Development Authority was organized to develop and promote commerce, industry and general welfare within the City. The City appoints the Authority's board members and reviews the annual budget. Funding of the Authority is provided by the City's General Fund. Separate financial statements for the Authority are not issued.

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

C. Basic Financial Statements—Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

The government-wide Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year end. The statement is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. The City does not allocate indirect cost. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity self-financing or draws from the general revenues of the City.

The net costs (by function) are normally covered by general revenue (property taxes, franchise taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

D. Basic Financial Statements-Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

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

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

McAllister Environmental Special Revenue Fund – This fund was created in 2010 to account for the proceeds from the bequest of Dr. Ann Dunn McAllister. Proceeds are to be used to support the work being done toward the growth and preservation of the natural environment as a bird-friendly habitat.

Revenue Bond Capital Projects Fund – This fund was created during 2010 to account for the proceeds from a 2009 bond issue. The proceeds are to be used for various items specified in the bond agreement.

Grant Capital Projects Fund – This fund was created during 2011 to account for the proceeds from federal and state grants and other financial assistance to be used for capital improvements.

Capital Projects Fund – This fund was created during 2015 to account for the proceeds from the HOST tax and other sources that are to be used for capital projects.

Proprietary Fund Type – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City's proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Stormwater Management Enterprise Fund - The Stormwater Management Enterprise Fund is used to account for the revenues generated from the charges for stormwater management provided to the citizens of the City.

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

E. Measurement Focus

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

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

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

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide the goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Government-wide financial statements are presented on the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

F. Basis of Accounting, continued

Those revenues susceptible to accrual are taxes, state and federal grants, interest revenue and charges for services. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses, penalties, fines and forfeitures and miscellaneous revenues which are recorded as revenues when received in cash. Those revenues that are measurable but are not collected within 60 days after year end are recorded as unavailable revenues.

G. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City did not have any investments as of December 31, 2015. For reporting purposes, all investments, if any, are recorded at fair value.

In applying GASB Statement No. 31, the City utilized the following methods and assumptions as of December 31, 2015:

1. Fair value is based on quoted market prices as of the valuation date;
2. The investment portfolio did not hold investments in any of the following: a) items required to be reported at amortized costs; b) items subject to involuntary participation in an external pool; and, c) items associated with a fund other than the fund to which the income is assigned.

The City's policy is to hold investments until maturity.

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory, if any, in the General Fund consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are used, rather than in the period purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories of the enterprise fund, if any, consist of various repair parts and supplies.

I. Prepaid Expenses

Payments made to vendors for service that will benefit periods beyond December 31, 2015 are recorded as prepaid items and are expensed during the period benefited.

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

J. Restricted Assets

Certain proceeds from the City’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The “revenue bond construction fund” account is used to segregate bond proceeds that are to be used for the purposes specified in the bond agreement. The “debt service reserve fund” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during fiscal year ended December 31, 2015. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	20-50 years
Furniture and equipment	5-10 years
Infrastructure	10-50 years

The City only reports infrastructure assets purchased subsequent to December 31, 2004.

L. Bond Premiums, Discounts and Issuance Cost

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For government-wide statements and proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are at the gross amount payable. Issuance costs are reported as an expense in the year incurred.

(See Independent Auditor’s Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

N. Revenues

Substantially all governmental fund revenues are accrued. When applicable, property taxes are billed and collected within the same period in which the taxes are levied. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

O. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

P. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave benefits, which will be paid to employees upon separation from service, when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Q. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

R. Encumbrances

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

(See Independent Auditor's Report).

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

S. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has no items that qualify for reporting in this category as of December 31, 2015.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and sanitation fees.

T. Fund Equity – Governmental Funds

As of December 31, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of City of Pine Lake’s Council. Pine Lake’s Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council prior to end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes through passage of a resolution. Unlike commitments, assignments generally only exist temporarily and do not normally have to have an additional action taken for their removal.

Unassigned – all other spendable amounts.

As of December 31, 2015, fund balances are composed of the following:

	General Fund	McAllister Environmental Fund	Revenue Bond Fund	Grant Fund	Capital Projects Fund	Total
Nonspendable:						
Prepays	\$ 12,241	\$ -	\$ -	\$ -	\$ -	\$ 12,241
Restricted:						
Environmental projects	-	93,867	-	-	-	93,867
Capital projects	-	-	75,646	6,362	33,798	115,806
Unassigned	380,216	-	-	-	-	380,216
Total Fund Balances	\$ 392,457	\$ 93,867	\$ 75,646	\$ 6,362	\$ 33,798	\$ 602,130

(See Independent Auditor’s Report).

