

City of Hogansville
Audit Report
For the Year Ended June 30, 2017

Independent Auditor's Report

- Issuance of the independent auditor's report is the objective of our audit.
- Our opinion is a standard unmodified opinion that the City's financial statements are presented fairly, in all material respects in conformity with accounting principals generally accepted in the United States.

Basic Financial Statements

Basic Financial Statements

- The City's basic financial statements are found on pages 10 through 20 of our report, and are categorized into government wide and fund financial statements.

Government Wide Financial Statements

Government Wide Financial Statements

- The City's Government Wide Financial Statements are the Statement of Net Position and the Statement of Activities.
- The Statement of Net Position reports the City's Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.
- The Statement of Activities reports the City's Revenues, Expenditures, and Changes in Net Position.
- Government Wide Financial Statements are presented on the accrual basis of accounting.

Statement of Net Position

- At June 30, 2017 the City had:
- Total Assets of \$27.56 million
- Total Deferred Outflows of Resources of \$126,000
- Total Liabilities of \$12.98 million
- Total Deferred Inflows of Resources of \$2.62 million
- Total Net Position of \$12.09 million

Statement of Activities

- For the fiscal year the City had:
- Total Revenues of \$9.88 million, which were comprised of:
- Total Charges for Services of \$6.56 million
- Total Capital Grants and Contributions of \$1.5 million
- Total General Revenues of \$1.82 million
- Total Expenditures of \$8.61 million
- Total Change in Net Position was an increase in Net Position of \$1.27 million

Downtown Development Authority

- The Financial Statements of the Hogansville Downtown Development Authority are Shown in the far right column of the Statement of Net Position and the Statement of Activities.
- The DDA had Total Assets of \$61,200 and Total Net Position of \$61,200.
- The DDA had a decrease in Net Position of \$2,563 for the fiscal year.

Fund Financial Statements

Fund Financial Statements

- The City's fund financial statements are separated between governmental fund and proprietary fund financial statements.
- The City's governmental funds are the General, SPLOST III, SPLOST IV, Capital Grants, Confiscated Assets, and Hotel/Motel Tax Revenue Funds.
- The City's proprietary fund is its Utility Fund.

Governmental Fund Financial Statements

- The governmental fund financial statements are the balance sheet and the statement of revenues, expenditures, and changes in fund balances.
- Governmental fund financial statements are accounted for under the modified accrual basis of accounting.

Governmental Funds Balance Sheet

- At the end of the fiscal year the Governmental Funds had:
- Total Assets of \$2.45 million
- Total Liabilities of \$1.62 million
- Total Deferred Inflows of Resources of \$403,000
- Total Fund Balances of \$428,000
- Total Restricted and Committed Fund Balances was \$1.76 million
- Total Unassigned Fund Balances was a deficit of \$880,000

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

- For the fiscal year the Governmental Funds had:
- Total Revenues of \$3.31 million
- Total Expenditures of \$4.20 million
- Other Financing Sources of \$602,000
- Net Change in Fund Balances was a decrease of \$293,000

Proprietary Fund Financial Statements

- Proprietary Fund Financial Statements are the Statement of Fund Net Position, Statement of Revenues, Expenditures, and Changes in Fund Net Position, and Statement of Cash Flows.
- Proprietary Funds are accounted for under the accrual basis of accounting.

Statement of Fund Net Position

Proprietary Fund

- At the end of the fiscal year the Proprietary Fund had:
- Total Assets of \$20.15 million
- Total Deferred Outflows of Resources of \$39,000
- Total Liabilities of \$11.98 million
- Total Deferred Inflows of Resources of \$2.59 million
- Total Fund Net Position of \$5.62 million

Statement of Revenues, Expenditures, and Changes in Fund Net Position Proprietary Fund

- For the fiscal year the Proprietary Fund had:
- Total Operating Revenues of \$6.08 million
- Total Operating Expenses of \$5.37 million
- Total Operating Income of \$706,000
- Total Net Nonoperating Expenses of \$307,000
- Total Capital Contributions received of \$505,000
- Total Transfers out to other funds of \$549,000
- Total Change in Fund Net Position was an increase of \$355,000

Conclusion and Recommendations

Conclusion

- Overall, the City's net position increased by \$1.27 million.
- The City had a increase in total revenues of \$1.295 million, and a decrease in total expenses of \$79,000. The increase in revenues was primarily due to an increase in capital grants and contribution revenues of \$695,000 and higher utility sales revenues of \$416,000.
- At year-end, the City had \$1.43 million of cash and investments of which \$1.07 million were SPLOST funds, and \$1.55 million of other restricted cash and investments.

- The City had Capital Assets of \$21.7 million, and total Long-term Debt of \$11.1 million. The City reduced total Long-term Debt by \$714,000 during the year.
- The City had a combined overall increase in fund balance in its two major operating funds, the General Fund and the Utility Fund of \$414,000. In the prior year, the combined funds had an overall increase of \$139,000.

- The City had an overall positive total net position of \$12.09 million. However, total unrestricted net position was a deficit of \$726,000.
- The City's compliance with its 1993 Bond covenants was unchanged from the prior year, as the City was noncompliant with the Debt Service Reserve No. 2 covenant. The City's reserve account balance was \$222,774 short of this covenant requirement. The City was required to have assets of \$438,574 in the account at June 30, 2017, but had \$215,800 of assets on hand.

Recommendations

- The City's financial position improved over the prior year, as total overall net position increased as did the fund balance of both the General Fund and Utility Fund.
- The City does have a large amount of debt and debt service. This puts strain on the City's operating cash flows. Improving operating cash flows will help the City better manage its debt, and should be the City's top priority.

- Improvement in operating cash flows would allow the City to start reducing the deficit in unrestricted net position. Unrestricted net position is very important as it serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. It helps the City meet ongoing operating expenditures. Eliminating this deficit would enable the City to start building cash reserves which could be used for capital expenditures and help to fund operations during difficult economic cycles.

- All areas of the City's operations and finances should be continually reviewed for improvement. The City's utility system is its largest source of revenue and cash flow. Utility rates should be adjusted and reviewed annually to ensure that adequate revenue is generated to fund all costs of the utility system and to supplement revenue shortfalls in the General Fund. Currently, the General Fund does not generate enough taxes, fines and forfeitures, and other revenue to fund all of its operations, and requires assistance from the Utility Fund to operate.

- The City has made progress in a lot of areas, and needs to continue to work towards improving efficiencies and operations going forward.
- We are available and would like to offer any assistance that we can to help the City achieve its goals.

Thank You for giving us the opportunity to work with the City!

Also,

Thank You to the City's staff for their assistance during the audit!