

CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

**CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
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Independent Auditor's Report

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows 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.

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

Change in Accounting Principle

As described in Note 26 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 59, and the Schedule of Contributions on Page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hogansville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedules 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 basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budget and actual schedules, Schedules of Projects Constructed with Local Option Sales Tax Proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining and individual nonmajor fund financial statements, budget and actual schedules, Schedules of Projects Constructed with Local Option Sales Tax Proceeds, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, 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*, in considering City of Hogansville, Georgia's internal control over financial reporting and compliance.

Wilcox & Bivings, P.C.

Suwanee, Georgia
February 22, 2016

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Management of the City of Hogansville, Georgia (the "City") provides this Management Discussion and Analysis. This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2015. 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 \$10,931,054 (presented as "net position"). Of this amount, \$(532,301) was reported as a deficit "unrestricted net position". \$9,527,879 of net position consisted of net investment in capital assets. The remainder of net position consisted of amounts restricted by state law or debt agreements, and totaled \$1,935,476.
- The City's total net position increased by \$527,666 in fiscal year 2015.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$693,134. Unassigned fund balance was a deficit of \$(574,213).
- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of \$(522,671) or negative (20.2)% 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 Position presents information on all of the City's primary government assets, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position 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 11 and 12 of this report.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 six 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, Capital Grants, SPLOST III, and SPLOST IV funds. The General Fund, SPLOST IV Fund, and Capital Grants Fund are the only major funds.

The basic governmental fund financial statements can be found on pages 13 to 17 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, water and sewer system, and sanitation 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 18 to 21 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 22 to 58 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents certain required and other supplementary information. Required and other supplementary information can be found on pages 59 to 71 of this report.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,931,054 as of June 30, 2015.

The largest portion of the City's net position 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 POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
Current and other assets	\$ 1,881,727	\$ 1,445,898	\$ 4,716,957	\$ 5,049,117	\$ 6,598,684	\$ 6,495,015
Capital assets	<u>5,241,088</u>	<u>5,007,970</u>	<u>15,975,487</u>	<u>15,898,361</u>	<u>21,216,575</u>	<u>20,906,331</u>
Total assets	<u>7,122,815</u>	<u>6,453,868</u>	<u>20,692,444</u>	<u>20,947,478</u>	<u>27,815,259</u>	<u>27,401,346</u>
Deferred outflows of resources,	<u>77,297</u>	<u>32,416</u>	<u>71,478</u>	<u>142,957</u>	<u>148,775</u>	<u>175,373</u>
Long-term liabilities	295,594	385,720	11,772,138	12,127,246	12,067,732	12,512,966
Other liabilities	<u>1,052,804</u>	<u>487,014</u>	<u>1,050,492</u>	<u>1,134,186</u>	<u>2,103,296</u>	<u>1,621,200</u>
Total liabilities	<u>1,348,398</u>	<u>872,734</u>	<u>12,822,630</u>	<u>13,261,432</u>	<u>14,171,028</u>	<u>14,134,166</u>
Deferred inflows of resources	<u>64,508</u>	<u>132,375</u>	<u>2,797,444</u>	<u>2,906,790</u>	<u>2,861,952</u>	<u>3,039,165</u>
Net position:						
Net investment in capital assets	5,113,359	4,836,882	4,414,520	3,851,831	9,527,879	8,688,713
Restricted	1,190,688	1,055,047	744,788	1,011,678	1,935,476	2,066,725
Unrestricted	(516,841)	(410,754)	(15,460)	58,704	(532,301)	(352,050)
Total net position	<u>\$ 5,787,206</u>	<u>\$ 5,481,175</u>	<u>\$ 5,143,848</u>	<u>\$ 4,922,213</u>	<u>\$ 10,931,054</u>	<u>\$ 10,403,388</u>

An additional portion of the City's net position (17.7%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(532,301).

As of June 30, 2015 and 2014, the City was able to report positive balances in two out of three categories of net position for the government as a whole. As of June 30, 2015 and 2014, the City was able to report positive balances in two out of three categories of net position for its governmental activities as it had negative unrestricted net position balances of \$(516,841) and \$(410,754). The City was able to report positive balances in two out of three categories of net position for its business-type activities at June 30, 2015, and was able to report positive balances in all three categories of net position for its business-type activities at June 30, 2014.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2015 and 2014. Governmental activities increased the City's net position by \$306,031 and \$1,347,223 for the years ended June 30, 2015 and 2014. Business-type activities increased the City's net position by \$221,635 for the year ended June 30, 2015, and decreased the City's net position by \$895,924 for the year ended June 30, 2014.

CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 426,733	\$ 767,123	\$ 6,004,194	\$ 6,377,834	\$ 6,430,927	\$ 7,144,957
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	1,277,075	742,849	-	-	1,277,075	742,849
General revenues:						
Taxes	1,439,658	1,425,183	-	-	1,439,658	1,425,183
Payments from component unit	4,332	-	-	-	4,332	-
Investment revenue	2,556	1,228	46,774	53,282	49,330	54,510
Other	<u>45,264</u>	<u>112,168</u>	<u>-</u>	<u>-</u>	<u>45,264</u>	<u>112,168</u>
Total revenues	<u>3,195,618</u>	<u>3,048,551</u>	<u>6,050,968</u>	<u>6,431,116</u>	<u>9,246,586</u>	<u>9,479,667</u>
Expenses:						
Program expenses:						
General government	552,620	794,289	-	-	552,620	794,289
Public safety	1,342,024	1,319,259	-	-	1,342,024	1,319,259
Public services	715,085	650,172	-	-	715,085	650,172
Downtown development	-	17,028	-	-	-	17,028
Interest	11,714	9,419	-	-	11,714	9,419
Utility system	<u>-</u>	<u>-</u>	<u>6,125,693</u>	<u>6,238,201</u>	<u>6,125,693</u>	<u>6,238,201</u>
Total expenses	<u>2,621,443</u>	<u>2,790,167</u>	<u>6,125,693</u>	<u>6,238,201</u>	<u>8,747,136</u>	<u>9,028,368</u>
Excess (deficiency) in net assets before contributions and transfers	574,175	258,384	(74,725)	192,915	499,450	451,299
Contributions	28,216	-	-	-	28,216	-
Transfers	<u>(296,360)</u>	<u>1,088,839</u>	<u>296,360</u>	<u>(1,088,839)</u>	<u>-</u>	<u>-</u>
Change in net position	306,031	1,347,223	221,635	(895,924)	527,666	451,299
Prior period adjustment for change in accounting principle	<u>-</u>	<u>(280,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(280,450)</u>
Net position July 1, as restated	<u>5,481,175</u>	<u>4,414,402</u>	<u>4,922,213</u>	<u>5,818,137</u>	<u>10,403,388</u>	<u>10,232,539</u>
Net position June 30,	<u>\$ 5,787,206</u>	<u>\$ 5,481,175</u>	<u>\$ 5,143,848</u>	<u>\$ 4,922,213</u>	<u>\$ 10,931,054</u>	<u>\$ 10,403,388</u>

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$693,134. Negative \$(574,213) of the combined fund balance constitutes unassigned fund balance deficit. The remainder of the fund balance is classified as either restricted or committed. Restricted fund balance consisted of amounts restricted to pay for capital projects of \$1,085,811, public safety of \$84,263, and tourism of \$20,614. \$76,659 of fund balance was committed for public safety.

The General Fund is the chief fund of the City. At the end of the current fiscal year, unassigned fund balance was a deficit of \$(522,671) and total fund balance of the General Fund was a deficit of \$(425,398). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents negative (20.2)% of total expenditures, while total fund balance represents negative (16.5)% of that same amount.

The General Fund's fund balance decreased by \$437,231 during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues decreased by \$176,662 for a percentage decrease of 8.8%. This decrease was mainly due to a decrease in fines and forfeitures revenue of \$135,247.
- Total expenditures increased by \$160,397 for a percentage increase of 6.6%. This increase was mainly due to the City incurring an increase in public safety expenditures of \$187,237.
- Transfers in decreased by \$928,290. This decrease was due to the decrease of transfers in from the Enterprise Fund in order to fund General Fund operations.

The SPLOST IV Fund's fund balance increased by \$256,574. This increase was due to an increase in intergovernmental revenues over expenditures during the current year.

The Capital Grants Fund's fund balance increased by \$75,202. This increase was due to an increase in intergovernmental revenues during the year.

Other governmental funds fund balances decreased \$141,547 during the current fiscal year. This decrease was due mainly to a decrease in fines and forfeitures revenue of \$198,337 in the Confiscated Asset Fund 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 position of the proprietary fund was a deficit of \$(15,460). The fund had a net position increase for the fiscal year of \$221,635. Operating revenues decreased by \$373,640, operating expenses decreased by \$85,712, capital contributions decreased by \$499,332, and net transfers to other funds decreased by \$885,867.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall, these revisions resulted in decreases in budgeted revenues of \$414,140, increases in budgeted expenditures of \$43,286, and increases in other financing sources of \$20,195. Material revisions to budgeted appropriations were for increases of general government appropriations of \$65,646, for decreases of public services appropriations of \$134,068, and for increases in public service appropriations of \$105,385.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 and 2014 amounted to \$21,216,575 and \$20,906,331, 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.

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

- The City expended \$333,448 for infrastructure improvements.
- The City purchased furniture, fixtures and equipment of \$88,875.
- The City purchased vehicles in the amount of \$194,520.
- The City expended \$626,825 for utility system construction in progress.
- The City expended \$153,439 for utility system infrastructure.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 328,372	\$ 306,338	\$ 380,784	\$ 380,784	\$ 709,156	\$ 687,122
Construction in progress	5,449	57,135	770,177	168,352	775,626	225,487
Buildings and improvements	1,998,522	1,998,522	-	-	1,998,522	1,998,522
Utility system infrastructure	-	-	22,439,766	22,286,327	22,439,766	22,286,327
Furniture, fixtures and equipment	403,266	345,734	273,355	259,261	676,621	604,995
Infrastructure	3,892,588	3,559,140	-	-	3,892,588	3,559,140
Vehicles	569,185	493,199	-	-	569,185	493,199
Accumulated depreciation	(1,956,294)	(1,752,098)	(7,888,595)	(7,196,363)	(9,844,889)	(8,948,461)
Total	\$ 5,241,088	\$ 5,007,970	\$ 15,975,487	\$ 15,898,361	\$ 21,216,575	\$ 20,906,331

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, 2015**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$11,950,342 in long-term debt consisting of revenue bonds, capital leases, notes payable, and net pension liability. All of the debt was secured by capital assets or specific revenue sources.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
	Capital leases payable	\$ 127,729	\$ 171,088	\$ 5,964,058	\$ 6,067,239	\$ 6,091,787
Notes payable	-	-	427,406	458,001	427,406	458,001
Revenue bonds payable	-	-	5,240,981	5,664,247	5,240,981	5,664,247
Net pension liability	<u>190,168</u>	<u>236,926</u>	-	-	<u>190,168</u>	<u>236,926</u>
Total	<u>\$ 317,897</u>	<u>\$ 408,014</u>	<u>\$ 11,632,445</u>	<u>\$ 12,189,487</u>	<u>\$ 11,950,342</u>	<u>\$ 12,597,501</u>

The City's total debt decreased \$647,159 during the current fiscal year. This was mainly attributable to the City repaying debt principal during the fiscal year. Additionally, the City had long-term interest payable related to capital leases of \$388,314 and \$257,932 at June 30, 2015 and 2014. Additional information on the City's long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2015-2016 Budget, General Fund revenues are budgeted to increase by 0.64% from the 2014-2015 budget year with taxes making up about 62.2% of general fund budgeted revenues. The 2015-2016 General Fund Budget includes budgeted revenue of \$555,000 for local option sales tax, \$475,000 in property tax, and \$675,000 in fines and forfeitures. The City has also budgeted expenditures of \$511,996 for general government and \$1,455,285 for public safety.