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

T. Fund Equity – Governmental Funds, Continued

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

U. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, constructions, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's government-wide statement of net position reports \$209,673 in restricted net position, of which none is restricted by enabling legislation.

V. Estimates

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

W. Budgets and Budgetary Accounting

The City Council adopts an annual budget for all of the City's funds. Public hearings are conducted to obtain taxpayer comments. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by the passage of an ordinance. Any revisions that alter the total expenditures of any department must be approved by City Council. Formal budgetary integration is employed as a management control device during the year.

Governmental fund type budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control which is the department level. Expenditures may not exceed the appropriations within a fund. Council must approve all line item transfers. Budgets, as reported in the financial statements, are as amended in October 12, 2015. All annual appropriations lapse at year end.

2. CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows the State's requirement for all deposits in excess of Federal Deposit Insurance be collateralized by securities equal to at least 110% of the excess deposits. As of December 31, 2015, the City's deposits were adequately collateralized.

Investments

Investments - Statutes authorize the City to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, and certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations.

The City had no investments as of December 31, 2015.

(See Independent Auditor's Report).

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

3. PROPERTY TAX

Property taxes were levied on June 30, 2015 and are due 60 days after the receipt of the tax notice. Property taxes attach as an enforceable lien on the property as of January 1. The City has obtained the service of DeKalb County to bill and collect the City's property taxes. The County remits monies collected to the City on a semi-monthly basis. Property taxes receivable at December 31, 2015 amounted to \$27,485.

4. INTERGOVERNMENTAL REVENUES AND RECEIVABLES

Intergovernmental revenues reported in the fund financial statements for the year ended December 31, 2015 consist of the following:

There were no intergovernmental revenues for the year ended December 31, 2015 and no intergovernmental receivables existed as of December 31, 2015.

5. RECEIVABLES

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Stormwater</u>
Taxes	\$ 61,369	\$ 9,085	\$ -
Accounts	<u>10,911</u>	<u>-</u>	<u>4,345</u>
Gross Receivables	72,280	9,085	4,345
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 72,280</u>	<u>\$ 9,085</u>	<u>\$ 4,345</u>

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

6. INTER-FUND TRANSACTIONS

Individual fund interfund receivable and payable balances at December 31, 2015 were as follows:

<u>Payable</u> <u>To</u>	<u>Payable From</u> <u>General</u> <u>Fund</u>
Stormwater	<u>\$ 7,878</u>

The City's General Fund's operating bank account receives all deposits from the general fund and the stormwater operations. All monies collected for the stormwater fund and all expenditures paid for the stormwater fund are made through the general fund's operating bank account. The cumulative net amount over the years (receipts over expenditures) is due to the stormwater fund.

During the fiscal year ended December 31, 2015, the Revenue Bond Fund transferred \$13,772 to open the Capital Projects Fund.

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 113,024	\$ -	\$ -	\$ 113,024
Construction in progress	7,179	-	-	7,179
Total	<u>120,203</u>	<u>-</u>	<u>-</u>	<u>120,203</u>
Capital assets being depreciated:				
Buildings and structures	567,388	-	-	567,388
Infrastructure	2,528,332	-	-	2,528,332
Furniture and equipment	477,727	6,593	-	484,320
Total capital assets being depreciated	<u>3,573,447</u>	<u>6,593</u>	<u>-</u>	<u>3,580,040</u>
Less accumulated depreciation for:				
Buildings and structures	125,423	12,272	-	137,695
Infrastructure	276,061	64,044	-	340,105
Furniture and equipment	420,758	13,477	-	434,235
Total accumulated depreciation	<u>822,242</u>	<u>89,793</u>	<u>-</u>	<u>912,035</u>
Total capital assets being depreciated, net	<u>2,751,205</u>	<u>(83,200)</u>	<u>-</u>	<u>2,668,005</u>
Governmental capital assets, net	<u>\$ 2,871,408</u>	<u>\$ (83,200)</u>	<u>\$ -</u>	<u>\$ 2,788,208</u>
			\$ 2,200	
General Government			12,415	
Police and Courts			8,357	
Parks and Recreation			<u>66,821</u>	
Public Works				
Total depreciation expense			<u>\$ 89,793</u>	

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

8. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental Activities					
Intergovernmental Agreement - DDA Bonds Payable	\$ 790,022	\$ -	\$ (41,758)	\$ 748,264	\$ 43,633
Capital Leases	40,990	-	(8,521)	32,469	8,809
 Total Governmental Activity Long-Term Debt	 <u>\$ 831,012</u>	 <u>\$ -</u>	 <u>\$ (50,279)</u>	 <u>\$ 780,733</u>	 <u>\$ 52,442</u>

The City's General Fund is typically used to liquidate all governmental activity long-term liabilities.

