

**CITY OF HOGANSVILLE, GEORGIA**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**CITY OF HOGANSVILLE, GEORGIA  
AUDITED BASIC FINANCIAL STATEMENTS  
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**WILCOX & BIVINGS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditors' Report**

**To the Honorable Mayor and Members of the City Council  
City of Hogansville, Georgia**

**We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hogansville, Georgia's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of June 30, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

**In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011, on our consideration of the City of Hogansville, 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*, and should be considered in assessing the results of our audit.**

**Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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.**

To the Honorable Mayor and Members of the City Council  
City of Hogansville, Georgia

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hogansville, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds are presented for purpose of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedule of Projects Constructed with Local Option Sales Tax Proceeds are the responsibility of management and were derived from and related directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wilcox & Bivings, P.C.*

Suwanee, Georgia  
January 20, 2011

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

Management of the City of Hogansville, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2010. Please consider this information in conjunction with the City's primary government financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,534,309 (presented as "net assets"). Of this amount, \$552,108 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's obligations to citizens and creditors. \$7,545,766 of net assets consisted of investments in capital assets. The remainder of net assets consisted of amounts restricted by state law or debt agreements, and totaled \$2,436,435.
- The City's total net assets increased by \$388,892 in fiscal year 2010.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$875,905. Of this amount, 0.8% of this total amount \$7,406 is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,406 or 0.3% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic statements. The City'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.

**Government-wide financial statements**

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

The Statement of Net Assets presents information on all of the City's primary government assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 City's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods, such as uncollected property taxes.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues ("governmental activities") from 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 include general government and administration, public safety, and public services. The business-type activities of the City include the City's gas, electric, water and sewer system operations, and sanitation services.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**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 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, the governmental fund financial statements focus on current sources and uses 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four governmental funds. 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 the General, Confiscated Asset, Hotel/Motel Tax, and 2006 SPLOST funds. The General Fund and the 2006 SPLOST Fund are the only major funds.

The basic governmental fund financial statements can be found on pages 12 to 16 of this report.

**Proprietary Funds**

The City maintains one type of proprietary fund. Enterprise funds are used 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 gas, electric, and water and sewer system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the utility system Enterprise fund, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 17 to 20 of this report.

**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 can be found on pages 21 to 49 of this report.

**Other Information**

In addition to the primary government financial statements and accompanying notes, this report also presents Nonmajor Governmental Fund financial statements and schedules, other supplementary information, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. Nonmajor Governmental Fund financial statements and schedules can be found on pages 50 to 54 of this report, the budget and actual schedule for the major capital project fund can be found on page 56 of this report, and other required supplementary information can be found on pages 57 to 61 of this report.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by \$10,534,309 as of June 30, 2010.

The largest portion of the City's net assets reflects its investments in capital assets (such as land, buildings and improvements, furniture, fixtures, and equipment, infrastructure, and vehicles); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF HOGANSVILLE, GEORGIA'S NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets \$	1,161,019	\$ 1,248,774	\$ 2,828,058	\$ 3,060,470	\$ 3,989,078	\$ 4,309,244
Capital assets	<u>3,347,966</u>	<u>3,230,436</u>	<u>11,570,761</u>	<u>11,799,603</u>	<u>14,918,726</u>	<u>15,030,039</u>
Total assets	<u>4,508,985</u>	<u>4,479,210</u>	<u>14,398,819</u>	<u>14,860,073</u>	<u>18,907,804</u>	<u>19,339,283</u>
Long-term liabilities	26,154	17,635	7,058,692	7,565,864	7,084,846	7,583,499
Other liabilities	<u>285,114</u>	<u>614,954</u>	<u>1,003,535</u>	<u>995,413</u>	<u>1,288,649</u>	<u>1,610,367</u>
Total liabilities	<u>311,268</u>	<u>632,589</u>	<u>8,062,227</u>	<u>8,561,277</u>	<u>8,373,495</u>	<u>9,193,866</u>
Net assets:						
Invested in capital assets, net of related debt	3,347,966	3,229,100	4,197,800	3,939,415	7,545,766	7,168,515
Restricted	393,166	455,442	2,043,269	2,230,062	2,436,435	2,685,504
Unrestricted	<u>456,585</u>	<u>162,079</u>	<u>95,523</u>	<u>129,319</u>	<u>552,108</u>	<u>291,398</u>
Total net assets	\$ <u>4,197,717</u>	\$ <u>3,846,621</u>	\$ <u>6,336,592</u>	\$ <u>6,298,796</u>	\$ <u>10,534,309</u>	\$ <u>9,540,308</u>

An additional portion of the City's net assets (23.1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$552,108 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2010 and 2009, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Analysis of the City's Operations**

The following table provides a summary of the City's operations for the years ended June 30, 2010 and 2009. Governmental activities increased the City's net assets by \$351,096 for the year ended June 30, 2010, and decreased the City's net assets by \$77,862 for the year ended June 30, 2009. Business-type activities increased the City's net assets by \$37,796 and by \$682,971 for the years ended June 30, 2010 and 2009.

**CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 715,033	\$ 807,436	\$ 5,245,692	\$ 5,405,992	\$ 5,960,725	\$ 6,213,428
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	116,412	-	-	-	116,412	-
<b>General revenues:</b>						
Taxes	1,351,474	1,360,501	-	-	1,351,474	1,360,501
Intergovernmental Payments from component unit	524,263	527,719	-	-	524,263	527,719
Investment revenue	-	122,520	-	-	-	122,520
Gain on sale of assets	1,547	9,950	72,388	100,759	73,935	110,709
Other	20,430	-	-	-	20,430	-
	<u>18,050</u>	<u>32,799</u>	<u>-</u>	<u>-</u>	<u>18,050</u>	<u>32,799</u>
<b>Total revenues</b>	<u>2,747,209</u>	<u>2,860,925</u>	<u>5,318,080</u>	<u>5,506,751</u>	<u>8,065,289</u>	<u>8,367,676</u>
<b>Expenses:</b>						
<b>Program expenses:</b>						
General government	439,507	555,885	-	-	439,507	555,885
Public safety	1,253,809	1,320,746	-	-	1,253,809	1,320,746
Public services	421,619	415,828	-	-	421,619	415,828
Downtown development	7,077	7,670	-	-	7,077	7,670
Intergovernmental	174,309	212,279	-	-	174,309	212,279
Interest	4,666	4,011	-	-	4,666	4,011
Utility system	-	-	5,390,176	5,261,567	5,390,176	5,261,567
<b>Total expenses</b>	<u>2,300,987</u>	<u>2,516,419</u>	<u>5,390,176</u>	<u>5,261,567</u>	<u>7,691,163</u>	<u>7,777,986</u>
<b>Excess (deficiency) in net assets before contributions and transfers</b>	446,222	344,506	( 72,096)	245,184	374,126	589,690
Contributions	( 84,511)	( 410,866)	99,277	426,285	14,766	15,419
Transfers	( 10,615)	( 11,502)	10,615	11,502	-	-
<b>Change in net assets</b>	351,096	( 77,862)	37,796	682,971	388,892	605,109
<b>Net assets July 1,</b>	<u>3,846,621</u>	<u>3,924,483</u>	<u>6,298,796</u>	<u>5,615,825</u>	<u>10,145,417</u>	<u>9,540,308</u>
<b>Net assets June 30,</b>	<u>\$ 4,197,717</u>	<u>\$ 3,846,621</u>	<u>\$ 6,336,592</u>	<u>\$ 6,298,796</u>	<u>\$ 10,534,309</u>	<u>\$ 10,145,417</u>

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

**Governmental funds**

The focus of the City's governmental funds 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, unreserved 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 the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$875,905. Approximately 0.8% of this total amount or \$7,406 constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for capital projects (\$804,234), and 2) public safety (\$64,265).

The General Fund is the chief fund of the City. At the end of the current fiscal year, unreserved and total fund balance of the General Fund was \$7,406. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the fund's total operational expenditures. Unreserved fund balance represents 0.3% of total expenditures, while total fund balance also represents 0.3% of that same amount.

The General Fund's fund balance decreased by \$48,544 during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues decreased by \$170,510 for a percentage decrease of 7.6%. This decrease was mainly due to a decrease in fines and forfeitures of \$204,253, a decrease in payments from component units of \$122,520, and an increase in intergovernmental revenue of \$116,412.
- Total expenditures decreased by \$150,728 for a percentage decrease of 5.8%. This decrease was mainly due to the City incurring decreases in intergovernmental expenditures of \$45,166 and capital outlay of \$122,520.
- Proceeds from a bank line of credit increased by \$299,567. This increase was due to the City borrowing funds to assist its operations.

The 2006 SPLOST Fund's fund balance increased \$262,997 during the current fiscal year. The key factors for this increase were that the City's capital outlay expenditures decreased by \$365,257.

Other governmental funds fund balances increased \$29,029 during the current fiscal year. This increase was due mainly to an increase in confiscated asset revenues over expenditures during the current fiscal year.

**Proprietary funds**

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

Unrestricted net assets of the proprietary fund were \$95,523. The fund had a net asset increase for the fiscal year of \$37,796. However, operating revenues declined by \$160,300, operating expenses increased by \$158,638, and capital contributions from the 2006 SPLOST fund decreased by \$327,008.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the City Council. Overall these revisions resulted in a net increase of expenditure appropriations of \$490,215. The largest budget revisions were for increases to expenditures for general government and debt service. Budget increases for expenditures to general government and debt service were \$150,333 and \$287,472.

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 and 2009 amounted to \$14,918,726 and \$15,030,039, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, utility system infrastructure, infrastructure assets, and vehicles.

Pursuant to GASB Statement No. 34, the City is not required to retroactively record its infrastructure assets, however, it is required to record and depreciate infrastructure assets (e.g., roads, bridges, sidewalks and similar items) it acquires in the current and each subsequent fiscal year. GASB Statement No. 34 requires the reporting and depreciation of new infrastructure effective with the beginning of the implementation year, July 1, 2003. The City did not record infrastructure assets purchased prior to July 1, 2002.

Major capital asset events during the current fiscal year included the following:

- The City expended \$299,973 for infrastructure improvements.
- The City expended \$91,596 for furniture, fixtures and equipment.
- The City spent \$229,923 for utility system improvements.

**CAPITAL ASSETS AT YEAR-END  
NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 306,338	\$ 306,338	\$ 380,784	\$ 380,784	\$ 687,122	\$ 687,122
Construction in progress	14,911	19,190	-	-	14,911	19,190
Buildings and improvements	1,998,522	1,998,522	-	-	1,998,522	1,998,522
Utility system infrastructure	-	-	16,243,571	16,064,621	16,243,571	16,064,621
Furniture, fixtures and equipment	565,137	535,587	162,094	199,581	727,231	735,168
Infrastructure	1,360,373	1,060,400	-	-	1,360,373	1,060,400
Vehicles	693,806	663,221	-	-	693,806	663,221
Accumulated depreciation	( 1,591,121)	( 1,352,822)	( 5,215,689)	( 4,845,383)	( 6,806,810)	( 6,198,205)
<b>Total</b>	<b>\$ 3,347,966</b>	<b>\$ 3,230,436</b>	<b>\$ 11,570,760</b>	<b>\$ 11,799,603</b>	<b>\$ 14,918,726</b>	<b>\$ 15,030,039</b>

Additional information on the City's capital assets can be found in note 5 of this report.