The City has budgeted \$6,993,439 in revenues for its business-type activities for the 2015-2016 Budget. This is a decrease of 4.6% from the 2014-2015 budget year with charges for services making up 96.5% of budgeted revenues. The City has budgeted \$4,122,055 in electric revenue, \$1,256,389 in gas revenue, \$499,720 in sewer revenue and \$662,900 in water revenue. The City's business-type activities have also budgeted electric department expenses of \$3,202,377 and gas department expenses of \$898,187.

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 POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 30,015	\$ 354,987	\$ 385,002	\$ 64,164
Investments	-	256,542	256,542	-
Receivables, net	581,635	792,151	1,373,786	-
Prepaid expenses	36,954	7,042	43,996	-
Internal balances	101,581	(101,581)	-	-
Restricted cash and cash equivalents	1,131,542	269,175	1,400,717	-
Restricted investments	-	1,160,855	1,160,855	-
Long term receivables	-	1,977,786	1,977,786	-
Nondepreciable capital assets	333,821	1,150,961	1,484,782	-
Depreciable capital assets	<u>4,907,267</u>	<u>14,824,526</u>	<u>19,731,793</u>	<u>-</u>
Total assets	<u>7,122,815</u>	<u>20,692,444</u>	<u>27,815,259</u>	<u>64,164</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	77,297	-	77,297	-
Deferred loss on bond refunding	<u>-</u>	<u>71,478</u>	<u>71,478</u>	<u>-</u>
Total deferred outflows of resources	<u>77,297</u>	<u>71,478</u>	<u>148,775</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Bank overdrafts	133,531	-	133,531	-
Accounts payable	657,731	375,947	1,033,678	-
Accrued expenses	41,336	142,110	183,446	-
Line of credit	175,272	-	175,272	-
Capital leases	44,934	52,392	97,326	-
Notes payable	-	31,777	31,777	-
Revenue bonds payable	<u>-</u>	<u>448,266</u>	<u>448,266</u>	<u>-</u>
Total current liabilities	<u>1,052,804</u>	<u>1,050,492</u>	<u>2,103,296</u>	<u>-</u>
Noncurrent liabilities:				
Customer deposits	-	269,175	269,175	-
Compensated absences	22,631	14,635	37,266	-
Accrued liabilities	-	388,318	388,318	-
Capital leases	82,795	5,911,666	5,994,461	-
Notes payable	-	395,629	395,629	-
Revenue bonds payable	-	4,792,715	4,792,715	-
Net pension liability	<u>190,168</u>	<u>-</u>	<u>190,168</u>	<u>-</u>
Total noncurrent liabilities	<u>295,594</u>	<u>11,772,138</u>	<u>12,067,732</u>	<u>-</u>
Total liabilities	<u>1,348,398</u>	<u>12,822,630</u>	<u>14,171,028</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - fines & forfeitures	3,926	-	3,926	-
Pension	60,582	-	60,582	-
Deferred gain on sale-leaseback	<u>-</u>	<u>2,797,444</u>	<u>2,797,444</u>	<u>-</u>
Total deferred inflows of resources	<u>64,508</u>	<u>2,797,444</u>	<u>2,861,952</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,113,359	4,414,520	9,527,879	-
Restricted for:				
Debt service	-	508,144	508,144	-
Municipal Competitive Trust Agreement	-	236,644	236,644	-
Capital projects	1,085,811	-	1,085,811	-
Public safety	84,263	-	84,263	-
Tourism	20,614	-	20,614	-
Unrestricted	<u>(516,841)</u>	<u>(15,460)</u>	<u>(532,301)</u>	<u>64,164</u>
Total net position	<u>\$ 5,787,206</u>	<u>\$ 5,143,848</u>	<u>\$ 10,931,054</u>	<u>\$ 64,164</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 552,620	\$ 40,837	\$ -	\$ 1,277,075
Public safety	1,342,024	331,928	-	-
Public services	715,085	53,968	-	-
Interest	<u>11,714</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,621,443</u>	<u>426,733</u>	<u>-</u>	<u>1,277,075</u>
Business-type activities				
Utility system	<u>6,125,693</u>	<u>6,004,194</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>6,125,693</u>	<u>6,004,194</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>8,747,136</u>	\$ <u>6,430,927</u>	\$ <u>-</u>	\$ <u>1,277,075</u>
Component Unit				
Downtown Development Authority	\$ <u>18,774</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

General revenues:

Taxes:

Local option sales

Property

Insurance premium

Motor vehicle

Beer and wine

Franchise

Other

Payments from component unit

Investment return

Other

Contributions

Transfers

Total general revenues and transfers

Change in net position

Net position – beginning, as restated

Net position – ending

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
\$ 765,292	\$ -	\$ 765,292	\$ -
(1,010,096)	-	(1,010,096)	-
(661,117)	-	(661,117)	-
(11,714)	-	(11,714)	-
(917,635)	-	(917,635)	-
-	(121,499)	(121,499)	-
-	(121,499)	(121,499)	-
\$(917,635)	\$(121,499)	\$(1,039,134)	\$ -
\$ -	\$ -	\$ -	\$(18,774)
\$ 541,169	\$ -	\$ 541,169	\$ -
415,601	-	415,601	-
163,261	-	163,261	-
101,614	-	101,614	-
79,658	-	79,658	-
76,918	-	76,918	-
61,437	-	61,437	-
4,332	-	4,332	(4,332)
2,556	46,774	49,330	118
45,264	-	45,264	6,648
28,216	-	28,216	-
(296,360)	296,360	-	-
<u>1,223,666</u>	<u>343,134</u>	<u>1,566,800</u>	<u>2,434</u>
306,031	221,635	527,666	(16,340)
<u>5,481,175</u>	<u>4,922,213</u>	<u>10,403,388</u>	<u>80,504</u>
\$ <u>5,787,206</u>	\$ <u>5,143,848</u>	\$ <u>10,931,054</u>	\$ <u>64,164</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 30,013	\$ -	\$ 2	\$ -	\$ 30,015
Property taxes receivable	47,765	-	-	-	47,765
Sales and other taxes receivable	110,232	-	-	2,891	113,123
Intergovernmental receivable	-	89,728	316,946	-	406,674
Other receivable	13,764	-	-	309	14,073
Due from other funds	164,270	-	-	-	164,270
Prepaid expenses	36,954	-	-	-	36,954
Restricted cash and cash equivalents	<u>20,614</u>	<u>973,383</u>	<u>-</u>	<u>137,545</u>	<u>1,131,542</u>
Total assets	\$ <u>423,612</u>	\$ <u>1,063,111</u>	\$ <u>316,948</u>	\$ <u>140,745</u>	\$ <u>1,944,416</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Bank overdrafts	\$ 133,531	\$ -	\$ -	\$ -	\$ 133,531
Accounts payable	495,616	-	162,115	-	657,731
Accrued expenses	41,336	-	-	-	41,336
Line of credit payable	175,272	-	-	-	175,272
Due to other funds	<u>-</u>	<u>25,151</u>	<u>32,833</u>	<u>4,705</u>	<u>62,689</u>
Total liabilities	<u>845,755</u>	<u>25,151</u>	<u>194,948</u>	<u>4,705</u>	<u>1,070,559</u>
Deferred inflows of resources:					
Deferred revenue	<u>3,255</u>	<u>-</u>	<u>173,542</u>	<u>3,926</u>	<u>180,723</u>
Total deferred inflows of resources	<u>3,255</u>	<u>-</u>	<u>173,542</u>	<u>3,926</u>	<u>180,723</u>
Fund balances:					
Restricted for:					
Capital projects	-	1,037,960	-	47,851	1,085,811
Public safety	-	-	-	84,263	84,263
Tourism	20,614	-	-	-	20,614
Committed for:					
Public safety	76,659	-	-	-	76,659
Unassigned	<u>(522,671)</u>	<u>-</u>	<u>(51,542)</u>	<u>-</u>	<u>(574,213)</u>
Total fund balances	<u>(425,398)</u>	<u>1,037,960</u>	<u>(51,542)</u>	<u>132,114</u>	<u>693,134</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>423,612</u>	\$ <u>1,063,111</u>	\$ <u>316,948</u>	\$ <u>140,745</u>	\$ <u>1,944,416</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances	\$ 693,134
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$1,956,294.	5,241,088
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds:	
Property taxes receivable	3,255
Intergovernmental receivables	173,542
Deferred outflows of resources are not due and payable in the current period, and therefore, are not reported in the funds:	
Pension related experience differences, assumption changes, and contributions	77,297
Deferred inflows of resources are not available to pay for current-period expenditures and therefore are not reported in the funds:	
Pension related differences between projected and actual earnings on plan Investments	(60,582)
Debt and other long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Compensated absences	(22,631)
Capital leases payable	(127,729)
Net Pension liability	(<u>190,168</u>)
Net Position of Governmental Activities	\$ <u>5,787,206</u>

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, 2015

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,416,023	\$ -	\$ -	\$ 26,052	\$ 1,442,075
Fines and forfeitures	265,112	-	-	66,816	331,928
Intergovernmental	-	535,685	566,856	-	1,102,541
Licenses and permits	40,837	-	-	-	40,837
Charges for services	53,968	-	-	-	53,968
Contributions	3,215	-	74,905	-	78,120
Payments from component unit	4,332	-	-	-	4,332
Other	42,137	-	-	-	42,137
Investment return	<u>2,556</u>	<u>861</u>	<u>-</u>	<u>131</u>	<u>3,548</u>
Total revenues	<u>1,828,180</u>	<u>536,546</u>	<u>641,761</u>	<u>92,999</u>	<u>3,099,486</u>
EXPENDITURES					
Current operating					
General government	570,050	-	-	-	570,050
Public safety	1,206,839	-	-	189,248	1,396,087
Public services	748,286	-	-	-	748,286
Capital outlay	-	279,972	652,225	19,246	951,443
Debt Service	<u>55,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,073</u>
Total expenditures	<u>2,580,248</u>	<u>279,972</u>	<u>652,225</u>	<u>208,494</u>	<u>3,720,939</u>
Excess (deficiency) of revenues Over (under) expenditures	(<u>752,068</u>)	<u>256,574</u>	(<u>10,464</u>)	(<u>115,495</u>)	(<u>621,453</u>)
OTHER FINANCING SOURCES (USES)					
Sales of surplus property	1,024	-	-	-	1,024
Compensation for loss on capital assets	2,103	-	-	-	2,103
Transfers in	311,710	-	89,952	-	401,662
Transfers out	<u>-</u>	<u>-</u>	(<u>4,286</u>)	(<u>26,052</u>)	(<u>30,338</u>)
Net other financing sources (uses)	<u>314,837</u>	<u>-</u>	<u>85,666</u>	(<u>26,052</u>)	<u>374,451</u>
Net changes in fund balance	(<u>437,231</u>)	<u>256,574</u>	<u>75,202</u>	(<u>141,547</u>)	(<u>247,002</u>)
Fund balance (deficit) – beginning of year	<u>11,833</u>	<u>781,386</u>	(<u>126,744</u>)	<u>273,661</u>	<u>940,136</u>
Fund balance (deficit) – end of year	\$ (<u>425,398</u>)	\$ <u>1,037,960</u>	\$ (<u>51,542</u>)	\$ <u>132,114</u>	\$ <u>693,134</u>