Governmental Activities Long-Term Obligations -

The Governmental activities long-term obligations as of December 31, 2015 consist of the following:

An intergovernmental agreement to provide funding for the debt servicing of revenue bonds issued by the Pine Lake Downtown Development Authority in the amount of \$1,023,307, the proceeds are to be used by the City to make various environmental, recreational and street improvements, interest is charged at 4.49%, due in equal annual installments of \$77,230, matures October 2028.	\$ 748,264
Capital lease for the financing of equipment with an original cost of \$25,521, interest at 3.25%, due in yearly installments of \$4,601, matures February 2018.	12,955
Capital lease for the financing of equipment with an original cost of \$29,301, interest at 3.51%, due in yearly installments of \$5,314, matures January 2019.	<u>19,514</u>
Total	<u>\$ 780,733</u>

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

8. LONG-TERM DEBT - (Continued)

Governmental Activities Long Term Obligations– Continued

Annual repayment requirements to amortize all long-term obligations as they mature are as follows:

Year Ending 12/31	REVENUE BONDS		CAPITAL LEASES		Total
	Principal	Interest	Principal	Interest	
2016	\$ 43,633	\$ 33,597	\$ 8,809	\$ 1,106	\$ 87,145
2017	45,592	31,638	9,108	807	87,145
2018	47,639	29,591	9,419	496	87,145
2019	49,778	27,452	5,133	181	82,544
2020	52,013	25,217	-	-	77,230
2021	54,349	22,881	-	-	77,230
2022	56,789	20,441	-	-	77,230
2023	59,339	17,891	-	-	77,230
2024	62,003	15,227	-	-	77,230
2025	64,787	12,443	-	-	77,230
2026	67,696	9,534	-	-	77,230
2027	70,735	6,495	-	-	77,230
2028	73,911	3,319	-	-	77,230
	<u>\$ 748,264</u>	<u>\$ 255,726</u>	<u>\$ 32,469</u>	<u>\$ 2,590</u>	<u>\$ 1,039,049</u>

Asset purchased under capital lease obligations are capitalized and depreciated in accordance with the City's capitalization policy. Depreciation expense for the year for assets under capital lease obligations amounted to \$10,964 and accumulated depreciation as of December 31, 2015 was \$26,608.

9. UNAVAILABLE REVENUES

Unavailable revenues as of December 31, 2015, reported in the Governmental Fund's balance sheet, consisted of the following revenue items which had been earned and were measurable but were not received within 60 days after year end and therefore were not considered available:

Property taxes	\$ 24,298
Sanitation fees	<u>9,590</u>
Total deferred revenues - Governmental Funds	<u>\$ 33,888</u>

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

10. DOWNTOW DEVELOPMENT AUTHORITY BOND ISSUE

In October 2009 the Pine Lake Downtown Development Authority issued revenue bonds in the amount of \$1,023,307. The proceeds are to be used by the City to make various capital improvements. The City and the Downtown Development Authority did enter into an intergovernmental agreement whereby the City has guaranteed funding for the debt service of the bond issue. As a result the Downtown Development Authority has recorded a liability for the bonds payable and accrued interest payable and an amount due from the City in the amount of \$754,414 as of December 31, 2015. The City has also recorded a liability in the governmental – wide financial statements for the amount due under the intergovernmental agreement. Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending 12/31	REVENUE BONDS	
	Principal	Interest
2016	\$ 43,633	\$ 33,597
2017	45,592	31,638
2018	47,639	29,591
2019	49,778	27,452
2020	52,013	25,217
2021	54,349	22,881
2022	56,789	20,441
2023	59,339	17,891
2024	62,003	15,227
2025	64,787	12,443
2026	67,696	9,534
2027	70,735	6,495
2028	73,911	3,319
	<u>\$ 748,264</u>	<u>\$ 255,726</u>