**CITY OF HOGANSVILLE, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had \$7,372,959 in outstanding debt consisting of revenue bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources.

**CITY OF HOGANSVILLE, GEORGIA'S OUTSTANDING DEBT – PRIMARY GOVERNMENT**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ -	\$ -	\$ 6,713,439	\$ 6,960,226	\$ 6,713,439	\$ 6,960,226
Notes payable	-	-	357,374	537,334	357,374	537,334
Capital leases payable	-	1,336	302,146	362,628	302,146	363,964
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,336</b>	<b>\$ 7,372,959</b>	<b>\$ 7,860,188</b>	<b>\$ 7,372,959</b>	<b>\$ 7,861,524</b>

The City's total debt decreased \$488,565 during the current fiscal year. This was attributable to the City repaying principal of long-term debt. Additional information on the City's long-term debt can be found in note 6.

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

In the 2010-2011 Budget, General Fund revenues are budgeted to decrease by .17% from the 2009-2010 budget year with taxes making up about 66.8% of general fund budgeted revenues. The 2010-2011 General Fund Budget includes budgeted revenue of \$525,000 for local option sales tax, \$474,150 in property tax, and \$600,000 in fines and forfeitures. The City has also budgeted expenditures of \$427,914 for general government and \$1,078,758 for public safety.

The City has budgeted \$5,516,737 in revenues for its business-type activities for the 2010-2011 Budget. This is a decrease of 2.5% from the 2009-2010 budget year with charges for services making up 95.5% of budgeted revenues. The City has budgeted \$2,910,318 in electric revenue, \$1,202,379 in gas revenue, \$434,500 in sewer revenue and \$461,000 in water revenue. The City's business-type activities have also budgeted electric department expenses of \$2,591,842 and gas department expenses of \$949,613.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's primary government finances. If you have questions about this report or need any additional information, contact the City Clerk at 400 E. Main Street, Hogansville, Georgia 30230.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HOGANSVILLE, GEORGIA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,911	\$ 14,030	\$ 18,941	\$ 15,393
Investments	-	36,231	36,231	-
Receivables, net	269,471	458,082	727,553	-
Prepaid expenses	-	6,540	6,540	-
Internal balances	492,045	( 492,045)	-	-
Due from component unit	145	-	145	-
Restricted cash and cash equivalents	394,447	-	394,447	-
Restricted investments	-	2,562,651	2,562,651	-
Unamortized portion of debt issue costs	-	242,570	242,570	-
Nondepreciable capital assets	321,249	380,784	702,033	-
Depreciable capital assets	<u>3,026,717</u>	<u>11,189,976</u>	<u>14,216,693</u>	<u>-</u>
<b>Total assets</b>	<b>\$ <u>4,508,985</u></b>	<b>\$ <u>14,398,819</u></b>	<b>\$ <u>18,907,804</u></b>	<b>\$ <u>15,393</u></b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 259,225	\$ 374,587	\$ 633,812	\$ -
Accrued expenses	24,608	128,084	152,692	-
Deferred revenue	1,281	-	1,281	-
Due to primary government	-	-	-	145
Capital leases	-	61,783	61,783	-
Notes payable	-	172,294	172,294	-
Revenue bonds payable	<u>-</u>	<u>266,787</u>	<u>266,787</u>	<u>-</u>
<b>Total current liabilities</b>	<b><u>285,114</u></b>	<b><u>1,003,535</u></b>	<b><u>1,288,649</u></b>	<b><u>145</u></b>
<b>Noncurrent liabilities:</b>				
Customer deposits	-	171,378	171,378	-
Compensated absences	26,154	15,219	41,373	-
Capital leases	-	240,363	240,363	-
Notes payable	-	185,080	185,080	-
Revenue bonds payable	<u>-</u>	<u>6,446,652</u>	<u>6,446,652</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<b><u>26,154</u></b>	<b><u>7,058,692</u></b>	<b><u>7,084,846</u></b>	<b><u>-</u></b>
<b>Total liabilities</b>	<b><u>311,268</u></b>	<b><u>8,062,227</u></b>	<b><u>8,373,495</u></b>	<b><u>145</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,347,966	4,197,800	7,545,766	-
<b>Restricted for:</b>				
Debt service	-	754,794	754,794	-
Restricted assets	-	1,288,475	1,288,475	-
Capital projects	330,437	-	330,437	-
Public safety	62,729	-	62,729	-
Unrestricted	<u>456,585</u>	<u>95,523</u>	<u>552,108</u>	<u>15,248</u>
<b>Total net assets</b>	<b><u>4,197,717</u></b>	<b><u>6,336,592</u></b>	<b><u>10,534,309</u></b>	<b><u>15,248</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>4,508,985</u></b>	<b>\$ <u>14,398,819</u></b>	<b>\$ <u>18,907,804</u></b>	<b>\$ <u>15,393</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental activities:</b>				
General government	\$ 439,507	\$ 38,246	\$ -	\$ 100,000
Public safety	1,253,809	585,350	-	16,412
Public services	421,619	91,437	-	-
Downtown development	7,077	-	-	-
Intergovernmental	174,309	-	-	525,530
Interest	<u>4,666</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total governmental activities</b>	<b><u>2,300,987</u></b>	<b><u>715,033</u></b>	<b><u>-</u></b>	<b><u>641,942</u></b>
<b>Business-type activities</b>				
Utility system	<u>5,390,176</u>	<u>5,245,692</u>	<u>-</u>	<u>-</u>
<b>Total business-type activities</b>	<b><u>5,390,176</u></b>	<b><u>5,245,692</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total primary government</b>	<b>\$ <u>7,691,163</u></b>	<b>\$ <u>5,960,725</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>641,942</u></b>
<b>Component Unit</b>				
Downtown Development Authority	<u>\$ 31,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**General revenues:**

**Taxes:**

Local option sales

Property

Insurance premium

Beer and wine

Franchise

Motor vehicle

Other

Payments from City of Hogansville

Investment return

Gain on sale of assets

Other

Contributions

Transfers

**Total general revenues and transfers**

**Change in net assets**

**Net assets – beginning**

**Net assets – ending**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			<b>Component</b>
<b>Primary Government</b>			<b>Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
\$ ( 301,261)	\$ -	\$ ( 301,261)	\$ -
( 652,047)	-	( 652,047)	-
( 330,182)	-	( 330,182)	-
( 7,077)	-	( 7,077)	-
351,221	-	351,221	-
( 4,666)	-	( 4,666)	-
( 944,012)	-	( 944,012)	-
-	( 144,484)	( 144,484)	-
-	( 144,484)	( 144,484)	-
\$ ( 944,012)	\$ ( 144,484)	\$ ( 1,088,496)	\$ -
\$ -	\$ -	\$ -	\$ ( 31,239)
\$ 530,305	\$ -	\$ 530,305	\$ -
455,506	-	455,506	-
153,799	-	153,799	-
69,914	-	69,914	-
61,931	-	61,931	-
26,749	-	26,749	-
53,270	-	53,270	-
-	-	-	7,077
280	72,388	72,668	198
20,430	-	20,430	-
18,050	-	18,050	10,359
( 84,511)	99,277	14,766	2,442
( 10,615)	10,615	-	-
<u>1,295,108</u>	<u>182,280</u>	<u>1,477,388</u>	<u>20,076</u>
351,096	37,796	388,892	( 11,163)
<u>3,846,621</u>	<u>6,298,796</u>	<u>10,145,417</u>	<u>26,411</u>
\$ <u>4,197,717</u>	\$ <u>6,336,592</u>	\$ <u>10,534,309</u>	\$ <u>15,248</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Capital Project 2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,911	\$ -	\$ -	\$ 4,911
Property taxes receivable	4,035	-	-	4,035
Sales and other taxes receivable	104,552	-	4,207	108,759
Intergovernmental receivable	25,000	131,677	-	156,677
Due from component unit	3,179	-	-	3,179
Due from other funds	149,562	342,120	1,536	493,218
Restricted cash and cash equivalents	<u>-</u>	<u>330,437</u>	<u>64,010</u>	<u>394,447</u>
<b>Total assets</b>	<b>\$ <u>291,239</u></b>	<b>\$ <u>804,234</u></b>	<b>\$ <u>69,753</u></b>	<b>\$ <u>1,165,226</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 259,225	\$ -	\$ -	\$ 259,225
Accrued expenses	24,608	-	-	24,608
Deferred revenue	-	-	1,281	1,281
Due to other funds	-	-	1,173	1,173
Due to component unit	<u>-</u>	<u>-</u>	<u>3,034</u>	<u>3,034</u>
<b>Total liabilities</b>	<b><u>283,833</u></b>	<b><u>-</u></b>	<b><u>5,488</u></b>	<b><u>289,321</u></b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Capital projects	-	804,234	-	804,234
Public safety	-	-	64,265	64,265
Unreserved	<u>7,406</u>	<u>-</u>	<u>-</u>	<u>7,406</u>
<b>Total fund balances</b>	<b><u>7,406</u></b>	<b><u>804,234</u></b>	<b><u>64,265</u></b>	<b><u>875,905</u></b>
<b>Total liabilities and fund balances</b>	<b>\$ <u>291,239</u></b>	<b>\$ <u>804,234</u></b>	<b>\$ <u>69,753</u></b>	<b>\$ <u>1,165,226</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

<b>Total Governmental Fund Balances</b>	<b>\$ 875,905</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
<b>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,591,121</b>	<b>3,347,966</b>
<b>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences</b>	<b>( 26,154)</b>
<b>Net assets of governmental activities</b>	<b>\$ <u>4,197,717</u></b>