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, 2015**

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

Net change in fund balances – total governmental funds	\$(247,002)
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	587,191
Depreciation expense	(354,073)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property taxes	(2,417)
Intergovernmental	173,542
Contributions to the pension plan in the current fiscal year are not included in the statement of activities	106,997
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	(1,566)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Capital leases payable	<u>43,359</u>
Change in Net Position of Governmental Activities	\$ <u>306,031</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, 2015

	<u>General Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,523,000	\$ 1,416,023	\$ 1,416,023	\$ -
Fines and forfeitures	566,120	265,112	265,112	-
Licenses and permits	45,500	40,837	40,837	-
Charges for services	35,000	53,968	53,968	-
Contributions	26,000	3,215	3,215	-
Payments from component unit	-	4,332	4,332	-
Other	46,300	42,137	42,137	-
Investment return	<u>400</u>	<u>2,556</u>	<u>2,556</u>	<u>-</u>
Total revenues	<u>2,242,320</u>	<u>1,828,180</u>	<u>1,828,180</u>	<u>-</u>
EXPENDITURES				
Current operating				
General government	504,404	570,050	570,050	-
Public safety	1,340,907	1,206,839	1,206,839	-
Public services	642,901	748,286	748,286	-
Debt service	<u>48,750</u>	<u>55,073</u>	<u>55,073</u>	<u>-</u>
Total expenditures	<u>2,536,962</u>	<u>2,580,248</u>	<u>2,580,248</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(294,642)</u>	<u>(752,068)</u>	<u>(752,068)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sales of surplus property	3,500	1,024	1,024	-
Compensation for loss of capital assets	-	2,103	2,103	-
Transfers in	<u>291,142</u>	<u>311,710</u>	<u>311,710</u>	<u>-</u>
Net other financing sources (uses)	<u>294,642</u>	<u>314,837</u>	<u>314,837</u>	<u>-</u>
Net change in fund balance	-	(437,231)	(437,231)	-
Fund balance - beginning of year	<u>11,833</u>	<u>11,833</u>	<u>11,833</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,833</u>	<u>\$(425,398)</u>	<u>\$(425,398)</u>	<u>\$ -</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	ENTERPRISE FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 354,987
Investments	256,542
Accounts receivable, net	511,267
Installment sale receivable	280,884
Prepaid expenses	<u>7,042</u>
Total current assets	<u>1,410,722</u>
Noncurrent assets:	
Restricted cash and cash equivalents	269,175
Restricted investments	1,160,855
Installment sale receivable	1,977,786
Net capital assets	<u>15,975,487</u>
Total noncurrent assets	<u>19,383,303</u>
Total assets	<u>20,794,025</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	<u>71,478</u>
Total deferred outflows of resources	<u>71,478</u>
Total assets and deferred outflows of resources	<u>\$ 20,865,503</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 375,947
Accrued expenses	142,110
Interfund payables	101,581
Capital leases payable	52,392
Notes payable	31,777
Revenue bonds payable	<u>448,266</u>
Total current liabilities	<u>1,152,073</u>
Noncurrent liabilities:	
Customer deposits	269,175
Compensated absences	14,635
Accrued liabilities	388,318
Capital leases payable	5,911,666
Notes payable	395,629
Revenue bonds payable	<u>4,792,715</u>
Total noncurrent liabilities	<u>11,772,138</u>
Total liabilities	<u>12,924,211</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on sale-leaseback	<u>2,797,444</u>
Total deferred inflows of resources	<u>2,797,444</u>
FUND NET POSITION	
Net investment in capital assets	4,414,520
Restricted for debt service	508,144
Restricted for municipal competitive trust agreement	236,644
Unrestricted	(15,460)
Total fund net position	<u>5,143,848</u>
Total liabilities, deferred inflows of resources, and fund net position	<u>\$ 20,865,503</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	ENTERPRISE FUND
OPERATING REVENUES	
Charges for services	\$ 5,821,811
Other	<u>182,383</u>
Total operating revenues	<u>6,004,194</u>
OPERATING EXPENSES	
Personal services	771,373
Contractual services	626,993
Utilities purchased for resale	3,318,633
Utilities	56,912
Repairs and maintenance	84,364
Materials and supplies	113,306
Depreciation	582,886
Bad debt	<u>111,747</u>
Total operating expenses	<u>5,666,214</u>
Operating income (loss)	<u>337,980</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	46,774
Interest expense	(452,002)
Amortization	(1,734)
Bond administrative fees	<u>(5,743)</u>
Total nonoperating revenues (expenses)	<u>(412,705)</u>
Income (loss) before contributions and transfers	<u>(74,725)</u>
CAPITAL CONTRIBUTIONS	667,684
TRANSFERS	<u>(371,324)</u>
Change in fund net position	221,635
Fund net position – beginning	<u>4,922,213</u>
Fund net position – ending	\$ <u><u>5,143,848</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>ENTERPRISE FUND</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 5,992,453
Receipts from interfund services provided	40,293
Payments to suppliers	(4,498,283)
Payments to employees	(<u>523,950</u>)
Net cash provided (used) by operating activities	<u>1,010,513</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers to other funds	(<u>371,324</u>)
Net cash provided (used) by noncapital financing activities	(<u>371,324</u>)
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Receipts of capital contributions	667,684
Receipts from installment sale receivable	355,000
Purchases of capital assets	(769,358)
Principal paid on capital debt	(558,776)
Interest paid on capital debt	(323,414)
Administrative fees on bond and notes payable	(<u>5,743</u>)
Net cash provided (used) by capital and related financing activities	(<u>634,607</u>)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Proceeds from sales of investments	299,400
Purchase of investments	(5,706)
Interest and dividends	<u>46,965</u>
Net cash provided (used) by investing activities	<u>340,659</u>
Increase (decrease) in cash and cash equivalents	345,241
Cash and cash equivalents – beginning of year	<u>278,921</u>
Cash and cash equivalents – end of year	\$ <u><u>624,162</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>ENTERPRISE FUND</u>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	
Operating income (loss)	\$ 337,980
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	582,886
Change in assets and liabilities:	
Accounts receivable	(14,778)
Prepaid expenses	194
Accounts payable	(52,927)
Accrued expenses	(6,161)
Internal balances	116,377
Customer deposits	43,330
Compensated absences	<u>3,612</u>
Net cash provided by operating activities	\$ <u>1,010,513</u>
 <i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</i>	
Cash and cash equivalents	\$ 354,987
Restricted cash and cash equivalents	<u>269,175</u>
 Total cash and cash equivalents, end of year	 \$ <u>624,162</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 Manager-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. 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.

The City has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporates into the GASB's accounting and financial reporting that is included in the FASB Statements and Interpretations, APB Opinions and Research Bulletins, which do not conflict with or contradict GASB statements, which were issued on or before November 30, 1989.

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The City is now required to present a Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement of net position is presented in a format that displays *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*. Net position is displayed in three components—*net investment in capital assets; restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

Financial Reporting for Governmental Funds: Deferred outflows of resources and deferred inflows of resources that are required to be reported in a governmental fund balance sheet are presented in a format that displays *assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance*.

The City has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This requires the City to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB 63. This Statement revises the major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources. GASB No. 65 also restricts the use of the term *deferred* to only deferred outflows of resources and deferred inflows of resources.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2015.

BASIS OF PRESENTATION

Government-wide Financial Statements

The government-wide financial statements (the statement of net position 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.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

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.

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

Capital Grants Fund – The Capital Grants fund is a capital projects fund. It is used to account for all activities related to the City's capital grant projects. Intergovernmental grant revenues are the primary revenues of the fund, and capital outlay expenditures for City infrastructure 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 Position. 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.

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 position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS/BASIS OF ACCOUNTING - Continued

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 and intergovernmental grant revenue 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.

BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for the General, Special Revenue, and Proprietary (Enterprise) Funds. The City did not adopt an original budget for its Confiscated Assets Fund Special Revenue Fund, however, it did adopt an amended budget for the Confiscated Assets Fund. 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 Capital Grants, SPLOST III and SPLOST IV Capital Project Funds. Expenditures for these funds 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.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BUDGETS AND BUDGETARY ACCOUNTING – Continued

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 commitments of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2015.

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.

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 deferred as revenue 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 \$190,376 for the Enterprise Fund.

PREPAID EXPENSES

Payments made for services that will benefit periods beyond June 30, 2015 are recorded as prepaid expenses.

RESTRICTED CASH AND INVESTMENTS

The General, Confiscated Assets, Capital Grants, SPLOST III, SPLOST IV, and Enterprise Funds hold certain funds in accounts restricted for tourism, public safety, capital projects, 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, 2015 and are not reflected in the accompanying financial statements, due to their immaterial amount.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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 \$11,714. Total interest expense from business-type activities was \$452,002, 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, 2015 was \$452,002 all of which was charged to expense. No interest costs were capitalized by the enterprise fund for the year ended June 30, 2015.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BOND DISCOUNTS AND ISSUANCE COSTS

Enterprise Fund bond discounts 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.

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 position. Current amounts due are not recorded in the governmental-wide statement of net position 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 position 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 position 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, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GOVERNMENTAL FUND BALANCES

In accordance with GASB Statement No. 54 Fund *Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal voting action of the highest level of decision making authority, the Mayor and City Council, and does not lapse at year end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Mayor and City Council have authorized the City Manager to assign fund balance. Additionally, the Mayor and City Council may assign fund balance.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City's non-spendable fund balance is comprised of amounts which are not in a spendable form. The City had no non-spendable fund balance at June 30, 2015.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

The City's governmental fund balances follow:

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ 1,037,960	\$ -	\$ 47,851	\$ 1,085,811
Public safety	-	-	-	84,263	84,263
Tourism	20,614	-	-	-	20,614
Committed for:					
Public safety	76,659	-	-	-	76,659
Unassigned	(<u>522,671</u>)	-	(<u>51,542</u>)	-	(<u>574,213</u>)
Total fund balances	\$ (<u>425,398</u>)	\$ <u>1,037,960</u>	\$ (<u>51,542</u>)	\$ <u>132,114</u>	\$ <u>693,134</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

INTERFUND RECEIVABLES AND PAYABLES

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

TRANSACTIONS BETWEEN FUNDS

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. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both the Governmental and Proprietary Funds.

