



City of Hogansville Audit Report For the Year Ended June 30, 2019



Independent Auditor's Report

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



Basic Financial Statements



Basic Financial Statements

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



Government Wide Financial Statements



Government Wide Financial Statements

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

Statement of Net Position

At June 30, 2019 the City had:

- Assets of \$35.98 million
- Deferred Outflows of Resources of \$89,000
- Liabilities of \$17.00 million
- Deferred Inflows of Resources of \$2.53 million
- Net Position of \$16.54 million

Statement of Activities

For the fiscal year the City had:

- Total Revenues of \$12.45 million consisting of:
- Charges for Services of \$7.28 million
- Capital Grants and Contributions of \$3.16 million,
and
- General Revenues of \$2.01 million
- Expenditures were \$8.62 million
- Change in Net Position was an increase in Net Position of \$3.83 million

Downtown Development Authority

- The Financial Statements of the Hogansville Downtown Development Authority are Shown in the far right column of the Statement of Net Position and the Statement of Activities.
- The DDA had Assets of \$38,000 and Net Position of \$38,000.
- The DDA had a decrease in Net Position of \$1,700 for the fiscal year.



Fund Financial Statements



Fund Financial Statements

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

Governmental Fund Financial Statements

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

Governmental Funds Balance Sheet

At the end of the fiscal year the Governmental Funds had:

- Assets of \$1.95 million
- Liabilities of \$453,000
- Deferred Inflows of Resources of \$115,000
- Fund Balances of \$1.38 million
- Restricted, Committed, and nonspendable Fund Balances were \$1.28 million
- Unassigned Fund Balances were \$99,000

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

For the fiscal year the Governmental Funds had:

- Revenues of \$3.78 million
- Expenditures of \$4.67 million
- Other Financing Sources of \$1.06 million
- Net Change in Fund Balances was an increase of \$171,000

Proprietary Fund Financial Statements

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

Statement of Fund Net Position

Proprietary Funds

At the end of the fiscal year the Utility Enterprise Fund had:

- Assets of \$26.68 million
- Deferred Outflows of Resources of \$29,000
- Liabilities of \$16.34 million
- Deferred Inflows of Resources of \$2.41 million
- Fund Net Position of \$7.95 million

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

For the fiscal year the Utility Enterprise Fund had:

- Operating Revenues of \$6.90 million
- Operating Expenses of \$5.42 million
- Operating Income of \$1.49 million
- Net Nonoperating Expenses of \$317,000
- Capital Contributions received of \$2.06 million
- Transfers out to other funds of \$1.05 million
- Change in Fund Net Position was an increase of \$2.19 million



Conclusion and Recommendations



Conclusion

- Overall, the City's net position increased by \$3.83 million.
- The City had an increase in total revenues of \$2.91 million, and a decrease in total expenses of \$334,000. The increase in revenues was primarily due to increases in charges for services of \$686,000 and capital grants and contributions of \$2.19 million. The decrease in expenses was due to decreases in governmental activities expenses of \$187,000 and utility system expenses of \$147,000.

Conclusion (continued)

- At year-end, the City had \$2.65 million of cash and investments of which \$988,000 were SPLOST funds. The City also had an additional \$3.23 million in restricted cash and investments.
- The City had total Capital Assets of \$27.9 million, and total Long-term Debt of \$14.0 million. The City's Long-term Debt increased by \$3.6 million during the year.

Conclusion (continued)

- The City had a combined overall increase in fund balance in its two major operating funds, the General Fund and the Utility Fund of \$2.8 million. In the prior year, the combined funds had an overall increase of \$290,000.
- The City had an overall positive total net position of \$16.54 million. Total unrestricted net position was a deficit of \$286,000, which was an improvement of a deficit of \$879,000 from the prior year.

Conclusion (continued)

- The City is fully compliant on its Bond covenants related to its 1993 Combined Public System Utility Refunding Revenue Bonds.
- As of June 30, 2019, the City had incurred construction in progress costs of \$5.47 million on the addition to its water control pollution plant. The total estimated cost of the project is \$8.7 million. The City has incurred additional debt of \$4.6 million as part of the funding of the project to date.

Recommendations

- The City's financial position improved dramatically over the prior year, as total overall net position increased as did the fund balance of both the General Fund and Utility Fund.
- The City continues to have a large amount of debt and debt service, which makes managing the City's operating cash flows challenging. The City has improved operating cash flows, but will need to continue to do so to sufficiently manage its debt and operations. This should be the City's top priority.

Recommendations (continued)

- The City has made great progress and should continue to review all areas of the City's operations and finances for improvements. The City's utility system is its largest source of revenue and cash flow. Utility rates should be adjusted and reviewed annually to ensure that adequate revenue is generated to fund all costs of the utility system, increases in debt service requirements, and to supplement revenue shortfalls in the General Fund. Currently, the General Fund does not generate enough taxes, fines and forfeitures, and other revenue to fund all of its operations, and requires transfers from the Utility Fund to operate.

Recommendations (continued)

- The City was able to eliminate the deficit in fund balance in its General Fund during the year but will need to continue to make operating transfers from the Utility Fund to the General Fund in order to ensure that the General Fund has positive fund balance. The City's cash flows have improved, and this needs to continue. Building cash reserves that can be used for capital expenditures, debt reduction, and help fund operations during difficult economic cycles is very important.

Recommendations (continued)

- The additional debt that the City has taken on from the construction of the water pollution control plant addition makes it extremely important that the City manages its utility operations in a manner that produces positive cash flows and increases in net position on an annual basis.
- Overall, the City had a great year!
- Tremendous progress was made over the prior year!

Lastly, we are available to assist the City in any way that we can to help the City achieve its goals.

Thank You for giving us the opportunity to work with the City, and Thank You to the City Manager, City Clerk, and staff for their assistance during the audit!