**SEE NOTES TO FINANCIAL STATEMENTS.**

**CITY OF HOGANSVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Capital Project 2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,336,515	\$ -	\$ 17,692	\$ 1,354,207
Fines and forfeitures	454,487	-	130,863	585,350
Intergovernmental	116,412	524,263	-	640,675
Licenses and permits	38,246	-	-	38,246
Charges for services	91,437	-	-	91,437
Contributions	14,467	-	-	14,467
Other	16,379	-	1,671	18,050
Investment return	<u>280</u>	<u>1,267</u>	<u>-</u>	<u>1,547</u>
<b>Total revenues</b>	<b><u>2,068,223</u></b>	<b><u>525,530</u></b>	<b><u>150,226</u></b>	<b><u>2,743,979</u></b>
<b>EXPENDITURES</b>				
<b>Current operating</b>				
General government	513,400	-	-	513,400
Public safety	1,070,636	-	93,437	1,164,073
Public services	383,218	-	-	383,218
Downtown development	-	-	7,077	7,077
Intergovernmental	164,241	-	10,068	174,309
Capital outlay	-	262,533	-	262,533
Debt Service	<u>305,569</u>	<u>-</u>	<u>-</u>	<u>305,569</u>
<b>Total expenditures</b>	<b><u>2,437,064</u></b>	<b><u>262,533</u></b>	<b><u>110,582</u></b>	<b><u>2,810,179</u></b>
Excess (deficiency) of revenues over (under) expenditures	( <u>368,841</u> )	<u>262,997</u>	<u>39,644</u>	( <u>66,200</u> )
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from line of credit	299,567	-	-	299,567
Sales of surplus property	20,730	-	-	20,730
Transfers out	<u>-</u>	<u>-</u>	( <u>10,615</u> )	( <u>10,615</u> )
<b>Net other financing sources (uses)</b>	<b><u>320,297</u></b>	<b><u>-</u></b>	<b>( <u>10,615</u> )</b>	<b><u>309,682</u></b>
<b>Net changes in fund balance</b>	<b>( 48,544 )</b>	<b>262,997</b>	<b>29,029</b>	<b>243,482</b>
<b>Fund balance - beginning of year</b>	<b><u>55,950</u></b>	<b><u>541,237</u></b>	<b><u>35,236</u></b>	<b><u>632,423</u></b>
<b>Fund balance - end of year</b>	<b>\$ <u><u>7,406</u></u></b>	<b>\$ <u><u>804,234</u></u></b>	<b>\$ <u><u>64,265</u></u></b>	<b>\$ <u><u>875,905</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, 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 JUNE 30, 2010**

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

Net change in fund balances – total governmental funds	\$	243,482
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		355,829
Depreciation expense	(	238,299)
A certain amount of property tax revenues in the statement of activities that does not provide current financial resources and is not reported as revenue in the funds		
	(	2,733)
Long-term compensated absences were reported in the statement of activities, but they did not require the use of current financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds		
	(	8,519)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces, long-term liabilities on the statement of activities:		
Capital leases payable		<u>1,336</u>
Change in Net Assets of Governmental Activities	\$	<u><u>351,096</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final budget Over (Under)</u>
<b>REVENUES</b>				
Taxes	\$ 1,344,290	\$ 1,344,290	\$ 1,336,515	\$( 7,775)
Fines and forfeitures	625,000	625,000	454,487	( 170,513)
Intergovernmental	-	-	116,412	116,412
Licenses and permits	51,000	51,000	38,246	( 12,754)
Charges for services	16,500	16,500	91,437	74,937
Contributions	-	-	14,467	14,467
Other	2,250	2,250	16,379	14,129
Investment return	-	-	280	280
<b>Total revenues</b>	<u>2,039,040</u>	<u>2,039,040</u>	<u>2,068,223</u>	<u>29,183</u>
<b>EXPENDITURES</b>				
Current operating				
General government	363,067	513,400	513,400	-
Public safety	1,035,618	1,070,636	1,070,636	-
Public services	341,350	383,218	383,218	-
Intergovernmental	188,717	164,241	164,241	-
Debt service	18,097	305,569	305,569	-
<b>Total expenditures</b>	<u>1,946,849</u>	<u>2,437,064</u>	<u>2,437,064</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>92,191</u>	<u>( 398,024)</u>	<u>( 368,841)</u>	<u>29,183</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from line of credit	-	-	299,567	299,567
Sales of surplus property	-	-	20,730	20,730
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>320,297</u>	<u>320,297</u>
<b>Net change in fund balance</b>	92,191	( 398,024)	( 48,544)	349,480
<b>Fund balance - beginning of year</b>	<u>55,950</u>	<u>55,950</u>	<u>55,950</u>	<u>-</u>
<b>Fund balance - end of year</b>	\$ <u>148,141</u>	\$ <u>( 342,074)</u>	\$ <u>7,406</u>	\$ <u>349,480</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010**

	<b>ENTERPRISE FUND</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 14,030
Investments	36,231
Accounts receivable, net	458,082
Prepaid expenses	6,540
<b>Total current assets</b>	<b>514,883</b>
<b>Noncurrent assets:</b>	
Restricted investments	2,562,651
Unamortized portion of debt issue costs	242,570
Net capital assets	<b>11,570,760</b>
<b>Total noncurrent assets</b>	<b>14,375,981</b>
<b>Total assets</b>	<b>\$ 14,890,864</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 374,587
Accrued expenses	128,084
Interfund payables	492,045
Capital leases payable	61,783
Notes payable	172,294
Revenue bonds payable	266,787
<b>Total current liabilities</b>	<b>1,495,580</b>
<b>Noncurrent liabilities:</b>	
Customer deposits	171,378
Compensated absences	15,219
Capital leases payable	240,363
Notes payable	185,080
Revenue bonds payable	<b>6,446,652</b>
<b>Total noncurrent liabilities</b>	<b>7,058,692</b>
<b>Total liabilities</b>	<b>8,554,272</b>
<b>FUND NET ASSETS</b>	
Invested in capital assets, net of related debt	4,197,800
Restricted for debt service	754,794
Restricted for restricted assets	1,288,475
Unrestricted	<b>95,523</b>
<b>Total fund net assets</b>	<b>6,336,592</b>
<b>Total liabilities and fund net assets</b>	<b>\$ 14,890,864</b>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>ENTERPRISE FUND</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 5,081,231
Other	<u>164,461</u>
<b>Total operating revenues</b>	<u>5,245,692</u>
<b>OPERATING EXPENSES</b>	
Personal services	776,687
Contractual services	409,763
Utilities purchased for resale	2,887,061
Utilities	107,088
Repairs and maintenance	23,450
Materials and supplies	188,011
Depreciation	452,209
Bad debt	<u>7,276</u>
<b>Total operating expenses</b>	<u>4,851,545</u>
Operating income (loss)	<u>394,147</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment earnings	72,388
Interest expense	( 511,691)
Amortization	( 22,290)
Bond administrative fees	<u>( 4,650)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>( 466,243)</u>
Income (loss) before contributions and transfers	( 72,096)
<b>CAPITAL CONTRIBUTIONS</b>	99,277
<b>TRANSFERS</b>	<u>10,615</u>
<b>Change in fund net assets</b>	37,796
<b>Fund net assets – beginning</b>	<u>6,298,796</u>
<b>Fund net assets – ending</b>	\$ <u><u>6,336,592</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>ENTERPRISE FUND</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Receipts from customers	\$ 5,129,346
Receipts from interfund services provided	64,168
Payments to suppliers	( 3,827,525)
Payments to employees	( <u>573,438</u> )
Net cash provided (used) by operating activities	<u>792,551</u>
<b><i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i></b>	
Transfers from other funds	<u>10,615</u>
Net cash provided (used) by noncapital financing activities	<u>10,615</u>
<b><i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i></b>	
Purchases of capital assets	( 124,089)
Principal paid on capital debt	( 560,442)
Interest paid on capital debt	( 445,265)
Administrative fees on bond and notes payable	( <u>4,650</u> )
Net cash provided (used) by capital and related financing activities	( <u>1,134,446</u> )
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Proceeds from sales of investments	794,755
Purchase of investments	( 611,022)
Interest and dividends	<u>72,412</u>
Net cash provided (used) by investing activities	<u>256,145</u>
Increase (decrease) in cash and cash equivalents	( 75,135)
Cash and cash equivalents – beginning of year	<u>89,165</u>
Cash and cash equivalents – end of year	\$ <u><u>14,030</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>ENTERPRISE FUND</u>
<b><i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i></b>	
Operating income (loss)	\$ 394,147
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	452,209
Change in assets and liabilities:	
Accounts receivable	( 40,290)
Prepaid expenses	( 831)
Accounts payable	1,752
Accrued expenses	( 2,213)
Internal balances	( 5,916)
Customer deposits	( 4,612)
Compensated absences	<u>( 1,695)</u>
Net cash provided by operating activities	\$ <u>792,551</u>
 <b><i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</i></b>	
Cash and cash equivalents	\$ 14,030
Restricted cash and cash equivalents	<u>-</u>
Total cash and cash equivalents, end of year	\$ <u>14,030</u>
 <b><i>SUPPLEMENTAL DISCLOSURES</i></b>	
Noncash capital and related financing activities:	
Property acquired through capital contributions	\$ <u>99,277</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hogansville, Georgia ("the City") was chartered as a municipality by the State of Georgia in 1870. The City operates under a Mayor-Council form of government. The City provides a full range of municipal services as authorized by its charter including public safety, highways and streets, public services, utility services, and general administrative services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements in accordance with GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

These financial statements are prepared in accordance with GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement established financial reporting requirements for state and local governments throughout the United States. As part of the implementation of GASB Statement No. 34, the City has prepared required supplementary information titled *Management's Discussion and Analysis*, which precedes the primary government financial statements.

**REPORTING ENTITY**

The City for financial reporting purposes includes all of the funds relevant to the operations of the City of Hogansville. The Government Accounting Standards Board has set forth criteria to determine if legally separate organizations are considered to be component units in which the City is considered to be financially accountable or other organizations whose nature and significant relationship with the City is such that exclusion would cause the City's financial statements to be incomplete or misleading. These criteria include 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 to, or impose specific financial burdens on, the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The component unit discussed below should be included in the City's reporting entity because of its operational or financial relationship with the City.

**Discretely Presented Component Unit**

*Hogansville Downtown Development Authority* - The Hogansville Downtown Development Authority ("DDA") is governed by a board appointed by the City Council and Mayor. The DDA was created for the purpose of administering activities with regard to the revitalization and promotion of downtown Hogansville. The DDA provides community promotions, streetscape maintenance, downtown beautification, and building oversight. The DDA is required to submit a budget to the City Council for approval. The DDA is a component unit of the City.

The DDA did not issue separate financial statements for the year ended June 30, 2010.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of Interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

*General Fund* - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*2006 SPLOST Fund* – The 2006 SPLOST Fund is a capital projects fund. It is used to account for all activities related to the 2006 Special Purpose Local Option Sales Tax (SPLOST) as restricted by law. SPLOST is the primary revenue of the fund, and capital outlay expenditures for water and sewer system and roads and bridges improvements are the primary expenditures of the fund.

**Proprietary funds**

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

*Enterprise Fund* – The Enterprise Fund is used to account for the provision of utility services to the residents of the City. Activities of the fund include administration, operations and maintenance of the utility system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for utility system debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, beer/wine tax, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

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

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted for the General, Special Revenue, and Proprietary (Enterprise) Funds. The budget for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the Proprietary (Enterprise) Fund is adopted on a GAAP basis, except that depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the Mayor and City Council. Some individual revisions were material in relation to the original appropriations.

A legally authorized, non-appropriated budget is prepared for the 2006 SPLOST Capital Project Fund. Expenditures for this fund are controlled on a project basis and are carried forward each year until the project is completed.

**Budgeting Policy**

- In accordance with the City Code of Ordinances, the City Manager submits to the Mayor and the Council a proposed operating budget for the General, Special Revenue, and the Enterprise Funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.
- Public meetings are held to obtain taxpayer comments.
- The Mayor and Council legally enact the budget through passage of an ordinance.
- Management may not make any budget revisions without the prior approval of the City Council. Budget revisions that alter the total expenditures of any department or line item within a department must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and the Enterprise Funds.
- The budget for the General and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the Proprietary Fund is on a GAAP basis, except that depreciation expense is not budgeted. Budget amounts are as originally adopted, or as amended by the City Council. Some individual amendments were material in relation to the original appropriations.