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 POSITION

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position 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 2014 was \$50,220,271.

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.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City of Hogansville Retirement Plan ("HRP") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by HRP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 but not in the City's name is composed of industrial revenue bonds or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The City has no policy on custodial credit risk other than it complies with the State of Georgia requirements.

At June 30, 2015, the carrying amount of the City's cash was \$1,652,188 and the bank balance was \$1,773,710. 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 its agent in the City's name. The City has not adopted a formal deposit policy.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$64,164, and the bank balance was \$64,749. The entire bank balance was covered by Federal Depository Insurance at June 30, 2015.

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, 2015, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
Primary Government			
Business-type activities			
First American Treasury Obligations			
Class Y Money Market Fund	AAAm	33 day WAM	\$ 106,411
Wells Fargo Advantage Government Money			
Market Fund – Institutional	AAAm	18 day WAM	27,834
Fidelity Institutional Money Market Treasury			
Portfolio Class III	AAAm	40 day WAM	8,716
Bayerische Landesbank Girozentrale E-NY			
Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/01/15 - 11/13/15	2,765
Intermediate Portfolio	Not Rated	07/01/15 - 01/21/20	1,223
Intermediate Tax Restricted Portfolio	Not Rated	07/01/15 – 12/14/18	452,648
Total			\$ 1,417,397

CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, Nottingham Shareholder Services, 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, Wells Fargo Advantage Government Money Market Fund Institutional, 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 investments in First American Treasury Obligations Class Y, Wells Fargo Advantage Government Money Market Fund Institutional, 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 33 day weighted average maturity, the Wells Fargo Advantage Government Money Market Fund Institutional has a 18 day weighted average maturity, the Fidelity Institutional Money Market Treasury Portfolio Class III money market fund has a 40 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 07/01/15 – 11/13/15, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/01/15 – 01/21/20, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/15 – 12/14/18.

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 in the Bayerische Landesbank Girozentrale E-NY Investment Agreement. These investments represent 7.5% and 57.7% 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.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - CASH AND INVESTMENTS - Continued

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

NOTE 3 - RECEIVABLES

	Governmental Activities				Business-type Activities	Total
	General	SPLOST IV	Capital Grants	Other Governmental Activities		
Current receivables:						
Property taxes	\$ 47,765	\$ -	\$ -	\$ -	\$ -	\$ 47,765
Sales and other taxes	110,232	-	-	2,891	-	113,123
Intergovernmental	-	89,728	316,946	-	-	406,674
Accounts	-	-	-	-	701,643	701,643
Installment sale	-	-	-	-	280,884	280,884
Other	<u>13,764</u>	<u>-</u>	<u>-</u>	<u>309</u>	<u>-</u>	<u>14,073</u>
Total gross receivables	171,761	89,728	316,946	3,200	982,527	1,564,162
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,376</u>	<u>190,376</u>
Total current receivables:	\$ <u>171,761</u>	\$ <u>89,728</u>	\$ <u>316,946</u>	\$ <u>3,200</u>	\$ <u>792,151</u>	\$ <u>1,373,786</u>
Long term receivables:						
Installment sale	\$ -	\$ -	\$ -	\$ -	\$ 1,977,786	\$ 1,977,786
Total long term receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,977,786</u>	<u>\$ 1,977,786</u>

The installment sale receivable consists of the following at June 30, 2015:

Installment sale made to MEAG Power for the City's Electric System. Original amount of the note was \$5,980,000. Payments to be received semi-annually at varying amounts, discounted at 5.95% interest. Collateralized by Electric System Facilities.	\$ 3,725,000
Less: Discount	(1,466,330)
Total Installment sale receivable, net	2,258,670
Less: current portion	(280,884)
Long term portion	\$ <u>1,977,786</u>

At June 30, 2015, scheduled maturities of the installment sale receivable as discounted were the following:

2016	\$ 280,884
2017	282,784
2018	280,248
2019	283,403
2020	282,348
2021-2023	<u>849,003</u>
Total maturities of installment sale receivable	\$ <u>2,258,670</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		
Due from Enterprise Fund	\$ 101,581	\$ -
Due from Other Governmental Funds	<u>62,689</u>	<u>-</u>
Total General Fund	\$ <u>164,270</u>	\$ <u>-</u>
SPLOST IV Fund		
Due to General Fund	\$ <u>-</u>	\$ <u>25,151</u>
Total SPLOST IV Fund	\$ <u>-</u>	\$ <u>25,151</u>
Capital Grants Fund		
Due to General Fund	\$ <u>-</u>	\$ <u>32,833</u>
Total Capital Grants Fund	\$ <u>-</u>	\$ <u>32,833</u>
Other Governmental Funds		
Due to General Fund	\$ <u>-</u>	\$ <u>4,705</u>
Total Other Governmental Funds	\$ <u>-</u>	\$ <u>4,705</u>
Enterprise Fund		
Due to General Fund	\$ <u>-</u>	\$ <u>101,581</u>
Total Enterprise Fund	\$ <u>-</u>	\$ <u>101,581</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 306,338	\$ 22,034	\$ -	\$ 328,372
Construction in progress	<u>57,135</u>	<u>5,449</u>	<u>(57,135)</u>	<u>5,449</u>
Subtotal	<u>363,473</u>	<u>27,483</u>	<u>(57,135)</u>	<u>333,821</u>
Other capital assets:				
Buildings and improvements	1,998,522	-	-	1,998,522
Infrastructure	3,559,140	333,448	-	3,892,588
Furniture, fixtures and equipment	345,734	88,875	(31,343)	403,266
Vehicles	<u>493,199</u>	<u>194,520</u>	<u>(118,534)</u>	<u>569,185</u>
Subtotal	<u>6,396,595</u>	<u>616,843</u>	<u>(149,877)</u>	<u>6,863,561</u>
Accumulated depreciation:				
Buildings and improvements	(787,080)	(55,821)	-	(842,901)
Infrastructure	(514,930)	(166,179)	-	(681,109)
Furniture, fixtures and equipment	(228,549)	(45,507)	31,343	(242,713)
Vehicles	<u>(221,539)</u>	<u>(86,566)</u>	<u>118,534</u>	<u>(189,571)</u>
Subtotal	<u>(1,752,098)</u>	<u>(354,073)</u>	<u>149,877</u>	<u>(1,956,294)</u>
Net other capital assets	<u>4,644,497</u>	<u>262,770</u>	<u>-</u>	<u>4,907,267</u>
Total governmental activities capital assets	\$ <u>5,007,970</u>	\$ <u>290,253</u>	\$ <u>(57,135)</u>	\$ <u>5,241,088</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 67,556		
Public safety		132,901		
Public services		<u>153,616</u>		
Total governmental activities depreciation expense		\$ <u>354,073</u>		

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - CAPITAL ASSETS – Continued

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

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land	\$ 380,784	\$ -	\$ -	\$ 380,784
Construction in progress	<u>168,352</u>	<u>626,825</u>	<u>(25,000)</u>	<u>770,177</u>
Subtotal	<u>549,136</u>	<u>626,825</u>	<u>(25,000)</u>	<u>1,150,961</u>
Other capital assets:				
Utility system	22,286,327	153,439	-	22,439,766
Furniture, fixtures and equipment	<u>259,261</u>	<u>14,094</u>	<u>-</u>	<u>273,355</u>
Subtotal	<u>22,545,588</u>	<u>167,533</u>	<u>-</u>	<u>22,713,121</u>
Accumulated depreciation:				
Utility system	(7,058,935)	(668,547)	-	(7,727,482)
Furniture, fixtures and equipment	<u>(137,428)</u>	<u>(23,685)</u>	<u>-</u>	<u>(161,113)</u>
Subtotal	<u>(7,196,363)</u>	<u>(692,232)</u>	<u>-</u>	<u>(7,888,595)</u>
Net other capital assets	<u>15,349,225</u>	<u>(524,699)</u>	<u>-</u>	<u>14,824,526</u>
Net business-type activities capital assets	\$ <u>15,898,361</u>	\$ <u>102,126</u>	\$ <u>(25,000)</u>	\$ <u>15,975,487</u>

Depreciation was charged to functions as follows:

Business-type activities:		
Utility System Enterprise Fund		
Depreciation		\$ 692,232
Deferred gain recognized from sale-leaseback transactions against depreciation		<u>(109,346)</u>
Total business-type activities depreciation expense		\$ <u>582,886</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - SHORT TERM DEBT

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Governmental activities:				
Line of credit payable	\$ -	\$ 576,320	\$(401,048)	\$ 175,272
Total governmental activities	\$ -	\$ 576,320	\$(401,048)	\$ 175,272

LINES OF CREDIT PAYABLE

In the prior year the City entered into a line of credit agreement with a local bank. The line of credit was collateralized by property tax receipts, and assisted the City with funding its operations. The City repaid the line of credit plus interest in full during December 2014. In January of 2015, the City entered into a new line of credit with a local bank for \$300,000. The line of credit was collateralized by property tax receipts, and assisted the City with funding its operations. The City is required to repay all funds borrowed on the line of credit prior to December 31, 2015.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

<u>Type of Debt</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Capital leases payable	\$ 171,088	\$ -	\$(43,359)	\$ 127,729	\$ 44,934
Net pension liability, as restated	236,926	-	(46,758)	190,168	-
Compensated absences	<u>21,065</u>	<u>1,566</u>	<u>-</u>	<u>22,631</u>	<u>-</u>
Total general long-term debt	\$ 429,079	\$ 1,566	\$(90,117)	\$ 340,528	\$ 44,934
Business-type activities:					
Revenue bonds payable	\$ 5,680,000	\$ -	\$(425,000)	\$ 5,255,000	\$ 450,000
Less: unamortized discounts	(15,753)	<u>1,734</u>	<u>-</u>	(14,019)	(1,734)
Revenue bonds payable, net	5,664,247	1,734	(425,000)	5,240,981	448,266
Capital leases payable	6,067,239	-	(103,181)	5,964,058	52,392
Notes payable	458,001	-	(30,595)	427,406	31,777
Compensated absences	<u>11,023</u>	<u>3,612</u>	<u>-</u>	<u>14,635</u>	<u>-</u>
Total proprietary fund debt	\$ 12,200,510	\$ 5,346	\$(558,776)	\$ 11,647,080	\$ 532,435

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.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM DEBT - Continued

GOVERNMENTAL ACTIVITIES:

As of June 30, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City has financed vehicles under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital leases payable and the related assets have been recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$84,000, \$119,128, and \$19,916 for vehicles and equipment. 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, 2015:

June 30, 2016	\$ 48,785
June 30, 2017	48,786
June 30, 2018	35,886
June 30, 2019	<u>1,137</u>
Total minimum lease payments	134,594
Amount representing interest	<u>(6,865)</u>
Present value of lease obligations for governmental activities	127,729
Less: current maturities	<u>44,934</u>
Long-term maturities	\$ <u><u>82,795</u></u>

Leased assets under capital leases in capital assets at June 30, 2015, include the following:

Vehicles	\$ 199,369
Furniture, fixtures, and equipment	28,816
Less: accumulated depreciation	<u>(92,880)</u>
Total	\$ <u><u>135,305</u></u>

Total depreciation expense on the office equipment and vehicles for the year ended June 30, 2015, was \$45,637. This depreciation is included in the total depreciation expense shown in Note 5.