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

11. JOINT VENTURES

Atlanta Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the Metro Atlanta area, is a member of the Atlanta Regional Commission (ARC). Membership in this organization is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the Commission in Georgia. The Board's membership includes the chief elected official of each county and one representative from each member county and 15 citizen representatives. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from:

Atlanta Regional Commission
 3715 Northside Parkway
 Building 200, Suite 300
 Atlanta, Georgia 30327

12. RISK MANAGEMENT

The City of Pine Lake is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City is a member of Georgia Interlocal Risk Management Agency. This membership allows the City to share liability, crime, motor vehicle and property damage risks.

Coverages are as follows:

Coverage Description – Property:	
Buildings and contents – (Blanket)	\$1,489,854
Automobile physical damage	Per Application on file with GIRMA
Coverage Description – Casualty:	
Comprehensive general liability	\$ 600,000
Automobile liability	\$ 750,000
Errors and omissions (Public Officials)	\$ 600,000
Employee benefits liability	\$ 600,000
Coverage Description – Crime:	
Blanket bond -- employees required to be bonded	\$500,000
Blanket bond -- all other employees	\$500,000
Depositors forgery	\$500,000
Money and securities -- loss inside and outside premises	\$500,000
Deductible:	
All coverages are subject to a per occurrence deductible of	\$1,000 to \$10,000

(See Independent Auditor's Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

12. Risk Management (continued)

Chapter 85 Title 36 of the Official Code of Georgia Annotated authorizes Georgia municipalities to form interlocal risk management agencies. The Georgia Interlocal Risk Management Agency (GIRMA) is a municipal interlocal risk management agency to function as an unincorporated non-profit instrumentality of its member municipalities – GIRMA establishes 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 municipal government.

The basis for estimating the liabilities for unpaid claims is “IBNR” established by an actuary.

During the year ended December 31, 2015, the City paid no claims. The City has not compiled a record of the claims paid up to the \$10,000 deductible for the prior years. The City is not aware of any claims which the City is liable for (up to the \$10,000) which were outstanding and unpaid at December 31, 2015. No provisions have been made in the financial statements for the year ended December 31, 2015 for any estimate of potential unpaid claims.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, the City of Pine Lake became a member of the Georgia Municipal Associated Workers’ Compensation Self Insurance Fund. The liability of the fund to the employees of any employer (City of Pine Lake) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers’ compensation and / or employer’s liability.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool’s agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, in the funds being required to pay any claim of loss. The City is also to allow the pool’s agents and attorneys to represent the City 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 funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker’s compensation law of Georgia. The funds are to pay all cost 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.

13. CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There were no lawsuits or complaints as of December 31, 2015 that management believes will have a material effect on the financial condition of the City.

(See Independent Auditor’s Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

14. EMPLOYEE BENEFIT PENSION PLANS

Deferred Compensation Plan -

The City offers its employees a deferred compensation plan. The plan allows for employee contributions under the guidelines established by the Internal Revenue Service code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employee until termination, retirement, death or unforeseeable emergency. The plan is sponsored by the Georgia Municipal Association and is administered by MetLife.

Defined Contribution Plan

As authorized by City Council, the City provides pension benefits for certain management positions that require 40 hour work weeks through a defined contribution plan under Internal Revenue Service Code 401a, City of Pine Lake Pension Plan. Under the terms of the plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is sponsored by the Georgia Municipal Association and is administered by MetLife. A complete report of the pension plan can be obtained from the City Clerk’s office.

The City contribution rate is determined by the City Council. Currently the City’s contribution is 5% of compensation for covered employees. The contribution requirements of the City and other plan provisions are established and may be amended by the City Council.

During the year, the City contributed \$6,210, equal to 5% of eligible salaries. Eligible salaries for the year amounted to \$124,198. Gross salaries for the year amounted to \$298,333. Contributions are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Percentage</u>
Less than 5	0.0%
5	100.0%

15. RESTRICTED ASSETS

Pursuant to the Downtown Development Authority Revenue Bonds, the City was required to create various funds and accounts. Balances in these bond restricted funds and other various restricted funds and accounts as of December 31, 2015 are as follows:

Revenue Bond Restricted Assets -	
Debt service reserve fund	\$ 75,646
Grant Fund	6,362
McAllister Environmental fund	93,867
Capital Projects Fund	<u>24,713</u>
	<u>\$ 200,588</u>

(See Independent Auditor’s Report)

CITY OF PINE LAKE, GEORGIA
NOTES TO FINANCIAL STATEMENTS – (Continued)

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including-

- A. Deficit fund balances or net position balances of individual funds – As of December 31, 2015 none of the City's funds had a deficit fund balance.
- B. Excess expenditures over budget – For the year ended December 31, 2015, none of the City's funds had departmental expenditures (the legal level of control) that materially exceeded (if over 5 percent and greater than \$5,000) their approved appropriations.