All appropriations lapse at the end of the fiscal year.

**Encumbrances**

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue or Proprietary Funds. Encumbrances outstanding at year-end are reservations of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2010.

**CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. For purposes of the statement of cash flows of the Proprietary Fund, the City considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Investments are reported at fair value based on the last reported sales price as of the balance sheet date.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ACCOUNTS RECEIVABLE AND DEFERRED REVENUE**

Accounts receivable are recorded in the General and Proprietary Funds. Receivables are stated at their net realizable value (face value less the allowance for uncollectible accounts). Delinquent taxes receivable are fully reserved by the deferral of the related revenues until payment is received. Utility receivables are recognized only when billed. No accrual of earned, but unbilled receivables is made at year-end. The Enterprise Fund grants credit to utility customers, all of whom are located within the City. Allowances for doubtful accounts totaled \$0 for the General Fund and \$91,420 for the Enterprise Fund.

**PREPAID EXPENSES**

Payments made for services that will benefit periods beyond June 30, 2010 are recorded as prepaid expenses.

**RESTRICTED CASH AND INVESTMENTS**

The Confiscated Assets and Enterprise Funds hold certain funds in accounts restricted for public safety, debt service and the Municipal Competitive Trust Agreement with the Municipal Electric Authority of Georgia. These funds are held in cash and/or investments as allowed by State law and the requirements of the related debt agreements. The investments are stated at fair market value and the City records all investment revenue earned on these investments in the appropriate fund.

**INVENTORIES**

All governmental fund type inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased. Enterprise fund inventories were not recorded at June 30, 2010 and are not reflected in the accompanying financial statements, due to their immaterial amount.

**CAPITAL ASSETS**

Capital assets which include land, buildings and improvements, furniture, fixtures and equipment, infrastructure assets, utility systems infrastructure, and vehicles. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life of 5 years or more. Capital assets are recorded at historical cost, appraised value, or estimated historical cost or replacement cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewal and betterments are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 40 years
Utility system	5 – 50 years
Furniture, fixtures and equipment	5 – 10 years
Other infrastructure	10 – 40 years
Vehicles	5 – 10 years

The City has elected not to capitalize collections and works of art. Collections such as works of art and historical artifacts meet the definition of a capital asset. The requirement for capitalization is waived, however, for collections that meet the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**CAPITAL ASSETS - Continued**

The sale or disposal of capital assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

The City capitalizes interest costs as part of the cost of construction of various construction projects when material.

The City implemented the provisions of GASB Statement No. 34 in a prior year. The City was not required to retroactively report infrastructure, however, the City did have some infrastructure assets recorded prior to the implementation, which were included in the City's governmental activities capital assets.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

**INTEREST EXPENSE AND CAPITALIZED INTEREST**

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was \$4,666. Total interest expense from business-type activities was \$511,691, all of which was charged to the enterprise fund.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Total interest costs incurred by the City's proprietary fund for the year ended June 30, 2010 was \$511,691 all of which was charged to expense by the enterprise fund for the year ended June 30, 2010 was \$511,691. No interest costs were capitalized by the enterprise fund for the year ended June 30, 2010.

**BOND DISCOUNTS AND ISSUANCE COSTS**

Enterprise Fund bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable; whereas, issuance costs are recorded as deferred charges.

**COMPENSATED ABSENCES**

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave up to a maximum of 240 hours. The estimated portion of the liability for accumulated leave attributable to the City's governmental activities and business-type activities are recorded as long-term liabilities in the government-wide statement of net assets. Current amounts due are not recorded in the governmental-wide statement of net assets due to their immaterial nature. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Estimated liabilities of required salary related payments are not recognized due to their immaterial nature.

**LONG-TERM DEBT**

Long-term debt is recorded on the statement of net assets in the government-wide and proprietary fund financial statements, and any related interest expense is recorded on the statement of activities in the government-wide financial statements and the statement of revenues, expenses, and changes in net assets in the proprietary fund financial statements.

Long-term liabilities expected to be financed from governmental fund types are not recorded in the governmental fund financial statements. Payments of principal and interest are recorded as expenditures on the statement of revenues, expenditures and changes in fund balance in the governmental fund financial statements.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**RESERVES OF FUND BALANCE/NET ASSETS**

The City records reserves to indicate that a portion of the fund balance/net assets is legally segregated for a specific use.

**INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**USE OF RESTRICTED/UNRESTRICTED NET ASSETS**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**REVENUE RECOGNITION**

*Property Taxes* - Troup County bills and collects real and personal property taxes for the City. Ad valorem tax on motor vehicles and mobile homes is collected by the Troup County Tax Commissioner and remitted to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue. Property taxes are normally levied on October 1 of each year on the assessed valuation of property as of the preceding January 1 and are payable on December 20. Liens may attach to property for unpaid taxes on January 1. The assessed valuation for 2009 was \$57,682,976.

*Sales Taxes* - Sales tax is considered to be measurable when they have been collected by the State and are recognized as revenue at that time.

*Licenses and Permits, Charges for Services, Fines and Forfeitures and Miscellaneous Revenues (Except Investment Earnings)* - are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS**

*Cash*

*Custodial credit risk* for cash deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits to be 110% collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia, or industrial revenue bonds or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The collateral pledged by the banks' trust department in the City's name is composed of bonds of U.S. Government Agencies. The City has no policy on custodial credit risk other than it complies with the State of Georgia requirements.

At June 30, 2010, the carrying amount of the City's cash was \$413,388 and the bank balance was \$434,114. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by the pledging financial institution or it's agent in the City's name.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$15,393, and the bank balance was \$19,171. The entire bank balance was covered by Federal Depository Insurance at June 30, 2010.

*Investments*

State statutes authorize the City to invest and reinvest any money subject to its control and jurisdiction in, obligations of the state of Georgia or of other states, obligations issued by the United States government, obligations fully insured or guaranteed by the United States government or a United States government agency, obligations of any corporation of the United States government, prime bankers' acceptances, the local government investment pool established by Georgia Code Section 36-83-8, repurchase agreements, and obligations of other political subdivision of the state of Georgia. The City has not adopted a formal investment policy.

As of June 30, 2010, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<b>Primary Government</b>			
<b><u>Business-type activities</u></b>			
First American Treasury Obligations			
Class Y Money Market Fund	AAAm	49 day WAM	\$ 284,999
Fidelity Institutional Money Market Treasury			
Portfolio Class III	AAAm	51 day WAM	8,711
Bayerische Landesbank Girozentrale E-NY			
Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/01/10 - 10/25/10	2,740
Intermediate Portfolio	Not Rated	07/01/10 - 12/15/14	508,267
Intermediate Tax Restricted Portfolio	Not Rated	07/01/10 - 12/15/15	<u>976,365</u>
<b>Total</b>			<b>\$ <u>2,598,882</u></b>

**CITY OF HOGANSVILLE, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

The City is involved in an external investment pool, the Municipal Competitive Trust, which is administered by the Municipal Electric Authority of Georgia ("MEAG"), a governmental entity. Due to the anticipated deregulation of the retail sale of electricity in the state of Georgia, the City entered into a Municipal Competitive Trust agreement with the Municipal Electric Authority of Georgia ("MEAG"). The City purchases for resale, electric power from MEAG. The City is a beneficiary of this trust, and the City and MEAG deposit monies in the trust from time to time. All monies are held by the trustee, Wachovia Bank, for the City's benefit and are invested in investment securities. The City has recorded the assets in the Enterprise Fund. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions, and is calculated based on the fair market value of net assets held in the pool at the close of each business day.

*Credit Risk.* The City has no policy regarding credit risk. The investments in First American Treasury Obligations Class Y and Fidelity Institutional Money Market Treasury Portfolio Class III are rated AAAM by Standard and Poor's. The City's investment in the Bayerische Landesbank Girozentrale-NY Investment Agreement is collateralized by direct obligations or obligations of the United States government, its agencies and instrumentalities, and is not rated. The investment in the Municipal Competitive Trust is not rated. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia.

*Custodial Credit Risk.* For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's \$284,999 investment in First American Treasury Obligations Class Y and Fidelity Institutional Money Market Treasury Portfolio Class III are investments in money market funds. An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of the investment at \$1.00 per share, it is possible to lose money by investing in the funds. Fund shares are not guaranteed by the US Government. The funds are managed portfolios and their holdings are subject to change. The fund's shares are held in investment accounts in the City's name. The City's \$817,800 investment in the Bayerische Landesbank Girozentrale-NY Investment Agreement is an investment agreement insured by United States government obligations in which the City directed US Bank to invest these monies with Bayerische Landesbank Girozentrale-NY. Custodial Credit Risk is not required for external investment pools, therefore, the Municipal Competitive Trust is exempt from this requirement. The City has no policy on custodial credit risk.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City uses the specific identification of maturity of its investments. The First American Treasury Obligations Class Y money market fund has a 49 day weighted average maturity, the Fidelity Institutional Money market Treasury Portfolio Class III money market fund has a 51 day weighted average maturity, the Bayerische Landesbank Girozentrale E-NY Investment Agreement matures on 10/01/23, the Municipal Competitive Trust Short-term Portfolio maturity range is from 07/01/10 – 10/25/10, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/01/10 – 12/15/14, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/10 – 12/15/15.

*Concentration of Credit Risk.* The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in the First American Treasury Obligations Class Y money market fund and the Bayerische Landesbank Girozentrale E-NY Investment Agreement. These investments represent 11.0% and 31.5% of the City's total investments. External investment pools are excluded from the concentration of credit risk requirement, therefore, the Municipal Competitive Trust is exempt from this requirement.

*Foreign Currency Risk.* The City has no foreign currency risk as all investments are in U.S. dollar-denominated assets.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 - RECEIVABLES**

	<u>Governmental Activities</u>			<u>Business- type Activities</u>	<u>Total</u>
	<u>General</u>	<u>2006 SPLOST</u>	<u>Other Governmental Activities</u>		
<b>Gross receivables:</b>					
Property taxes	\$ 4,035	\$ -	\$ -	\$ -	\$ 4,035
Sales and other taxes	104,552	-	4,207	-	108,759
Intergovernmental	25,000	131,677	-	-	156,677
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,502</u>	<u>549,502</u>
<b>Total gross receivables</b>	<b>133,587</b>	<b>131,677</b>	<b>4,207</b>	<b>549,502</b>	<b>818,973</b>
<b>Less: allowance for uncollectibles</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,420</u>	<u>91,420</u>
<b>Total receivables</b>	<b>\$ <u>133,587</u></b>	<b>\$ <u>131,677</u></b>	<b>\$ <u>4,207</u></b>	<b>\$ <u>458,082</u></b>	<b>\$ <u>727,553</u></b>

**NOTE 4 - INTERFUND BALANCES**

Interfund balances are a result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made. All interfund balances are expected to be repaid with one year from the date of the financial statements.