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	\$ <u><u>22,631</u></u>
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**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City financed the sale-leaseback of certain assets of its electric utility system, improvements to its electric utility system, and the purchase of vehicles 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 \$5,980,000 for the sale-leaseback assets and capital improvements, and vehicles for \$117,500. 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, 2015:

June 30, 2016	\$ 57,566
June 30, 2017	64,911
June 30, 2018	60,033
June 30, 2019	76,080
June 30, 2020	95,310
June 30, 2021-2025	1,641,150
June 30, 2026-2030	3,678,667
June 30, 2031-2035	3,662,064
June 30, 2036-2040	3,639,899
June 30, 2041	<u>724,706</u>
Total minimum lease payments	13,700,386
Amount representing interest	(7,736,328)
Present value of lease obligations for governmental activities	5,964,058
Less: current maturities	<u>52,392</u>
Long-term maturities	\$ <u>5,911,666</u>

Leased assets under the capital lease at June 30, 2015 include the following:

Electric system	\$ 5,220,000
Vehicles	117,500
Less: accumulated depreciation	<u>(818,438)</u>
Total	\$ <u>4,519,062</u>

Total depreciation expense on the utility system improvements, equipment, and the vehicles for the year ended June 30, 2015, was \$185,750. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - 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 had 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 previously adopted Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities". Under this statement, the loss on advanced refunding is referred to as deferred loss on refunding, and is recognized as a deferred outflow of resources and amortized to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. This statement supersedes GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities". On the statement of net position, this deferred loss is reported as a deferred outflow of resources instead of as a deduction of the new debt liability. For the year ending June 30, 2015 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, 2015**

NOTE 7 - 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, 2015, 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, 2015, 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, 2015, 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, capital contributions, and 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, 2015, the net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and transfers) of the Enterprise Fund were 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>4,445,000</u>)
Amount outstanding, June 30, 2015	4,080,000
Less: unamortized discount	(<u>14,019</u>)
Net amount outstanding, June 30, 2015	4,065,981
Less: current maturities	<u>353,266</u>
Long-term maturities	\$ <u>3,712,715</u>

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u> <u>Requirements</u>
2016	\$ 355,000	\$ 233,884	\$ 588,884
2017	375,000	212,250	587,250
2018	400,000	189,000	589,000
2019	420,000	164,400	584,400
2020	450,000	138,300	588,300
2021 - 2024	<u>2,080,000</u>	<u>258,600</u>	<u>2,338,600</u>
Totals	\$ <u>4,080,000</u>	\$ <u>1,196,434</u>	\$ <u>5,276,434</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - 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:

- \$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.

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, 2015, 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>(670,000)</u>
Amount outstanding, June 30, 2015	1,175,000
Less: current maturities	<u>95,000</u>
Long-term maturities	<u>\$ 1,080,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2016	\$ 95,000	\$ 53,556	\$ 148,556
2017	100,000	48,925	148,925
2018	105,000	44,056	149,056
2019	110,000	38,950	148,950
2020	115,000	33,606	148,606
2021 - 2025	<u>650,000</u>	<u>79,563</u>	<u>729,563</u>
Totals	<u>\$ 1,175,000</u>	<u>\$ 298,656</u>	<u>\$ 1,473,656</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM DEBT - Continued

NOTES PAYABLE

<ul style="list-style-type: none"> • 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. This note was used for improvements to the City's utility system. 	\$ 118,063
<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$348,475, interest rate of 3.81%, secured by utility system improvements, payable in monthly installments of \$2,077, including interest, through April 1, 2032. This note was used for improvements to the City's utility system. 	<u>309,343</u>
Total notes payable, June 30, 2015	427,406
Less: current maturities	<u>31,777</u>
Long-term maturities	\$ <u>395,629</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>14,635</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, 2015, are as follows:

CAPITAL LEASES PAYABLE

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 44,934	\$ 3,851	\$ 52,392	\$ 5,174	\$ 106,351
2017	46,568	2,218	58,178	6,733	113,697
2018	35,262	624	50,310	9,723	95,919
2019	965	172	61,753	14,327	77,217
2020	-	-	74,656	20,654	95,310
2021-2025	-	-	1,072,430	568,720	1,641,150
2026-2030	-	-	1,922,232	1,756,435	3,678,667
2031-2035	-	-	1,430,652	2,231,412	3,662,064
2036-2040	-	-	1,063,995	2,575,904	3,639,899
2041	-	-	<u>177,460</u>	<u>547,246</u>	<u>724,706</u>
Total	\$ <u>127,729</u>	\$ <u>6,865</u>	\$ <u>5,964,058</u>	\$ <u>7,736,328</u>	\$ <u>13,834,980</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 - LONG-TERM DEBT - Continued

ANNUAL DEBT SERVICE REQUIREMENTS – Continued

NOTES PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,777	\$ 15,751	\$ 47,528
2017	33,023	14,505	47,528
2018	34,300	13,228	47,528
2019	35,632	11,896	47,528
2020	37,014	10,514	47,528
2021-2025	105,923	37,577	143,500
2026-2030	105,672	18,946	124,618
2031-2032	<u>44,065</u>	<u>1,627</u>	<u>45,692</u>
Total	\$ <u>427,406</u>	\$ <u>124,044</u>	\$ <u>551,450</u>

REVENUE BONDS PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 450,000	\$ 287,440	\$ 737,440
2017	475,000	261,175	736,175
2018	505,000	233,056	738,056
2019	530,000	203,350	733,350
2020	565,000	171,906	736,906
2021-2025	<u>2,730,000</u>	<u>338,163</u>	<u>3,068,163</u>
Total	\$ <u>5,255,000</u>	\$ <u>1,495,090</u>	\$ <u>6,750,090</u>

NOTE 8 - SALE-LEASEBACK TRANSACTION

In a prior year, the City entered into a sale-leaseback transaction with the Municipal Electric Authority of Georgia ("MEAG") for the sale-leaseback of the City's electric utility system infrastructure and equipment ("electric system"). The sale-leaseback included all assets belonging to the City's electric system other than the electric rebuild that the City financed through MEAG in 2005. Therefore, the City is leasing the electric system back from MEAG. The City is responsible for maintaining and collecting charges for electrical distribution services sufficient to enable the City to pay to MEAG all amounts under the lease and to pay for operating and maintaining the electric utility system. At the lease inception, title to the electric utility system infrastructure was transferred to MEAG. The purpose of the sale-leaseback transaction was to facilitate financing to assist the City in repaying its 1993 Revenue Bonds. The sale-leaseback is for a total of \$5,980,000, of which \$760,000 was transferred to the City to finance capital improvements, leaving the remaining \$5,220,000 as the purchase price of the electric system. MEAG's purchase of the electric system is being paid through an installment note that has been discounted at an interest rate of 5.95%, and is referred to in Note 3. Note 3 contains information about the terms and related maturities of the installment sale. The City's leaseback of the electric system is for a total of \$5,980,000 at an interest rate of 5.95%, and is referred to in Note 7 under Business Type Activities, Capital Lease Obligations. Note 7 contains the terms of the lease and related maturities.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - INTERFUND TRANSACTIONS AND BALANCES

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Enterprise Fund	\$ 291,142	\$ -
Capital Grants Fund	4,286	
Other Governmental Funds	<u>16,282</u>	<u>-</u>
Total General Fund	<u>311,710</u>	<u>-</u>
Capital Grants Fund:		
General Fund	-	4,286
Enterprise Fund	<u>89,952</u>	<u>-</u>
Total Capital Grants Fund	<u>89,952</u>	<u>4,286</u>
Other Governmental Funds:		
General Fund	-	16,282
Enterprise Fund	<u>-</u>	<u>9,770</u>
Total Other Governmental Funds	<u>-</u>	<u>26,052</u>
Enterprise Fund:		
General Fund	-	291,142
Capital Grants Fund	-	89,952
Other governmental Funds	<u>9,770</u>	<u>-</u>
Total Enterprise Fund	<u>9,770</u>	<u>381,094</u>
Totals	<u>\$ 411,432</u>	<u>\$ 411,432</u>

Transfers are primarily used to move funds from:

- The Enterprise Fund to the General Fund for support of operations and administration.
- The General Fund and Enterprise Fund to/from the Capital Grants Fund for grant projects.
- Other Governmental Funds to the Enterprise Fund for beautification.
- Other Governmental Funds to the General Fund for tourism.

During the year ended June 30, 2015, the City made transfers of \$291,142 from the Enterprise Fund to the General Fund for assistance with General Fund operations and administration. The City also made transfers of \$4,286 from the Capital Grants Fund to the General Fund for grant projects, transfers of \$89,952 from the Enterprise Fund to Other Governmental Funds for grant matching support, transfers of \$9,770 from Other Governmental Funds to the Enterprise Fund for beautification, and transfers of \$16,282 to the General Fund for tourism.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 - RESTRICTED GOVERNMENT-WIDE ASSETS

Governmental activities

Restricted assets are composed of \$1,131,542 of cash restricted for capital projects, public safety, and tourism expenditures under Federal and/or State laws. \$20,614 of cash is restricted for tourism expenditures, \$973,383 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax IV, \$47,851 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax III, and \$89,694 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, 2015:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
1993 Revenue Bond Investment Accounts	\$ -	\$ 924,211	\$ 924,211
Municipal Competitive Trust Investment Accounts	-	236,644	236,644
Customer deposits	<u>269,175</u>	<u>-</u>	<u>269,175</u>
Total	\$ <u>269,175</u>	\$ <u>1,160,855</u>	\$ <u>1,430,030</u>

NOTE 11 - RESTRICTED FUND ASSETS

General Fund

Restricted assets are composed of \$20,614 of cash restricted for tourism expenditures under State law regarding expenditures of Hotel/Motel Tax proceeds.

SPLOST IV Fund

Restricted assets are composed of \$973,383 of cash restricted for capital expenditures under State law regarding expenditures of Special Purpose Local Option Sales Tax proceeds.

SPLOST III Fund

Restricted assets are composed of \$47,851 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 \$89,694 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, 2015:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
1993 Revenue Bond Investment Accounts	\$ -	\$ 924,211	\$ 924,211
Municipal Competitive Trust Investment Accounts	-	236,644	236,644
Customer deposits	<u>269,175</u>	<u>-</u>	<u>269,175</u>
Total	\$ <u>269,175</u>	\$ <u>1,160,855</u>	\$ <u>1,430,030</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 - LIABILITIES AND DEFERRED INFLOWS OF RESOURCES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS:

Governmental activities

Liabilities payable from restricted assets are composed of the following at June 30, 2015:

Due to other funds	\$ <u>26,965</u>
Total	\$ <u>26,965</u>

Deferred inflows of resources payable from restricted assets are composed of the following at June 30, 2015:

Unavailable revenue – fines & forfeitures	\$ <u>3,926</u>
Total	\$ <u>3,926</u>

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2015:

Current Portion of 1993 Revenue Bonds Payable	\$ 355,000
Customer Deposits	269,175
Accrued Interest Payable on 1993 Revenue Bonds	<u>61,067</u>
Total	\$ <u>685,242</u>

NOTE 13 - RESTRICTED NET POSITION

Governmental Activities

Restricted net position is comprised of the following at June 30, 2015:

Restricted for:	
Capital projects	\$ 1,085,811
Public safety	84,263
Tourism	<u>20,614</u>
Total net position restricted for governmental activities	\$ <u>1,190,688</u>

Business-type Activities

Restricted net position is comprised of the following at June 30, 2015:

Restricted for:	
Municipal Competitive Trust Agreement	\$ 236,644
Debt Service	<u>508,144</u>
Total net position restricted for business-type activities	\$ <u>744,788</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 distributions.