(See Independent Auditor's Report)

**CITY OF PINE LAKE, GEORGIA
GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PROJECT LENGTH
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Project Authorization</u>
REVENUES				
Intergovernmental -				
GEFA	\$ 687,500	\$ -	\$ 687,500	\$ 687,500
DeKalb County	720,000	-	720,000	715,000
Interest	<u>1,218</u>	<u>7</u>	<u>1,225</u>	<u>-</u>
Total Revenues	<u>1,408,718</u>	<u>7</u>	<u>1,408,725</u>	<u>1,402,500</u>
EXPENDITURES				
Capital Outlay -				
Snapfinger Creek improvements	1,326,782	963	1,327,745	1,375,000
Debt Service -				
Principal	680,196	-	680,196	687,500
Debt issue cost	<u>27,836</u>	<u>-</u>	<u>27,836</u>	<u>27,500</u>
Total Expenditures	<u>2,034,814</u>	<u>963</u>	<u>2,035,777</u>	<u>2,090,000</u>
Excess Revenues Over (Under) Expenditures	<u>(626,096)</u>	<u>(956)</u>	<u>(627,052)</u>	<u>(687,500)</u>
Other Financing Sources (Uses)				
Proceeds from debt issuance	680,196	-	680,196	687,500
Transfers	<u>(46,782)</u>	<u>-</u>	<u>(46,782)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>633,414</u>	<u>-</u>	<u>633,414</u>	<u>687,500</u>
Net Change in Fund Balance	<u>\$ 7,318</u>	<u>(956)</u>	<u>\$ 6,362</u>	<u>\$ -</u>
Fund Balance - Beginning of Year		<u>7,318</u>		
Fund Balance - End of Year		<u>\$ 6,362</u>		

**CITY OF PINE LAKE, GEORGIA
REVENUE BOND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -- BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	*BUDGET ORIGINAL / FINAL	ACTUAL	VARIANCE
REVENUES			
Investment income	\$ -	\$ 103	\$ 103
HOST tax	-	-	-
Intergovernmental	-	-	-
Total revenues	<u>-</u>	<u>103</u>	<u>103</u>
EXPENDITURES			
Current			
Public Works	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	103	103
Other financing sources (uses):			
Proceeds from debt issuance	-	-	-
Transfers	-	(13,772)	(13,772)
Total other financing sources (uses):	<u>-</u>	<u>(13,772)</u>	<u>(13,772)</u>
Net change in fund balance	<u>-</u>	<u>(13,669)</u>	<u>(13,669)</u>
Fund balance - beginning	<u>89,315</u>	<u>89,315</u>	<u>-</u>
Fund balance - ending	<u>\$ 89,315</u>	<u>\$ 75,646</u>	<u>\$ (13,669)</u>

*No activity was anticipated by management for 2015.

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

**CITY OF PINE LAKE, GEORGIA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -- BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	*BUDGET ORIGINAL / FINAL	ACTUAL	VARIANCE
REVENUES			
Investment income	\$ -	\$ 5	\$ 5
HOST tax	-	20,021	20,021
Intergovernmental	-	-	-
Total revenues	<u>-</u>	<u>20,026</u>	<u>20,026</u>
EXPENDITURES			
Current			
Public Works	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	20,026	20,026
Other financing sources (uses):			
Proceeds from debt issuance	-	-	-
Transfers	-	13,772	13,772
Total other financing sources (uses):	<u>-</u>	<u>13,772</u>	<u>13,772</u>
Net change in fund balance	<u>-</u>	<u>33,798</u>	<u>33,798</u>
Fund balance - beginning	<u>89,315</u>	<u>-</u>	<u>(89,315)</u>
Fund balance - ending	<u>\$ 89,315</u>	<u>\$ 33,798</u>	<u>\$ (55,517)</u>

*No activity was anticipated by management for 2015.

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