Interfund receivables and payables consisted of the following at June 30, 2010:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>General Fund</b>		
Due from Enterprise Fund	\$ 151,098	\$ -
Other Governmental Funds	<u>-</u>	<u>1,536</u>
<b>Total General Fund</b>	<b>\$ <u>151,098</u></b>	<b>\$ <u>1,536</u></b>
<b>SPLOST 2006 Fund</b>		
Due from Enterprise Fund	\$ <u>342,120</u>	\$ -
<b>Total SPLOST 2006 Fund</b>	<b>\$ <u>342,120</u></b>	<b>\$ -</b>
<b>Other Governmental Funds</b>		
Due from General Fund	\$ 1,536	\$ -
Due to Enterprise Fund	<u>-</u>	<u>1,173</u>
<b>Total Other Governmental Funds</b>	<b>\$ <u>1,536</u></b>	<b>\$ <u>1,173</u></b>
<b>Enterprise Fund</b>		
Due to General Fund	\$ -	\$ 151,098
Due to SPLOST 2006 Fund	-	342,120
Due from Other Governmental Funds	<u>1,173</u>	<u>-</u>
<b>Total Enterprise Fund</b>	<b>\$ <u>1,173</u></b>	<b>\$ <u>493,218</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 - CAPITAL ASSETS**

Following is a summary of changes in the capital assets of governmental activities:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Not being depreciated:</b>				
Land	\$ 306,338	\$ -	\$ -	\$ 306,338
Construction in progress	<u>19,190</u>	<u>14,911</u>	<u>( 19,190)</u>	<u>14,911</u>
Subtotal	<u>325,528</u>	<u>14,911</u>	<u>( 19,190)</u>	<u>321,249</u>
<b>Other capital assets:</b>				
Buildings and improvements	1,998,522	-	-	1,998,522
Infrastructure	1,060,400	299,973	-	1,360,373
Furniture, fixtures and equipment	535,587	29,550	-	565,137
Vehicles	<u>663,221</u>	<u>30,585</u>	<u>-</u>	<u>693,806</u>
Subtotal	<u>4,257,730</u>	<u>360,108</u>	<u>-</u>	<u>4,617,838</u>
<b>Accumulated depreciation:</b>				
Buildings and improvements	( 507,972)	( 55,822)	-	( 563,794)
Infrastructure	( 110,098)	( 32,703)	-	( 142,801)
Furniture, fixtures and equipment	( 315,276)	( 61,416)	-	( 376,692)
Vehicles	<u>( 419,476)</u>	<u>( 88,358)</u>	<u>-</u>	<u>( 507,834)</u>
Subtotal	<u>( 1,352,822)</u>	<u>( 238,299)</u>	<u>( - )</u>	<u>( 1,591,121)</u>
Net other capital assets	<u>2,904,908</u>	<u>121,809</u>	<u>( - )</u>	<u>3,026,717</u>
<b>Total governmental activities capital assets</b>	<b>\$ <u>3,230,436</u></b>	<b>\$ <u>136,720</u></b>	<b>\$ <u>( 19,190)</u></b>	<b>\$ <u>3,347,966</u></b>
<b>Depreciation was charged to functions as follows:</b>				
<b>Governmental activities:</b>				
General government		\$ 42,592		
Public safety		141,086		
Public services		<u>54,621</u>		
Total governmental activities depreciation expense		<u>\$ 238,299</u>		

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 5 - CAPITAL ASSETS – Continued**

Following is a summary of changes in the capital assets of business-type activities:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
<b>Not being depreciated:</b>				
Land	\$ <u>380,784</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>380,784</u>
Subtotal	<u>380,784</u>	<u>-</u>	<u>-</u>	<u>380,784</u>
<b>Other capital assets:</b>				
Utility system	16,064,621	229,923	( 50,973)	16,243,571
Furniture, fixtures and equipment	<u>199,581</u>	<u>62,046</u>	<u>( 99,533)</u>	<u>162,094</u>
Subtotal	<u>16,264,202</u>	<u>291,969</u>	<u>( 150,506)</u>	<u>16,405,665</u>
<b>Accumulated depreciation:</b>				
Utility system	( 4,761,319)	( 426,788)	23,751	( 5,164,356)
Furniture, fixtures and equipment	<u>( 84,064)</u>	<u>( 25,421)</u>	<u>58,152</u>	<u>( 51,333)</u>
Subtotal	<u>( 4,845,383)</u>	<u>( 452,209)</u>	<u>81,903</u>	<u>( 5,215,689)</u>
Net other capital assets	<u>11,418,819</u>	<u>( 160,240)</u>	<u>( 68,603)</u>	<u>11,189,976</u>
Net business-type activities capital assets	\$ <u>11,799,603</u>	\$( <u>160,240</u> )	\$( <u>68,603</u> )	\$ <u>11,570,760</u>

Depreciation was charged to functions as follows:

<b>Business-type activities:</b>	
Utility System	\$ <u>452,209</u>
<b>Total business-type activities depreciation expense</b>	<u>\$ 452,209</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

<u>Type of Debt</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Amounts Due within One Year</u>
<b>Governmental activities:</b>					
Line of credit payable	\$ -	\$ 299,567	\$( 299,567)	\$ -	\$ -
Capital leases payable	1,336	-	( 1,336)	-	-
Compensated absences	<u>17,635</u>	<u>8,519</u>	<u>-</u>	<u>26,154</u>	<u>-</u>
<b>Total general long-term debt</b>	<b>\$ <u>18,971</u></b>	<b>\$ <u>308,086</u></b>	<b>\$( <u>300,903</u>)</b>	<b>\$ <u>26,154</u></b>	<b>\$ <u>-</u></b>
<b>Business-type activities:</b>					
Revenue bonds payable	\$ 7,485,000	\$ -	\$( 320,000)	\$ 7,165,000	\$ 340,000
Less: unamortized issue costs, discounts, and premiums	( <u>524,774</u> )	<u>73,213</u>	<u>-</u>	( <u>451,561</u> )	( <u>73,213</u> )
Revenue bonds payable, net	6,960,226	73,213	( 320,000)	6,713,439	266,787
Capital leases payable	362,628	-	( 60,482)	302,146	61,783
Notes payable	537,334	-	( 179,960)	357,374	172,294
Compensated absences	<u>16,914</u>	<u>-</u>	( <u>1,695</u> )	<u>15,219</u>	<u>-</u>
<b>Total proprietary fund debt</b>	<b>\$ <u>7,877,102</u></b>	<b>\$ <u>73,213</u></b>	<b>\$( <u>562,137</u>)</b>	<b>\$ <u>7,388,178</u></b>	<b>\$ <u>500,864</u></b>

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**GOVERNMENTAL ACTIVITIES:**

As of June 30, 2010, the governmental long-term debt of the financial reporting entity consisted of the following:

**LINE OF CREDIT PAYABLE**

During the year the City entered into a line of credit agreement with a local bank. The line of credit was collateralized by property tax receipts. During the year, the City repaid the line of credit plus interest in full. The City subsequently entered into a line of credit agreement in the amount of \$250,000 on July 1, 2010, which was repaid plus interest in full during December 2010.

**COMPENSATED ABSENCES**

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The General Fund is used to liquidate compensated absences from Governmental Activities.

Noncurrent portion

\$ 26,154

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES:**

As of June 30, 2010, the long-term debt payable from proprietary fund resources consisted of the following:

**CAPITAL LEASE OBLIGATIONS**

The City has financed improvements to its electric utility system and the purchase of a vehicle under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related assets will be recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$486,963 for improvements, \$13,037 for closing costs, and \$42,500 for the vehicle. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2010:

June 30, 2011	\$ 72,063
June 30, 2012	72,063
June 30, 2013	66,127
June 30, 2014	60,192
June 30, 2015	<u>60,192</u>
<b>Total minimum lease payments</b>	<b>330,637</b>
<b>Amount representing interest</b>	<b>( <u>28,491</u> )</b>
<b>Present value of lease obligations for governmental activities</b>	<b>302,146</b>
<b>Less: current maturities</b>	<b><u>61,783</u></b>
<b>Long-term maturities</b>	<b>\$ <u><u>240,363</u></u></b>

Leased assets under the capital lease at June 30, 2010 include the following:

Electric system	\$ 486,963
Vehicle	42,500
Less: accumulated depreciation	<u>( 56,067 )</u>
<b>Total</b>	<b>\$ <u><u>473,396</u></u></b>

Total depreciation expense on the utility system improvements and the vehicle for the year ended June 30, 2010, was \$20,674. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES - Continued:**

**REVENUE BONDS PAYABLE 1993 Series**

On July 15, 1993, the City issued the 1993 Combined Public Utility System Refunding Revenue Bonds in the amount of \$8,525,000. The bonds bear interest at an average interest rate of 5.61%, payable semi-annually on April 1 and October 1.

The proceeds of the 1993 Refunding Revenue Bonds were used as follows:

- \$6,793,734 of the proceeds was used to advance refund \$5,430,000 of outstanding 1990 Combined Public Utility System Revenue Bonds, which bear an interest rate of 9%. The money was used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 1990 series bonds. As a result, the 1990 series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet of the Enterprise Fund.

The City advance refunded the 1990 series bonds to reduce its total debt service payments over the next 23 years by approximately \$1,290,388, to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$382,472, and to extend the maturity date of the debt. Even though there was an economic gain, the City incurred a loss on the advance refunding as follows:

Reacquisition price of 1990 series bonds	\$ 6,793,734
Net carrying amount of 1990 series bonds:	
Principal balance	\$ 5,430,000
Unamortized bond issue costs	( 145,657)
Unamortized issue discount	( 134,613)
	<u>5,149,730</u>
Loss on advance refunding	<u>\$ 1,644,004</u>

The City elected early application of Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities". Under this statement, the loss on advance refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, this deferred loss is reported as a deduction from the new debt liability. For the year ending June 30, 2010 the amortization included in interest expense is \$71,478.

- \$1,037,088 of the proceeds was used to pay, in full, three Georgia Environmental Facilities Authority (GEFA) loans with interest rates of 6.0%, 5.3%, and 6.2%.
- \$120,000 of the proceeds was used for the completion of the sewer treatment plant, which was a component of the project financed from the series 1990 bonds.
- \$38,233 of the proceeds was combined with the assets in the series 1990 Debt Service Account and deposited into the series 1993 Debt Service Account.
- The remaining \$535,945 was used to pay issuance and other related costs.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES - Continued:**

**REVENUE BONDS PAYABLE 1993 Series – Continued:**

The ordinance authorizing the 1993 Combined Public Utility System Refunding Revenue Bonds requires that a Revenue Bond Sinking Fund be established in amounts sufficient to pay principal and interest on the bonds as they become due. As of June 30, 2010, the City had made the required transfers to the sinking fund.

The ordinance also calls for the establishment of two Debt Service Reserve Accounts. The first one must maintain a balance equal to the maximum amount required in any sinking fund year to pay principal and interest as they become due in the then current or any succeeding sinking fund year. At June 30, 2010, the City was in compliance with this requirement. The other Debt Service Reserve Account must maintain a balance equal to the aggregate of one month's operating expenses for the Utility System based upon the City's last audited financial statements and such amount as determined as appropriate to maintain the System. At June 30, 2010, the City was not in compliance with this debt service requirement per auditor calculation.

Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Utility System and will revise them as necessary to provide net revenues (excluding bond interest expense, depreciation, amortization, and operating transfers) equal to at least 130% of the required Sinking Fund payments and 100% of the debt service requirements of subordinated debt coming due. At June 30, 2010, the net revenues (excluding bond interest expense, depreciation, amortization, and operating transfers) of the Enterprise Fund were not in compliance with this requirement.

The City of Hogansville, Georgia Combined Public Utility System Refunding Revenue Bonds series 1993 are dated July 15, 1993. Interest is payable semi-monthly on April 1 and October 1 at varying rates.

The following is a summary of the maturity of the bonds and interest thereon:

Amount of original issue	\$ 8,525,000
Amount redeemed	<u>( 2,945,000)</u>
 Amount outstanding, June 30, 2010	 5,580,000
Less: unamortized discount	( 22,690)
Less: unamortized deferred loss on advance refunding	<u>( 428,871)</u>
 Net amount outstanding, June 30, 2010	 5,128,439
 Less: current maturities	 <u>191,787</u>
 Long-term maturities	 <u>\$ 4,936,652</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2011	\$ 265,000	\$ 324,266	\$ 589,266
2012	285,000	308,179	593,179
2013	300,000	291,068	591,068
2014	315,000	273,079	588,079
2015	335,000	254,066	589,066
2016 - 2020	2,000,000	937,833	2,937,833
2021 - 2024	<u>2,080,000</u>	<u>258,600</u>	<u>2,338,600</u>
 Totals	 <u>\$ 5,580,000</u>	 <u>\$ 2,647,091</u>	 <u>\$ 8,227,091</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES - Continued:**

**REVENUE BONDS PAYABLE 2004 Series**

On August 31, 2004, the Hogansville Development Authority ("the Authority") issued Hogansville Development Authority Revenue Bonds (Gas System Project), Series 2004A, 2004B, 2004C, and 2004D in the total amount of \$1,845,000. The City has entered into an intergovernmental contract with the Authority dated August 2, 2004, in which the City is responsible for the debt service on the bonds, and the bonds were to be issued to finance improvements to the City's gas system. The bonds bear interest at 4.75%, payable semi-annually on April 1 and October 1.

The proceeds of the 2004 Hogansville Development Authority Revenue Bonds were used as follows:

- At June 30, 2010, \$1,692,745 of the proceeds was used to pay for the costs and installation of gas lines for the City's gas system.
- \$103,565 of the proceeds has been used to pay capitalized interest during the gas line installation phase.
- \$37,630 of the proceeds were used to pay issuance and other related costs.
- At June 30, 2010 the remaining \$8,711 was being held in order to pay the remaining costs and installation of the gas lines and capitalized interest.

The intergovernmental agreement between the Authority and the City requires the City to levy an annual tax on all taxable property located within the City boundaries as may be necessary to make the payments to the Authority for debt service of the bonds as it comes due. As of June 30, 2008, all required transfers have been made to the Bond Fund for the debt service on the bonds.

The Hogansville Development Authority Revenue Bonds (Gas System Project), Series 2004A, 2004B, 2004C, and 2004D are dated August 31, 2004. Interest is payable semi-monthly on April 1 and October 1 at 4.75%.

The following is a summary of the maturity of the bonds and interest thereon:

Amount of original issue	\$ 1,845,000
Amount redeemed	( <u>260,000</u> )
Amount outstanding, June 30, 2010	1,585,000
Less: current maturities	<u>75,000</u>
Long-term maturities	\$ <u>1,510,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2011	\$ 75,000	\$ 73,506	\$ 148,506
2012	80,000	69,825	149,825
2013	80,000	66,025	146,025
2014	85,000	62,106	147,106
2015	90,000	57,950	147,950
2016 – 2020	525,000	219,094	744,094
2021 – 2025	<u>650,000</u>	<u>79,563</u>	<u>729,563</u>
Totals	<u>\$ 1,585,000</u>	<u>\$ 628,069</u>	<u>\$ 2,213,069</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT - Continued**

**NOTES PAYABLE**

<ul style="list-style-type: none"> <li>• Note payable to Georgia Environmental Facilities Authority in the original amount of \$1,004,480, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$14,563, including interest, through May 1, 2011. This note was used for improvements to the City's utility system</li> </ul>	\$ 157,077
<ul style="list-style-type: none"> <li>• Note payable to Georgia Environmental Facilities Authority in the original amount of \$256,730, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$1,827, including interest, through January 1, 2021. The note was used for improvements to the City's water and sewer system.</li> </ul>	<u>200,297</u>
Total notes payable, June 30, 2010	357,374
Less: current maturities	<u>172,294</u>
Long-term maturities	\$ <u>185,080</u>

**COMPENSATED ABSENCES**

City employees are entitled to receive, upon termination of or retirement from employment, all accumulated annual leave as referred to in Note 1. The Utility Fund is used to liquidate compensated absences from Business-type Activities.

Noncurrent portion	\$ <u>15,219</u>
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**ANNUAL DEBT SERVICE REQUIREMENTS**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2010, are as follows:

**CAPITAL LEASES PAYABLE**

Year Ending June 30,	Business-type Activities		Total
	Principal	Interest	
2011	\$ 61,783	\$ 10,279	\$ 72,062
2012	64,084	7,979	72,063
2013	60,538	5,590	66,128
2014	56,773	3,419	60,192
2015	<u>58,968</u>	<u>1,224</u>	<u>60,192</u>
Total	\$ <u>302,146</u>	\$ <u>28,491</u>	\$ <u>330,637</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 6 - LONG-TERM DEBT - Continued**

**ANNUAL DEBT SERVICE REQUIREMENTS – Continued**

**NOTES PAYABLE**

<b><u>Year Ending June 30,</u></b>	<b><u>Business-type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$ 172,294	\$ 10,506	\$ 182,800
2012	15,798	6,807	22,605
2013	16,433	6,171	22,604
2014	17,061	5,543	22,604
2015	17,725	4,879	22,604
2016-2020	99,509	13,513	113,022
2021	<u>18,554</u>	<u>328</u>	<u>18,882</u>
<b>Total</b>	<b>\$ <u>357,374</u></b>	<b>\$ <u>47,747</u></b>	<b>\$ <u>405,121</u></b>

**REVENUE BONDS PAYABLE**

<b><u>Year Ending June 30,</u></b>	<b><u>Business-type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2011	\$ 340,000	\$ 397,773	\$ 737,773
2012	365,000	378,003	743,003
2013	380,000	357,093	737,093
2014	400,000	335,185	735,185
2015	425,000	312,016	737,016
2016-2020	2,525,000	1,156,928	3,681,928
2021-2025	<u>2,730,000</u>	<u>338,162</u>	<u>3,068,162</u>
<b>Total</b>	<b>\$ <u>7,165,000</u></b>	<b>\$ <u>3,275,160</u></b>	<b>\$ <u>10,440,160</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES**

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Other Governmental Funds:</b>		
Enterprise Fund	\$ <u>          -</u>	\$ <u>      10,615</u>
<b>Total Other Governmental Funds</b>	<u>          -</u>	<u>      10,615</u>
<b>Enterprise Fund:</b>		
Other governmental funds	<u>      10,615</u>	<u>                  -</u>
<b>Totals</b>	<u>\$      10,615</u>	<u>\$      10,615</u>

Transfers are primarily used to move funds from:

- Other Governmental Funds to the Enterprise Fund for beautification.

During the year ended June 30, 2010, the City made transfers of \$10,615 from Other Governmental Funds to the Enterprise Fund for beautification.

**NOTE 8 - RESTRICTED GOVERNMENT-WIDE ASSETS**

**Governmental activities**

Restricted assets are composed of \$394,447 of cash restricted for capital projects and public safety expenditures under Federal and/or State laws. \$330,437 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax adopted in 2006, and \$64,010 of cash is restricted for public safety expenditures of Federal and State confiscated property.

**Business-type activities**

Restricted assets are composed of the following at June 30, 2010:

	<u>Investments</u>
Municipal Competitive Trust Investment Accounts	\$ 1,459,853
1993 Revenue Bond Investment Accounts	<u>      1,102,798</u>
<b>Total</b>	<u>\$  2,562,651</u>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 - RESTRICTED FUND ASSETS**

**2006 SPLOST Fund**

Restricted assets are composed of \$330,437 of cash restricted for capital expenditures under State law regarding expenditures of Special Purpose Local Option Sales Tax proceeds.

**Confiscated Assets Fund**

Restricted assets are composed of \$64,010 of cash restricted for public safety expenditures under Federal and State laws regarding expenditures of Federal and State seized property.

**Enterprise Fund**

Restricted assets are composed of the following at June 30, 2010:

	<u>Investments</u>
Municipal Competitive Trust Investment Accounts	\$ 1,459,853
1993 Revenue Bond Investment Accounts	<u>1,102,798</u>
<b>Total</b>	<b>\$ <u>2,562,651</u></b>

**NOTE 10 - LIABILITIES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS:**

**Governmental activities**

Liabilities payable from governmental activities are composed of the following at June 30, 2010:

Deferred revenue	\$ <u>1,281</u>
<b>Total</b>	<b>\$ <u>1,281</u></b>

**Business-type activities**

Liabilities payable from restricted assets are composed of the following at June 30, 2010:

Current Portion of 1993 Revenue Bonds Payable	\$ 265,000
Customer Deposits	171,378
Accrued Interest Payable on 1993 Revenue Bonds	<u>83,004</u>
<b>Total</b>	<b>\$ <u>519,382</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 11 - LIABILITIES PAYABLE FROM FUND RESTRICTED ASSETS:**

**Governmental Funds**

Liabilities payable from restricted assets are composed of the following at June 30, 2010:

Other Governmental Funds Deferred Revenue	\$ <u>1,281</u>
Total 2006 SPLOST Fund	\$ <u>1,281</u>

**Proprietary Funds**

Liabilities payable from restricted assets are composed of the following at June 30, 2010:

Enterprise Fund	
Current Portion of 1993 Revenue Bonds Payable	\$ 265,000
Customer Deposits	171,378
Accrued Interest Payable on 1993 Revenue Bonds	<u>83,004</u>
Total	\$ <u>519,382</u>

**NOTE 12 - RESERVED FUND BALANCE**

The City maintains reserves in various funds for specific purposes. The nature and purpose of these reserves is explained as follows:

**2006 SPLOST Fund**

Reserves of \$804,234 have been provided in the 2006 Special Purpose Local Option Sales Tax Fund for capital projects required by the SPLOST agreement.