A summary of the Special Revenue Fund follows:

	Confiscated Assets
Balance July 1, 2014	\$ <u>206,695</u>
Revenues	
Forfeitures	<u>66,816</u>
Total revenues	<u>66,816</u>
Expenditures	
Public safety	<u>189,248</u>
Total expenditures	<u>189,248</u>
Balance June 30, 2015	\$ <u>84,263</u>

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.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 - PENSION PLAN - Continued

Membership of the plan

Retirees and beneficiaries receiving benefits	40
Terminated vested participants	18
Active plan members	<u>48</u>
 Total	 <u>106</u>

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 6.06% of covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

HRP is subject to minimum funding standards of the Georgia Public Retirement Systems Standards Law. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level that the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan. The funding policy for the plan is to contribute an amount equal to the recommended contribution each year. The recommended contribution is developed under the actuarial funding policy each year, and meets applicable state funding standards. 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 amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 10 years for temporary retirement incentive programs, 20 years for other changes to plan provisions, and 30 years for actuarial assumptions and cost methods. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base. These amortization periods, if applicable, are closed for this plan year.

Investment Data

The market value of assets is based on current values as of the three months preceding the valuation date (September 30, 2014) and is assumed to be current through that date. All asset data that was used in the actuarial valuation has been supplied by GMEBS. Net investment return is estimated at 7.75% on an on-going basis, based on long-term expected rate of return on pension plan investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. An inflation rate of 3.25% has been assumed. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Nominal Real Rate of Return</u>
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	<u>0%</u>		
 Total	 <u>100%</u>		

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 - PENSION PLAN - Continued

NET PENSION LIABILITY

Effective July 1, 2014, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which significantly changed the City’s accounting for pension amounts. The information disclosed below is presented in accordance with these new standards.

The City’s net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014.

Net pension liability is calculated as follows:

Total pension liability	\$ 2,299,239
Fiduciary net position	<u>(2,109,071)</u>
Net pension liability	\$ <u>190,168</u>
Fiduciary net position as a percentage of total pension liability	91.7%

Total pension liability uses Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2015 are used to measure total pension liability as of September 30, 2014. The balances as of September 30, 2014 constitute measurements of the net pension liability for the fiscal year ending June 30, 2015.

The mortality and economic actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

Assumptions on which the cost of HRP is calculated include investment return, mortality rates, retirement rates, and turnover rates.

Total pension liability, fiduciary net position, and net pension liability are based on a September 30, 2014 measurement date which would make them applicable to the fiscal year beginning July 1, 2014 and ending June 30, 2015.

Benefit Terms

The eligibility requirement is immediate for employees, officials and MLO’s. Employees are vested after 10 years and officials and MLO’s are vested immediately. The type of benefit payment is a life annuity. Death benefits are actuarial reserve for full-time employees only. The benefit formula is 1.00%-1.75% (table breakpoint). There is no automatic postemployment benefit changes due to COLAs. The Georgia Municipal Association has assigned the authority to the City to establish and amend the benefit provisions of the plan.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 - PENSION PLAN - Continued

NET PENSION LIABILITY - Continued

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was 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 3.25% per year plus age and service based on merit increases
- Inflation rate assumption 3.25%
- Cost of living adjustments 0.0%

Changes in Assumptions

As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

Amounts reported for the Fiscal Year ending in 2016 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

Benefit Changes

Effective January 1, 2015, the Plan was amended to provide for immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 - PENSION PLAN - Continued

NET PENSION LIABILITY - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability. There was no change in the discount rate since the plan's prior fiscal year.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2015, were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) – (b)</u>
Beginning balance	\$ 2,195,915	\$ 1,958,989	\$ 236,926
Changes for the year:			
Service cost	61,891	-	61,891
Interest	164,297	-	164,297
Differences between expected and actual experience	(3,369)	-	(3,369)
Contributions – employer	-	89,216	(89,216)
Contributions – employee	-	-	-
Net investment income	-	221,621	(221,621)
Benefit payments, including refunds of employee contributions	(151,911)	(151,911)	-
Administrative expense	-	(8,844)	8,844
Other changes	<u>32,416</u>	<u>-</u>	<u>32,416</u>
Ending balance	\$ <u>2,299,239</u>	\$ <u>2,109,071</u>	\$ <u>190,168</u>

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes of the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as, what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ <u>434,350</u>	\$ <u>190,168</u>	\$(<u>17,040</u>)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 - PENSION PLAN - Continued

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO PENSIONS

Pension expense for the year ended June 30, 2015 is \$78,728.

Deferred outflows/inflows of resource related to pensions:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$(2,526)
Changes in assumptions	24,312	-
Changes in benefit terms	-	-
Net difference between projected and actual earnings on pension plan Investments	-	(58,056)
City contributions subsequent to the measurement date	<u>52,985</u>	<u>-</u>
Total	\$ <u>77,297</u>	\$(<u>60,582</u>)

Employer contributions made subsequent to the measurement date of the net pension liability of \$52,985 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Projected recognition of deferred outflows/(inflows):

<u>Year Ended</u>	<u>Recognition</u>
June 30, 2016	\$(7,252)
June 30, 2017	(7,252)
June 30, 2018	(7,252)
June 30, 2019	(14,514)
June 30, 2020	-
Thereafter	<u>-</u>
Total	\$(<u>36,270</u>)

At year end, the City had payables to the HRP in the amount of \$5,887, which was included in the accounts payable balance in the Governmental Activities. The payable comprised one month of the City's required contribution to HRP. The City is required to contribute to HRP monthly, and the City's contribution for the month of June was paid subsequent to year end.

NOTE 17 - HOTEL/MOTEL LODGING TAX

The City has levied an 8% hotel/motel lodging tax. The amount of total tax collected in excess of a rate of 3%, 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, 2015 follows:

Total hotel/motel tax receipts	\$ 26,052
Less: hotel/motel tax collected at a rate of 3%	<u>9,770</u>
Hotel/motel tax collected to be expended for the promotion of tourism, conventions and trade shows	16,282
Expenses for promotion of tourism, conventions and trade shows	<u>16,282</u>
Balance of hotel/motel tax funds at June 30, 2015	\$ <u>-</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 18 - DEFICIT FUND BALANCES/NET POSITION

The City's General Fund had a deficit fund balance of \$425,398 at June 30, 2015. This deficit is a result of inadequate revenues to cover expenditures for the current fiscal year. Because the General Fund did not generate enough revenues to cover its expenditures, the City will need to make increased transfers from its Utility Fund to the General Fund and/or reduce expenditures in order eliminate this deficit.

The City's Capital Grants Fund had a deficit fund balance of \$51,542 at June 30, 2015. This deficit is a result of inadequate revenues to cover expenditures for the current fiscal year. In future years, revenues and transfers from the General and Proprietary Funds should increase in an amount that will eliminate this deficit.

NOTE 19 - LITIGATION

The City has received a claim of "Notice of Charge of Discrimination" from an employee, which has been referred to the City's insurance carrier. Additionally, the City has been provided notices of claim, to wit, which have been denied by the Mayor and Council in regular meetings either during the year, or subsequent to year end. It is not possible to state the ultimate liability, if any, in these matters. Therefore, no provisions for losses have been recorded.

NOTE 20 - 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.

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 \$18,898,989 of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2015.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

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 \$1,195,356 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2015.

Intergovernmental Natural Gas Sales Agreement

The City has 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 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 an intergovernmental 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 an intergovernmental 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.

United States Department of Agriculture Grant and Loan

The City has entered into an agreement with the United States Department of Agriculture for the construction of an addition to the City's water control pollution plant. The estimated cost of the project is \$6,681,000 with \$2,581,000 being funded by a Federal grant, \$2,500,000 being funded by a Federal loan, and \$1,600,000 being funded by Meriwether County. As of June 30, 2015, the City had expended \$262,842 of expenditures on the project.

Community Development Block Grant 2013

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to its Sewer System. \$500,000 is being funded by a Federal grant with the City providing \$69,040 in matching funds. As of June 30, 2015, the City had expended \$61,501 of matching and \$435,411 of reimbursable Federal expenditures on the project.

Community Development Block Grant 2015

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to its Sewer System. \$500,000 is being funded by a Federal grant with the City providing \$130,802 in matching funds. As of June 30, 2015, the City had expended \$8,576 of matching expenditures on the project.

Community Home Investment Program Grant I

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to homes owned by low income homeowners located within the City limits. The estimated cost of the project is \$201,250 with \$175,000 being funded by a Federal grant award and \$26,250 by the City. As of June 30, 2015, the City had expended \$26,250 of matching and \$108,488 of reimbursable Federal expenditures on the project.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

Community Home Investment Program Grant II

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to homes owned by low income homeowners located within the City limits. The estimated cost of the project is \$201,250 with \$175,000 being funded by a Federal grant award and \$26,250 by the City. As of June 30, 2105, the City had not incurred any expenditures on the project.

EPD Consent Order

The City is currently under an EPD consent order in which it is required to make upgrades to its sewer system. The City is taking steps of corrective action under the order, and is in the design process of constructing a new wastewater treatment plant, and upgrading its other sewer infrastructure in order to comply with the order. The design and construction of the new wastewater treatment plant will be funded by the grant and loan from the United States Department of Agriculture and by Meriwether County which was referred to earlier in this note.

NOTE 21 - 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 22 - 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 \$19,527 in lieu of taxes from the Housing Authority for the year ended June 30, 2015.

NOTE 23 - JOINT VENTURE

Under Georgia law, the City is a member of the Three Rivers Regional Commission ("TRRC"). The City paid \$3,078 in dues to the TRRC for the year ended June 30, 2015. Membership in a Regional Commission ("RC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Three Rivers Regional Commission, 120 North Hill Street, P.O. Box 818 Griffin, GA 30224.

NOTE 24 - 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, 2015**

NOTE 25 - 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.

NOTE 26 – CHANGE IN ACCOUNTING PRINCIPLE

A restatement to the July 1, 2014 beginning net position was required to recognize the change in accounting principle for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 28*, as of July 1, 2014, through which the accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the City as follows:

	Governmental Activities
Beginning net position, July 1, 2014, as previously reported	\$ 5,761,625
Change in accounting principle due to the implementation of GASB Statement No. 68	(<u>280,450</u>)
Beginning net position, July 1, 2014, as restated	\$ <u>5,481,175</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 27 - SUBSEQUENT EVENTS

The City has addressed the need to improve its financial position going forward, and has taken steps and will make further recommendations to the Mayor and Council to increase revenue and control expenses related to its operations.