**Confiscated Assets Fund**

Reserves of \$64,265 have been provided in the Confiscated Assets Special Revenue Fund for restricted assets that are required to be used for specific purposes.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 - RESTRICTED NET ASSETS**

**Governmental Activities**

Restricted net assets are comprised of the following at June 30, 2010:

Restricted for:	
Capital projects	\$ 330,437
Public safety	<u>62,729</u>
<b>Total net assets restricted for governmental activities</b>	<b>\$ <u>393,166</u></b>

**Business-type Activities**

Restricted net assets are comprised of the following at June 30, 2010:

Restricted for:	
Municipal Competitive Trust Agreement	\$ 1,288,475
Debt Service	<u>754,794</u>
<b>Total net assets restricted for business-type activities</b>	<b>\$ <u>2,043,269</u></b>

**NOTE 14 - CONFISCATED ASSETS SPECIAL REVENUE FUND**

A Special revenue fund has been established to account for certain monies that are restricted in their use, as follows:

Confiscated Assets is property that has been confiscated by law enforcement during actions against illegal activities. The money can only be used by and for the Hogansville Police Department within Federal and State laws regarding expenditures of Federal and State seized/forfeited property.

A summary of the Special Revenue Fund follows:

	<u>Confiscated Assets</u>
<b>Balance July 1, 2009</b>	<b>\$ <u>35,236</u></b>
<b>Revenues</b>	
Forfeitures	130,863
Other	<u>1,671</u>
<b>Total revenues</b>	<b><u>132,534</u></b>
<b>Expenditures</b>	
Public safety	93,437
Intergovernmental	<u>10,068</u>
<b>Total expenditures</b>	<b><u>103,505</u></b>
<b>Balance June 30, 2010</b>	<b>\$ <u>64,265</u></b>

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 15 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergencies.

In accordance with Section 457 of the Internal Revenue Code, plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and liabilities of the deferred compensation plans are not included in the accompanying primary government financial statements.

**NOTE 16 - PENSION PLAN**

*Plan Description*

The City's defined benefit pension plan, City of Hogansville Retirement Plan ("HRP"), provides retirement and death benefits to plan members and beneficiaries. HRP plan is affiliated with the Georgia Municipal Employees Benefit System ("GMEBS"), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Georgia Municipal Association assigns the authority to establish and amend the benefit provisions of the plans that participate in GMEBS to the respective employer entities; for HRP, that authority rests with the City of Hogansville. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by written request to Georgia Municipal Association, 201 Pryor Street, SW, Atlanta, Georgia 30303.

*Funding Policy*

HRP members are not required and do not contribute to HRP. HRP is a noncontributory plan. The City is required to contribute 100% of the amount necessary to fund HRP at an actuarially determined rate; the current rate is 6.96% of covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27. These contributions are determined under the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1982 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

*Annual Pension Cost*

For the current year, the City's annual pension cost of \$81,046 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2010 actuarial valuation based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

- Rate of return on investment 7.75% per year
- Projected salary increases 3.5% per year plus age and service based on merit increases
- Cost of living adjustments 0.0%

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 16 - PENSION PLAN - Continued**

*Membership of the plan*

Retirees and beneficiaries receiving benefits	37
Terminated plan members entitled to, but not yet receiving benefits	19
Active plan members	<u>46</u>
<b>Total</b>	<b><u>102</u></b>

**Three-Year Trend Information for HRP**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/08	\$68,518	100%	\$0
06/30/09	\$86,642	100%	\$0
06/30/10	\$81,046	100%	\$0

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress for HRP**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
03/01/08	\$2,002,462	\$1,831,321	\$(171,141)	109.4%	\$1,018,094	(16.8)%
03/01/09	\$1,591,022	\$1,812,764	\$221,742	87.8%	\$1,021,895	21.7%
01/01/10	\$2,002,079	\$1,878,839	\$(123,240)	106.56%	\$1,144,591	(10.8)%

*Projection of Benefits for Financial Reporting Purposes*

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

*Effect of Plan Changes on the Actuarial Accrued Liability*

The plan provisions valued and the actuarial assumptions were changed in this valuation. The mortality table for healthy participants was changed from the 1983 Group Annuity Mortality Table without Margin to the sex-distinct RP-2000 Combined Mortality Table set forward two years in age for males and one year in age for females. The Mortality table for disabled participants was changed from the 1944 Railroad Board Male Ultimate Disabled Mortality to the sex-distinct RP-2000 Disabled Retiree Mortality Table set forward two years in age for males and one year in age for females.

*Effect of Plan Changes on Recommended Contributions*

The plan provisions valued and the actuarial assumptions and cost methods were changed in this valuation. The salary increase assumption was changed from 5.50% each year to a table of rates based on age and service. The investment return assumption was changed from 8.00% to 7.75% per annum. The inflation and COLA assumptions were changed from 5.00% to 3.50%. The valuation date was changed from March 1 to January 1. The asset method was changed to temporarily widen the corridor.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 16 - PENSION PLAN - Continued**

*Method used to determine the Actuarial Value of Assets*

Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009, 44% of market value for 2010, 38% of market value for 2011, 32% of market value for 2012, 26% of market value for 2013, and 20% of market value for 2014 and later years.

**NOTE 17 - HOTEL/MOTEL LODGING TAX**

The City has levied a 5% hotel/motel lodging tax. The amount of total tax collected in excess of a rate of 3% (60% of the total tax collected), or 2% (40% of the tax collected) is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions for the year ending June 30, 2010 follows:

Total hotel/motel tax receipts	\$ 17,692
Less: hotel/motel tax collected at a rate of 3% (60% of the total tax collected)	<u>10,615</u>
Hotel/motel tax collected at a rate of 2% (40% of the total tax collected) to be expended for the promotion of tourism, conventions and trade shows	7,077
Expenses for promotion of tourism, conventions and trade shows to Hogansville Downtown Development Authority (40% of the total tax collected)	<u>7,077</u>
Balance of hotel/motel tax funds at June 30, 2010	\$ <u>-</u>

**NOTE 18 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS**

The City had no expenditures over appropriations for the fiscal year ending June 30, 2010.

**NOTE 19 - DEFICIT FUND BALANCES/RETAINED EARNINGS**

There were no deficit fund balances/net assets at June 30, 2010.

**NOTE 20 - LITIGATION**

The City is a party to several legal proceedings, which normally occur, in governmental operations. The City's attorney has not investigated the claims, but has monitored them and the City has filed Motions for Summary Judgment on some of the matters. There is no knowledge of the likelihood of the claim as the City's attorney does not have an opinion as to any amounts which might have a material adverse impact on the affected funds of the City. Therefore, no provisions for losses have been recorded.

**NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES**

The City has *Potential Liability under MEAG and MGAG Contracts* as follows:

Electrical System. The City has entered into Power Sales Contracts with the Municipal Electric Authority of Georgia ("MEAG") pursuant to which the City purchases electric power and energy for resale to its customers. MEAG was created by the State of Georgia for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of Georgia, which owned and operated electric distribution systems as of March 18, 1975.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued**

Under the terms of its Power Sales Contracts with MEAG, the City is obligated to take from MEAG, and MEAG is obligated to provide, all electric power and energy required by the City in excess of the amount received by the City as an allotment from federally-owned projects through the Southeastern Power Administration ("SEPA"). Such allotment of SEPA power has been assigned by the City to MEAG and is transmitted to the City by MEAG through Georgia's Integrated Transmission System for a separate charge. Under its Power Sales Contracts with MEAG, the City has the right to receive additional power as needed from the Integrated Transmission System.

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default. The City is contingently liable for \$16,346,281 of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2010.

**Gas System.** The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Gas Authority ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with the Gas Authority, the City is obligated to take from the Gas Authority, and the Gas Authority is obligated to provide, all of the City's natural gas requirements. The price paid by the City to the Gas Authority under its contracts is intended to cover the City's share of all the costs of the Gas Authority, including scheduled debt service of the Gas Authority. Such payments are required to be made by the City whether or not the Gas Authority's facilities or natural gas properties or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with the Gas Authority. To the extent the required payments are not made from the revenues of the System or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City is contingently liable for \$1,058,207 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2010.

The City completed its replacement of cast iron natural gas mains subsequent to year end and is no longer under a court order from the Georgia Public Service Commission.

**Intergovernmental Natural Gas Sales Agreement**

The City has entered into an intergovernmental natural gas sales agreement with Meriwether County for an initial term of 25 years, in which the City has agreed to sell natural gas to Meriwether County.

**Intergovernmental Water Sales Agreement**

The City has entered into an intergovernmental water sales agreement with Meriwether County for an initial term of 30 years, in which the City has agreed to sell a maximum of 250,000 gallons of potable water per day to Meriwether County.

**Intergovernmental Water Sales Agreement**

The City has signed a water sales agreement with the City of LaGrange, in which the City has agreed to purchase a minimum of 200,000 gallons of potable water per day, not exceeding 350,000 gallons per day

**Intergovernmental Water Sales Agreement**

The City has signed a water sales agreement with Coweta County, in which the City has agreed to purchase a minimum of 150,000 gallons of potable water per day, not exceeding 1,000,000 gallons per day.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued**

**Wastewater System**

The City is under a consent order from the Environmental Protection Division of the Department of Natural Resources State of Georgia in which the City was cited for unpermitted discharges of raw sewage. The City was fined \$34,428, and must implement corrective actions to its wastewater system specified in the order.

**2006 SPLOST Fund Expenditures**

The City advanced monies from the SPLOST 2006 Fund to the Enterprise Fund in order to pay for natural gas line improvements for the City's natural gas utility system. The City is only permitted to fund capital projects for water and sewer system and road and bridge projects with SPLOST monies. The City subsequently repaid the 2006 SPLOST Fund for these advances which totaled \$342,120 at June 30, 2010.

**NOTE 22 - RISK MANAGEMENT**

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

**NOTE 23 - RELATED ORGANIZATION**

The City of Hogansville Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$18,515 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2010.

**NOTE 24 - JOINT VENTURE**

Under Georgia law, the City is a member of the Three Rivers Regional Commission ("TRRC"). The City paid \$2,914 in dues to the TRRC for the year ended June 30, 2010. Membership in a Regional Development Center ("RDC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Three Rivers Regional Commission, P.O. Box 120 North Hill Street, Griffin, GA 30224.

**NOTE 25 - GRANTS**

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

**CITY OF HOGANSVILLE, GEORGIA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 26 - LANDFILL CLOSURE AND POSTCLOSURE CARE**

The Hogansville solid waste landfill was closed prior to 1980 and is therefore, not subject to the current closure and postclosure requirements and regulations. Corrective action by the City taken at the closed landfill site, included:

- Three hundred-fifty loads of topsoil were hauled to the site and spread.
- One hundred pounds of grass seed was used.
- Fifty bales of hay were used.
- A new gate was installed at the site.

All work was completed by April 30, 1997.

There is no recognition of a liability for closure and postclosure care costs based on landfill capacity used to date. The percentage of landfill capacity used to date is 100%, and it has an estimated remaining landfill life of zero years. There is no reported liability for closure and postclosure care at the balance sheet date. There is no estimated total current cost of closure and postclosure care remaining to be recognized. The City is and will maintain the landfill as a grassed area to discourage erosion. There are no assets restricted for payment of closure and postclosure care costs. Per City officials, the EPA has recommended that the City leave the landfill as is, and the City is not aware of any proposed changes in the legislation or regulations.

**REQUIRED AND OTHER SUPPLEMENTARY INFORMATION**

### **NONMAJOR GOVERNMENTAL FUNDS**

**Nonmajor Governmental Funds are funds in which total fund assets, liabilities, revenues or expenditures are less than 10% of total governmental funds, and total fund assets, liabilities, revenues or expenditures are less than 5% of total governmental and business-type funds. These funds are made up of funds used to account for resources, which are required legally or by sound financial management to be accounted for in a fund other than the General Fund.**

**CITY OF HOGANSVILLE, GEORGIA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<b>Special Revenue</b>		
	<b>Confiscated Assets</b>	<b>Hotel/ Motel Tax</b>	<b>Totals</b>
<b>ASSETS</b>			
Sales and other taxes receivable	\$ -	\$ 4,207	\$ 4,207
Due from other funds	1,536	-	1,536
Restricted cash and cash equivalents	<u>64,010</u>	<u>-</u>	<u>64,010</u>
<b>Total assets</b>	<b>\$ <u>65,546</u></b>	<b>\$ <u>4,207</u></b>	<b>\$ <u>69,753</u></b>
<b>LIABILITIES</b>			
Deferred revenue	\$ 1,281	\$ -	\$ 1,281
Due to other funds	-	1,173	1,173
Due to component unit	<u>-</u>	<u>3,034</u>	<u>3,034</u>
<b>Total liabilities</b>	<b><u>1,281</u></b>	<b><u>4,207</u></b>	<b><u>5,488</u></b>
<b>FUND BALANCES</b>			
Reserved:			
Public safety	<u>64,265</u>	<u>-</u>	<u>64,265</u>
<b>Total fund balance</b>	<b><u>64,265</u></b>	<b><u>-</u></b>	<b><u>64,265</u></b>
<b>Total liabilities and fund Balances</b>	<b>\$ <u>65,546</u></b>	<b>\$ <u>4,207</u></b>	<b>\$ <u>69,753</u></b>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Special Revenue</b>		
	<b>Confiscated Assets</b>	<b>Hotel/ Motel Tax</b>	<b>Totals</b>
<b>REVENUES</b>			
Taxes	\$ -	\$ 17,692	\$ 17,692
Fines and forfeitures	130,863	-	130,863
Other	<u>1,671</u>	<u>-</u>	<u>1,671</u>
<b>Total Revenues</b>	<u><b>132,534</b></u>	<u><b>17,692</b></u>	<u><b>150,226</b></u>
<b>EXPENDITURES</b>			
Current operating			
Public safety	93,437	-	93,437
Downtown Development	-	7,077	7,077
Intergovernmental	<u>10,068</u>	<u>-</u>	<u>10,068</u>
<b>Total Expenditures</b>	<u><b>103,505</b></u>	<u><b>7,077</b></u>	<u><b>110,582</b></u>
Excess (deficiency) of revenues Over (under) expenditures	<u><b>29,029</b></u>	<u><b>10,615</b></u>	<u><b>39,644</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	<u>-</u>	<u>( 10,615)</u>	<u>( 10,615)</u>
Net other financing sources (uses)	<u>-</u>	<u>( 10,615)</u>	<u>( 10,615)</u>
<b>Net changes in fund balances</b>	<b>29,029</b>	<b>-</b>	<b>29,029</b>
<b>Fund balance - beginning of year</b>	<u><b>35,236</b></u>	<u>-</u>	<u><b>35,236</b></u>
<b>Fund balance - end of year</b>	\$ <u><u><b>64,265</b></u></u>	\$ <u><u>-</u></u>	\$ <u><u><b>64,265</b></u></u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – CONFISCATED ASSETS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Confiscated Assets Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ 87,000	\$ 87,000	\$ 130,863	\$ 43,863
Other	<u>-</u>	<u>-</u>	<u>1,671</u>	<u>1,671</u>
<b>Total revenues</b>	<u>87,000</u>	<u>87,000</u>	<u>132,534</u>	<u>45,534</u>
<b>EXPENDITURES</b>				
Current operating				
Public safety	77,575	93,437	93,437	-
Intergovernmental	<u>-</u>	<u>10,068</u>	<u>10,068</u>	<u>-</u>
<b>Total expenditures</b>	<u>77,575</u>	<u>103,505</u>	<u>103,505</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	9,425	( 16,505)	29,029	45,534
Fund balance - beginning of year	<u>35,236</u>	<u>35,236</u>	<u>35,236</u>	<u>-</u>
Fund balance - end of year	\$ <u>44,661</u>	\$ <u>18,731</u>	\$ <u>64,265</u>	\$ <u>45,534</u>

**NOTE: The budgetary basis of accounting used is modified accrual.**

**CITY OF HOGANSVILLE, GEORGIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – HOTEL/MOTEL TAX FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Hotel/Motel Tax Fund</u>			<b>Variance with Final budget Over (Under)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ <u>21,000</u>	\$ <u>21,000</u>	\$ <u>17,692</u>	\$( <u>3,308</u> )
<b>Total revenues</b>	<u>21,000</u>	<u>21,000</u>	<u>17,692</u>	( <u>3,308</u> )
<b>EXPENDITURES</b>				
Current operating				
Downtown development	<u>8,400</u>	<u>7,077</u>	<u>7,077</u>	<u>-</u>
<b>Total expenditures</b>	<u>8,400</u>	<u>7,077</u>	<u>7,077</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,600</u>	<u>13,923</u>	<u>10,615</u>	( <u>3,308</u> )
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( <u>12,600</u> )	( <u>12,600</u> )	( <u>10,615</u> )	<u>1,985</u>
<b>Net other financing sources (uses)</b>	( <u>12,600</u> )	( <u>12,600</u> )	( <u>10,615</u> )	<u>1,985</u>
<b>Net changes in fund balance</b>	-	1,323	-	( 1,323)
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - end of year</b>	\$ <u>-</u>	\$ <u>1,323</u>	\$ <u>-</u>	\$( <u>1,323</u> )

**NOTE: The budgetary basis of accounting used is modified accrual.**

**SCHEDULE OF PROJECT LENGTH BUDGET  
MAJOR GOVERNMENTAL FUND  
CAPITAL PROJECT FUND**

**Major governmental capital project funds are required to present a project length budget. The 2006 SPLOST Fund is a major governmental capital project fund.**

**CITY OF HOGANSVILLE, GEORGIA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – 2006 SPLOST FUND  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	<b>2006 SPLOST Fund</b>			<b>Original Amount Authorized</b>
	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 1,240,058	\$ 524,263	\$ 1,764,321	\$ 3,400,000
Investment return	<u>16,208</u>	<u>1,267</u>	<u>17,475</u>	<u>-</u>
<b>Total revenues</b>	<u><b>1,256,266</b></u>	<u><b>525,530</b></u>	<u><b>1,781,796</b></u>	<u><b>3,400,000</b></u>
<b>EXPENDITURES</b>				
Capital outlay	<u>715,029</u>	<u>262,533</u>	<u>977,562</u>	<u>3,400,000</u>
<b>Total expenditures</b>	<u><b>715,029</b></u>	<u><b>262,533</b></u>	<u><b>977,562</b></u>	<u><b>3,400,000</b></u>
<b>Net change in fund balance</b>	<b>\$ <u>541,237</u></b>	<b>262,997</b>	<b>\$ <u>804,234</u></b>	<b>\$ <u>-</u></b>
<b>Fund balance - beginning of year</b>		<u><b>541,237</b></u>		
<b>Fund balance - end of year</b>		<b>\$ <u>804,234</u></b>		

**NOTE: The budgetary basis of accounting used is modified accrual.**

**REPORT REQUIRED BY GOVERNMENTAL AUDITING STANDARDS**

# **WILCOX & BIVINGS, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**4485 Tench Road, Suite 1320**

**Suwanee, GA 30024**

**Phone: 770-904-0419**

**Fax: 770-904-5299**

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

To the Honorable Mayor  
and Members of the City Council  
City of Hogansville, Georgia

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2010, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated January 20, 2011. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Hogansville, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hogansville, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hogansville, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses noted as items 2010-1 and 2010-2.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. Significant deficiencies are noted in the accompanying schedule of findings and responses as items 2010-3, 2010-4, 2010-5, and 2010-6.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hogansville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2010-7.

The City of Hogansville, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Hogansville, Georgia's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wilcox & Bivings, P.C.*

Suwanee, Georgia  
January 20, 2011

**CITY OF HOGANSVILLE, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2010**

**Finding 2010-1**

The City did not reconcile its accounts receivable aging report to the general ledger.

**Response**

The City will implement controls to reconcile its accounts receivable aging report to the general ledger on a monthly basis.

**Finding 2010-2**

The City did not reconcile its accounts payable aging report to the general ledger.

**Response**

The City will implement controls to reconcile its accounts payable aging report to the general ledger on a monthly basis.

**Finding 2010-3**

The City did not have all supporting receipts from vendors for purchases and expenditures made by City issued credit cards attached to the credit card statements.

**Response**

The City will implement procedures to improve accountability for transactions originated by employees who use City issued credit cards.

**Finding 2010-4**

When disbursing funds from the Confiscated Assets Fund, the City had multiple instances where there was no invoice or other supporting documentation attached to approved check requests.

**Response**

The City will implement procedures in which no check from the Confiscated Assets Fund will be cut with only an approved check request, but that the vendor invoice or other sufficient supporting documentation must be attached to the check request before payment is made.

**Finding 2010-5**

The Downtown Development Authority did not have all supporting receipts from vendors, including receipts for credit card purchases attached to check transaction sheets.

**Response**

The Downtown Development Authority will implement procedures to ensure that all receipts are obtained before payments are disbursed.

**Finding 2010-6**

When disbursing confiscated cash seized from the Confiscated Assets Fund to the US Marshal for federal equitable sharing revenue requests, the City did not always have a copy of the bank cashier's check written to the US Marshal at City Hall.

**Response**

The City will implement procedures to ensure that a copy is made of each bank cashier's check written to the US Marshal and given to the City Clerk.

**CITY OF HOGANSVILLE, GEORGIA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
JUNE 30, 2010**

**Finding 2010-7**

The City advanced monies from the 2006 SPLOST Fund to the Enterprise Fund in order to pay for natural gas line improvements for the City's natural gas utility system. The City is only permitted to fund capital projects for water and sewer system and road and bridge projects with SPLOST monies.

**Response**

The City's Enterprise Fund has subsequently repaid the monies borrowed from the 2006 SPLOST Fund.

**SCHEDULES REQUIRED BY THE STATE OF GEORGIA**

**CITY OF HOGANSVILLE, GEORGIA**  
**SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS**  
**2006 SPLOST**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Years</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
<b><i>PROJECTS</i></b>						
<b>Water and Sewer System</b>						
<b>Improvements - Priority One</b>	\$ 500,000	\$ 612,801	\$ 513,524	\$ 99,277	\$ 612,801	100.0%
<b>Road and Bridge Improvements - Priority Two</b>	<u>2,900,000</u>	<u>2,787,199</u>	<u>201,505</u>	<u>163,256</u>	<u>364,761</u>	13.1%
<b>Totals</b>	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>	<u>\$ 715,029</u>	<u>\$ 262,533</u>	<u>\$ 977,562</u>	