The City has implemented the following improvements:

- The City has added a new municipal court solicitor which has improved court fines and forfeitures revenue by approximately \$7,000 per month. The City anticipates that court fines and forfeitures will increase by approximately \$84,000 for the year ended June 30, 2016.
- Effective November 1, 2015, the City selected a new health insurance provider that will provide the City cost savings of approximately \$60,000 over the next year.
- The City has performed an audit of its sanitation services that should result in a revenue increase of approximately \$13,000, and has also altered the way sanitation cans are delivered and picked up which should result in cost savings.
- The City has updated some billing policies in its utility system that should result in a slight increase in revenue of \$3,000.
- The City has implemented a control in which all expenditures over \$50 must be approved by the City Manager, which has resulted in a dramatic reduction of expenditures when compared to the budget and to the prior year.

Management is further recommending to the Mayor and City Council the following improvements:

- Increases in natural gas rates, utility franchise fee rates, and sewer fee rates. The sewer fee rate structure was approved by the City Council in late 2015. The utility rate increases are expected to improve the City's operational revenue by \$338,675 annually.
- The City is in the process of implementing changes in which bank credit card fees are paid by customers instead of being absorbed by the City. This change is anticipated to save the City \$41,000 annually.
- The City has contracted with a new collection firm to collect unpaid utility billing revenues, and has doubled the meter deposit rate for customers deemed to not be credit worthy. The City anticipates the collection of \$23,600 of bad debt recovery.

Overall, the City's implemented plans are estimated to improve the City's financial position by approximately \$160,000, and the further recommended plans are estimated to improve the City's financial position by \$403,275 for a total estimated improvement of approximately \$563,275 to the City's operations.

Management's plans should improve the City's financial position, and result in increased operating income, and cash flows. This should enable the City to improve liquidity, better fund operations, and better manage its debt.

REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	CITY OF HOGANSVILLE RETIREMENT PLAN									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Pension Liability										
Service cost	\$ 61,891									
Interest	164,297									
Differences between Expected and actual Experience	(3,369)									
Changes in assumptions	32,416									
Changes of benefit terms	-									
Benefit payments, including Refunds of employee Contributions	(151,911)									
Net change in total pension Liability	103,324									
Total pension liability – Beginning	<u>2,195,915</u>									
Total pension liability – Ending (a)	\$ <u>2,299,239</u>									
Plan Fiduciary Net Position										
Contributions – employer	\$ 89,216									
Contributions – employee	-									
Net Investment income	221,621									
Benefit payments, including Refunds of employee Contributions	(151,911)									
Administrative expense	(8,844)									
Other	-									
Net change in fiduciary Net position	150,082									
Plan fiduciary net position – Beginning	<u>1,958,989</u>									
Plan fiduciary net position – Ending (b)	\$ <u>2,109,071</u>									
Net Position Liability										
Net pension liability – Ending (a) – (b)	\$ <u>190,168</u>									
Plan's fiduciary net position As a percentage of the Total pension liability	91.73%									
Covered-employee payroll	\$ 1,282,094									
Net pension liability as a Percentage of covered- Employee payroll	14.83%									

Historical information prior to implementation of GASB 67/68 is not required.

**CITY OF HOGANSVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	CITY OF HOGANSVILLE RETIREMENT PLAN									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	*									
Contributions in relation to The actuarially determined Contribution	*		Historical information prior to implementation of GASB 67/68 is not required.							
Contribution deficiency (excess)	*									
Covered-employee payroll	*									
Contributions as a percentage Of covered-employee Payroll	*									

* 2015 information will be determined after fiscal year end and will be included in the 2016 audit report.

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - RECOMMENDED CONTRIBUTION

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

NOTE 2 – VALUATION DATE

The actuarially determined contribution rate was determined as of January 1, 2015, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2016.

NOTE 3 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial Cost Method – Projected Unit Credit

Amortization Method – Closed level dollar for remaining unfunded liability

Remaining Amortization Period – N/A

Asset Valuation Method – Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at the end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Actuarial Assumptions:

- **Rate of return on investment** **7.75% per year**
- **Projected salary increases** **3.25% per year plus age and service based on merit increases**
- **Cost of living adjustments** **0.0%**

Retirement Age – Employees 65+5, Officials and MLO's 65

The mortality and economic actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - CHANGES OF ASSUMPTIONS

As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2016, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

Amounts reported for the Fiscal Year ending in 2016 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

- The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.
- The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.
- The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.
- The inflation assumption was decreased from 3.50% to 3.25%.
- The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases ranged from 4.00% to 11.00% and included an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

NOTE 5 - BENEFIT CHANGES

Effective January 1, 2015, the Plan was amended to provide for immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

OTHER CONTENTS OF THE FINANCIAL SECTION

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, 2015**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Totals</u>
	<u>Confiscated Assets</u>	<u>Hotel/ Motel Tax</u>	<u>SPLOST III</u>	
ASSETS				
Sales and other taxes				
Receivable	\$ -	\$ 2,891	\$ -	\$ 2,891
Other receivable	309	-	-	309
Restricted cash and cash equivalents	<u>89,694</u>	<u>-</u>	<u>47,851</u>	<u>137,545</u>
Total assets	\$ <u>90,003</u>	\$ <u>2,891</u>	\$ <u>47,851</u>	\$ <u>140,745</u>
LIABILITIES				
Due to other funds	\$ <u>1,814</u>	\$ <u>2,891</u>	\$ -	\$ <u>4,705</u>
Total liabilities	<u>1,814</u>	<u>2,891</u>	<u>-</u>	<u>4,705</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue – Fines & forfeitures	<u>3,926</u>	<u>-</u>	<u>-</u>	<u>3,926</u>
Total deferred inflows of Resources	<u>3,926</u>	<u>-</u>	<u>-</u>	<u>3,926</u>
FUND BALANCES				
Restricted for:				
Capital projects	-	-	47,851	47,851
Public safety	<u>84,263</u>	<u>-</u>	<u>-</u>	<u>84,263</u>
Total fund balance	<u>84,263</u>	<u>-</u>	<u>47,851</u>	<u>132,114</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>90,003</u>	\$ <u>2,891</u>	\$ <u>47,851</u>	\$ <u>140,745</u>

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, 2015**

	Special Revenue		Capital Project	Totals
	Confiscated Assets	Hotel/ Motel Tax	SPLOST III	
REVENUES				
Taxes	\$ -	\$ 26,052	\$ -	\$ 26,052
Fines and forfeitures	66,816	-	-	66,816
Investment return	-	-	131	131
Total Revenues	66,816	26,052	131	92,999
EXPENDITURES				
Current operating				
Public safety	189,248	-	-	189,248
Capital outlay	-	-	19,246	19,246
Total Expenditures	189,248	-	19,246	208,494
Excess (deficiency) of revenues Over (under) expenditures	(122,432)	26,052	(19,115)	(115,495)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(26,052)	-	(26,052)
Net other financing sources (uses)	-	(26,052)	-	(26,052)
Net changes in fund balances	(122,432)	-	(19,115)	(141,547)
Fund balance - beginning of year	206,695	-	66,966	273,661
Fund balance - end of year	\$ 84,263	\$ -	\$ 47,851	\$ 132,114

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, 2015

	<u>Confiscated Assets Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Fines and forfeitures	\$ <u> -</u>	\$ <u> 66,816</u>	\$ <u> 66,816</u>	\$ <u> -</u>
Total revenues	<u> -</u>	<u> 66,816</u>	<u> 66,816</u>	<u> -</u>
EXPENDITURES				
Current operating				
Public safety	<u> -</u>	<u> 189,248</u>	<u> 189,248</u>	<u> -</u>
Total expenditures	<u> -</u>	<u> 189,248</u>	<u> 189,248</u>	<u> -</u>
Excess (deficiency) of revenues over (under) expenditures	-	(122,432)	(122,432)	-
Fund balance - beginning of year	<u> 206,695</u>	<u> 206,695</u>	<u> 206,695</u>	<u> -</u>
Fund balance - end of year	\$ <u> 206,695</u>	\$ <u> 84,263</u>	\$ <u> 84,263</u>	\$ <u> -</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, 2015

	<u>Hotel/Motel Tax Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ <u>25,000</u>	\$ <u>26,052</u>	\$ <u>26,052</u>	\$ <u>-</u>
Total revenues	<u>25,000</u>	<u>26,052</u>	<u>26,052</u>	<u>-</u>
EXPENDITURES				
Current operating				
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,000</u>	<u>26,052</u>	<u>26,052</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(<u>25,000</u>)	(<u>26,052</u>)	(<u>26,052</u>)	<u>-</u>
Net other financing sources (uses)	(<u>25,000</u>)	(<u>26,052</u>)	(<u>26,052</u>)	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</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 - SPLOST III FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	SPLOST III Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 3,078,262	\$ -	\$ 3,078,262	\$ 3,400,000
Investment return	<u>24,035</u>	<u>131</u>	<u>24,166</u>	<u>-</u>
Total revenues	<u>3,102,297</u>	<u>131</u>	<u>3,102,428</u>	<u>3,400,000</u>
EXPENDITURES				
Capital outlay	<u>3,035,331</u>	<u>19,246</u>	<u>3,054,577</u>	<u>3,400,000</u>
Total expenditures	<u>3,035,331</u>	<u>19,246</u>	<u>3,054,577</u>	<u>3,400,000</u>
Net change in fund balance	\$ <u>66,966</u>	(19,115)	\$ <u>47,851</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>66,966</u>		
Fund balance - end of year		\$ <u>47,851</u>		

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

**SCHEDULE OF PROJECT LENGTH BUDGETS
MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS**

Major governmental capital project funds are required to present a project length budget. The SPLOST IV Fund and the Capital Grants Fund are major governmental capital project funds.

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPLOST IV FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	SPLOST IV Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 783,098	\$ 535,685	\$ 1,318,783	\$ 3,500,000
Investment return	<u>439</u>	<u>861</u>	<u>1,300</u>	<u>-</u>
Total revenues	<u>783,537</u>	<u>536,546</u>	<u>1,320,083</u>	<u>3,500,000</u>
EXPENDITURES				
Capital outlay	<u>2,151</u>	<u>279,972</u>	<u>282,123</u>	<u>3,500,000</u>
Total expenditures	<u>2,151</u>	<u>279,972</u>	<u>282,123</u>	<u>3,500,000</u>
Net change in fund balance	\$ <u>781,386</u>	256,574	\$ <u>1,037,960</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>781,386</u>		
Fund balance - end of year		\$ <u>1,037,960</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 - CAPITAL GRANTS FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	Capital Grants Fund				
	<u>Prior Years</u>	<u>Current Year</u>	<u>Completed In Current Year</u>	<u>Total to Date</u>	<u>Original Amount Authorized</u>
REVENUES					
Intergovernmental Contributions	\$ 218,823	\$ 566,856	\$(168,322)	\$ 617,357	\$ 8,407,065
	<u>-</u>	<u>74,905</u>	<u>-</u>	<u>74,905</u>	<u>-</u>
Total revenues	<u>218,823</u>	<u>641,761</u>	<u>(168,322)</u>	<u>692,262</u>	<u>8,407,065</u>
EXPENDITURES					
Capital outlay	<u>459,770</u>	<u>652,225</u>	<u>(145,846)</u>	<u>966,149</u>	<u>8,103,000</u>
Total expenditures	<u>459,770</u>	<u>652,225</u>	<u>(145,846)</u>	<u>966,149</u>	<u>8,103,000</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>240,947</u>)	(<u>10,464</u>)	(<u>22,476</u>)	(<u>273,887</u>)	(<u>304,065</u>)
OTHER FINANCING SOURCES (USES)					
Transfers in	114,203	89,952	18,190	222,345	304,065
Transfers out	<u>-</u>	<u>(4,286)</u>	<u>4,286</u>	<u>(-)</u>	<u>-</u>
Net other financing sources (uses)	<u>114,203</u>	<u>85,666</u>	<u>22,476</u>	<u>222,345</u>	<u>304,065</u>
Net change in fund balance	\$(<u>126,744</u>)	75,202	\$ <u>-</u>	\$(<u>51,542</u>)	\$ <u>-</u>
Fund balance - beginning of year		(<u>126,744</u>)			
Fund balance - end of year		\$(<u>51,542</u>)			

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

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS
AND OMB CIRCULAR A-133**

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated February 22, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified no deficiencies in internal control over financial reporting 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses noted as items 2015-001 and 2015-002.

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 no deficiencies described in the accompany schedule of findings and responses to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are disclosed in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004.

City of Hogansville, Georgia's Response to Findings

The City of Hogansville, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hogansville, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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

Wilcox & Birings, P.C.

Suwanee, Georgia
February 22, 2016

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited City of Hogansville, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hogansville, Georgia's major federal programs for the year ended June 30, 2015. City of Hogansville, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Hogansville, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Hogansville, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Hogansville, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Hogansville, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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

Report on Internal Control over Compliance

Management of City of Hogansville, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Hogansville, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hogansville, Georgia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilcox & Birings, P.C.

Suwanee, Georgia
February 22, 2016

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development/ State of Georgia Department of Community Affairs/ Community Development Block Grants/State's Program And Non-Entitlement Grants in Hawaii	14.228	13p-x-141-2-5548	\$ 421,211
United States Department of Justice/ Criminal Division/ Equitable Sharing Program	16.922	N/A	174,431
United States Department of Transportation/ State of Georgia Department of Natural Resources/ Recreational Trails Program - Georgia Recreational Trails Program Grant	20.219	NRT-11(13)	85,600
United States Department of Transportation/ Pipeline and Hazardous Materials Safety Administration/ Pipeline Safety Program State Base Grant - Technical Assistance Grants Program	20.700	DTPH56-13-G-PHPT10	25,000
United States Department of Housing and Urban Development/ State of Georgia Department of Community Affairs/ Home Investment Partnerships Program - Community HOME Investment Program	14.239	CH12XHOGA	20,728
United States Department of Transportation/ State of Georgia Department of Transportation/ Highway Planning and Construction – Transportation Enhancement Activities Project	20.205	CSTEE-0008-00(206)	<u>4,856</u>
Total Federal Awards Expended			\$ <u>731,826</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hogansville, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF HOGANSVILLE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – unmodified opinion on primary government.

Internal control over financial reporting:

- **Two material weaknesses identified – see findings 2015-001 and 2015-002.**
- **No significant deficiencies identified.**
- **Two items of noncompliance noted - see finding 2015-003 and 2015-004.**

Federal Awards

Internal control over major programs:

- **No material weaknesses identified.**
- **No significant deficiencies identified.**

Type of auditors' report issued on compliance for major programs - unmodified.

No audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a).

Identification of major programs:

- **United States Department of Housing and Urban Development/ Georgia Department of Community Affairs/ Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii.**

Dollar threshold used to distinguish between Type A and Type B programs - \$300,000

Auditee does not qualify as a low-risk auditee.

**CITY OF HOGANSVILLE, GEORGIA
AUDITORS' SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2015-001

Criteria: The Enterprise Fund accounts receivable aging report should be reconciled to the general ledger.

Condition: The accounts receivable aging report was not reconciled to the general ledger for the Enterprise Fund at year end.

Cause: The accounts receivable aging report was not reconciled to the general ledger for the Enterprise Fund on a monthly basis by City personnel.

Effect: The accounts receivable balance on the Enterprise Fund general ledger was misstated at year end.

Recommendation: It is recommended that the City will implement controls and procedures to reconcile its accounts receivable aging report to the Enterprise Fund general ledger on a monthly basis.

Auditee Response: The City concurs with this finding and recommendation. The City will also implement controls to reconcile its accounts receivable aging report to the general ledger on a monthly basis.

Finding 2015-002

Criteria: The City's general ledgers should be reviewed at a level of detail where transactions posted incorrectly are reclassified and corrected monthly by City accounting personnel.

Condition: Transactions were posted to incorrect accounts and sometimes to incorrect funds requiring excessive auditor proposed adjustments.

Cause: The City's system of general ledger review is not detailed enough to find transactions that are posted incorrectly in a timely manner.

Effect: The City's general ledgers required an excessive amount of reclassifications for transactions originally posted to incorrect accounts and sometimes to incorrect funds. This caused the general ledgers to have material misstatements prior to the City's audit examination. The transactions noted during the audit were reclassified to the correct accounts and, if necessary, to the correct funds by auditor proposed adjustments.

Recommendation: Improvement was made this year from the prior year, however, it is recommended that the City continue to develop a system of general ledger review in which the general ledgers of all funds are reviewed monthly, and any transactions found that are posted incorrectly be reclassified to the proper account and/or fund at the time of discovery.

Auditee Response: The City concurs with this finding and recommendation. The City will continue to develop an improved general ledger review process in which a detailed monthly general review will be performed for all funds, and all transactions posted improperly will be reclassified at the time of discovery.

**CITY OF HOGANSVILLE, GEORGIA
AUDITOR'S SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2015**

Finding 2015-003

Criteria: The City is required to comply with its bond debt covenants related to its 1993 Combined Utility System Revenue Bonds.

Condition: The City was not in compliance with one bond debt covenant relating to its 1993 Combined Utility System Revenue Bonds.

Cause: The City has been unable to generate sufficient positive cash flows and net revenues in its Enterprise Fund in order to generate the necessary monies to comply with the debt service reserve #2 covenant relating to its 1993 Combined Utility System Revenue Bonds.

Effect: The City was not in compliance with one bond covenant.

Recommendation: It is recommended that the City take measures to generate more positive cash flows and net revenues in its Enterprise Fund and to start making payments to the debt service reserve #2 account in order to comply with the reserve covenant.

Auditee Response: The City concurs with this finding and recommendation. The City will work toward increasing the reserve amounts in the debt service reserve #2 account.

Finding 2015-004

Criteria: The City is required to adopt a balanced budget for its Confiscated Assets Fund.

Condition: The City did not adopt a budget for its Confiscated Assets Fund when it adopted its original budget.

Cause: The City had expenditures in the fund and no legally adopted and authorized budget.

Effect: The City was not in compliance with Georgia state law.

Recommendation: It is recommended that the City adopt a balanced budget for the Confiscated Assets Fund.

Auditee Response: The City concurs with this finding and recommendation. The City adopted an amended balanced budget subsequent to year end for the Confiscated Assets Fund.

**CITY OF HOGANSVILLE, GEORGIA
AUDITOR'S SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2015**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- No matters reported.

**CITY OF HOGANSVILLE, GEORGIA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

CITY OF HOGANSVILLE, GEORGIA
400 E. MAIN ST.
HOGANSVILLE, GA 30230
706-637-8629

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENT FINDINGS

Finding 2015-001

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

Recommendation

It is recommended that the City reconcile its accounts receivable aging report to the general ledger on a monthly basis.

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

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

Finding 2015-002

Transactions were posted to incorrect accounts and sometimes to incorrect funds requiring excessive auditor proposed adjustments. The City's system of general ledger review is not detailed enough to prevent transactions originally posted incorrectly to be reclassified in a timely manner.

Recommendation

It is recommended that the City develop a system of general ledger review in which the general ledgers of all funds are reviewed monthly, and any transactions found that are posted incorrectly be reclassified to the proper account and/or fund at the time of discovery.

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

The City will develop an improved general ledger review process in which a detailed monthly general ledger review will be performed for all funds, and all transactions posted improperly will be reclassified at the time of discovery.

Finding 2015-003

The City was not in compliance with one bond covenant relating to its 1993 Combined Utility System Revenue Bonds.

Recommendation

It is recommended that the City take measures to generate more positive cash flows and net revenues in its Enterprise Fund, and to start making payments to the debt service reserve #2 account in order to comply with the reserve covenant.

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

The City will begin taking steps to improve its cash flows and net revenues in order to work toward increasing the reserve amounts in the debt service reserve #2 account.

**CITY OF HOGANSVILLE, GEORGIA
400 E. MAIN ST.
HOGANSVILLE, GA 30230
706-637-8629**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-004

The City did not adopt a budget for its Confiscated Assets Fund when it adopted its original budget.

Recommendation

It is recommended that the City adopt a balanced budget for the Confiscated Assets Fund.

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

The City adopted an amended balanced budget subsequent to year end for the Confiscated Assets Fund.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

SCHEDULES REQUIRED BY THE STATE OF GEORGIA

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST III
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<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>
<i>PROJECTS</i>						
Water and Sewer System						
Improvements - Priority One	\$ 500,000	\$ 948,135	\$ 948,135	\$ -	\$ 948,135	100.0%
Road and Bridge Improvements -						
Priority Two	<u>2,900,000</u>	<u>2,451,865</u>	<u>2,087,196</u>	<u>19,246</u>	<u>2,106,442</u>	85.9%
Totals	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>	<u>\$ 3,035,331</u>	<u>\$ 19,246</u>	<u>\$ 3,054,577</u>	

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PROJECTS	<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>
Water and Sewer System Improvements - Priority One	\$ 600,000	\$ 600,000	\$ 138	\$ 233,265	\$ 233,403	38.9%
Neighborhood Stabilization: Purchase and Redevelopment of Abandoned or Foreclosed Homes or Other Residential Properties – Priority One	600,000	600,000	2,013	20,021	22,034	3.7%
Sidewalks & Paving – Priority One	600,000	600,000	-	21,237	21,237	3.5%
Hogansville Lake: Road System, Parking Lot, Restrooms, Picnic Area, and Security – Priority Two	500,000	500,000	-	3,400	3,400	0.7%
Renovate Library for use as City Hall – Priority Two	250,000	250,000	-	2,049	2,049	0.8%
Renovate Royal Theatre for use as Community Center – Priority Two	700,000	700,000	-	-	-	0.0%
Amphitheater Improvements - Priority Two	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
Totals	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 2,151</u>	<u>\$ 279,972</u>	<u>\$ 282,123</u>	