

CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

**CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Fund Net Assets - Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Notes to Financial Statements	21
SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Confiscated Assets Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Hotel/Motel Tax Fund	54
Schedule of Revenues - Budget and Actual - General Fund	56
Schedule of Expenditures - Budget and Actual - General Fund	58
Schedule of Revenues - Budget and Actual - Enterprise Fund	63
Schedule of Expenses - Budget and Actual - Enterprise Fund	64
REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	69

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hogansville, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2006, 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hogansville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules shown on pages 56 through 68 are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilcox & Bivings, P.C.

**Suwanee, Georgia
November 12, 2006**

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Management of the City of Hogansville, Georgia (the "City") provides this Management Discussion and Analysis, as prescribed by the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2006. 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 \$8,999,631 (presented as "net assets"). Of this amount, \$347,534 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's obligations to citizens and creditors. \$6,086,342 of net assets consisted of investments in capital assets. The remainder of net assets consisted of amounts restricted by state law or debt agreements, and totaled \$2,565,755.
- The City's total net assets decreased by \$466,823 in fiscal year 2006.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$158,295. Of this amount, 6.1% of this total amount \$9,725 is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9,725 or 0.4% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

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

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

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods, such as uncollected property taxes.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"). The governmental activities of the City include general government and administration, public safety, public services, and sanitation services. The business-type activities of the City include the City's gas, electric, and water and sewer system operations.

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

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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 three 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, and Hotel/Motel Tax funds. The General Fund is the only major fund.

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

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its gas, electric, and water and sewer system operations.

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 49 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents Nonmajor Governmental Fund financial statements and schedules, other supplementary information, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. Nonmajor Governmental Fund financial statements and schedules can be found on pages 51 to 54 of this report, other supplementary information can be found on pages 56 to 68 of this report, and the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* can be found on page 69 of this report.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by \$8,999,631 as of June 30, 2006.

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

CITY OF HOGANSVILLE, GEORGIA'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 224,895	\$ 563,629	\$ 3,884,617	\$ 5,345,762	\$ 4,109,512	\$ 5,909,391
Capital assets	<u>3,371,311</u>	<u>3,331,997</u>	<u>11,471,324</u>	<u>10,256,292</u>	<u>14,842,635</u>	<u>13,588,289</u>
Total assets	<u>3,596,206</u>	<u>3,895,626</u>	<u>15,355,941</u>	<u>15,602,054</u>	<u>18,952,147</u>	<u>19,497,680</u>
Long-term liabilities	63,155	60,918	8,858,951	9,091,826	8,922,106	9,152,744
Other liabilities	<u>104,024</u>	<u>181,378</u>	<u>926,386</u>	<u>697,104</u>	<u>1,030,410</u>	<u>878,482</u>
Total liabilities	<u>167,179</u>	<u>242,296</u>	<u>9,785,337</u>	<u>9,788,930</u>	<u>9,952,516</u>	<u>10,031,226</u>
Net assets:						
Invested in capital assets, net of related debt	3,269,452	3,252,862	2,816,890	2,531,704	6,086,342	5,784,566
Restricted	85,041	249,602	2,480,714	3,104,274	2,565,755	3,353,876
Unrestricted	<u>74,534</u>	<u>150,866</u>	<u>273,000</u>	<u>177,146</u>	<u>347,534</u>	<u>328,012</u>
Total net assets	<u>\$ 3,429,027</u>	<u>\$ 3,653,330</u>	<u>\$ 5,570,604</u>	<u>\$ 5,813,124</u>	<u>\$ 8,999,631</u>	<u>\$ 9,466,454</u>

An additional portion of the City's net assets (28.5%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$347,534 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2006 and 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate categories – governmental and business-type activities.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2006 and 2005. Governmental activities decreased the City's net assets by \$224,303 for the year ended June 30, 2006. Governmental activities increased the City's net assets by \$394,506 for the year ended June 30, 2005. Business-type activities decreased the City's net assets by \$242,520 for the year ended June 30, 2006. Business-type activities increased the City's net assets by \$25,032 for the year ended June 30, 2005.

CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 600,671	\$ 1,127,643	\$ 4,710,081	\$ 4,676,324	\$ 5,310,752	\$ 5,803,967
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	91,705	188,861	-	-	91,705	188,861
General revenues:						
Taxes	1,266,603	1,140,737	-	-	1,266,603	1,140,737
Payments from component unit	11,112	-	-	-	11,112	-
Investment revenue	8,269	5,895	222,348	177,055	230,617	182,950
Other	<u>172,904</u>	<u>58,275</u>	<u>-</u>	<u>-</u>	<u>172,904</u>	<u>58,275</u>
Total revenues	<u>2,151,264</u>	<u>2,521,411</u>	<u>4,932,429</u>	<u>4,853,379</u>	<u>7,083,693</u>	<u>7,374,790</u>
Expenses:						
Program expenses:						
General government	631,189	533,903	-	-	631,189	533,903
Public safety	1,125,275	1,022,651	-	-	1,125,275	1,022,651
Public services	503,205	425,977	-	-	503,205	425,977
Sanitation services	145,215	123,940	-	-	145,215	123,940
Intergovernmental	164,309	281,700	-	-	164,309	281,700
Interest	4,374	3,734	-	-	4,374	3,734
Utility system	-	-	<u>5,006,949</u>	<u>4,563,347</u>	<u>5,006,949</u>	<u>4,563,347</u>
Total expenses	<u>2,573,567</u>	<u>2,391,905</u>	<u>5,006,949</u>	<u>4,563,347</u>	<u>7,580,516</u>	<u>6,955,252</u>
Excess (deficiency) in net assets before contributions and transfers	(422,303)	129,506	(74,520)	290,032	(496,823)	419,538
Contributions	30,000	-	-	-	30,000	-
Transfers	<u>168,000</u>	<u>265,000</u>	(168,000)	(265,000)	-	-
Change in net assets	(224,303)	394,506	(242,520)	25,032	(466,823)	419,538
Net assets July 1,	<u>3,653,330</u>	<u>3,258,824</u>	<u>5,813,124</u>	<u>5,788,092</u>	<u>9,466,454</u>	<u>9,046,916</u>
Net assets June 30,	\$ <u>3,429,027</u>	\$ <u>3,653,330</u>	\$ <u>5,570,604</u>	\$ <u>5,813,124</u>	\$ <u>8,999,631</u>	\$ <u>9,466,454</u>

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$158,295. Approximately 6.1% of this total amount or \$9,275 constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay for public safety (\$85,041), and 2) to pay for prepaid items (\$63,529).

The General Fund is the chief fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,725, while total fund balance reached \$73,254. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to the fund's total operational expenditures. Unreserved fund balance represents 0.4% of total expenditures, while total fund balance represents 3.0% of that same amount.

The General Fund's fund balance decreased by \$72,960 during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues increased by \$310,184 for a percentage increase of 16.8%. This increase was mainly due to increases in taxes and fines and forfeitures. Taxes increased by \$91,751 for a percentage increase of 8.0%. Fines and forfeitures increased by \$154,270 for a percentage increase of 93.7%. The increase in taxes was mainly due to an increase in local option sales taxes revenue of \$58,185. The increase in fines and forfeitures was due to an increase in traffic citations being issued by the City's police department.
- Total expenditures increased by \$126,522 for a percentage increase of 5.4%. This increase was mainly due to the City incurring an increase in public safety expenditures of \$78,031. This increase was mainly due to an increase in operating expenses.
- Transfers in decreased by \$80,917. This decrease was due to the decrease in the City's Enterprise fund paying an administrative fee to the General Fund, and subsidizing some of the General Fund's operating expenses.

Other governmental funds fund balance decreased by \$164,561 during the current fiscal year. This decrease was due mainly to a decrease in fines and forfeitures received by the Confiscated Assets Special Revenue Fund. The decrease in fines and forfeitures revenue from the Confiscated Assets Fund was \$659,958 for the year ended June 30, 2006.

Proprietary funds

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

Unrestricted net assets of the proprietary fund were \$273,000. The fund had a net asset decrease for the fiscal year of \$242,520. However, without transfers being paid to the General Fund, the Enterprise Fund would have had an decrease in net assets of \$74,520.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall these revisions resulted in an increase of expenditure appropriations of \$628,456. The largest budget revisions were for increases to expenditures for public safety and public services. Budget increases for expenditures to public safety were \$249,685. Budget increases for expenditures to public services were \$315,967.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 and 2005, amounted to \$14,842,635 and \$13,588,289, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, utility system infrastructure, infrastructure assets, and vehicles.

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

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

- The City expended \$152,970 on its streetscape project.
- The City purchased furniture and equipment in the amount of \$111,238.
- The City spent approximately \$1,500,000 for utility system improvements.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 183,818	\$ 183,818	\$ 380,784	\$ 380,784	\$ 564,602	\$ 564,602
Construction in progress	-	149,038	2,411,624	1,136,878	2,411,624	1,285,916
Buildings and improvements	1,998,522	1,928,426	-	-	1,998,522	1,928,426
Utility system infrastructure	-	-	12,374,939	12,152,660	12,374,939	12,152,660
Furniture, fixtures and equipment	522,076	1,265,243	180,132	236,938	702,208	1,502,181
Infrastructure	860,396	576,388	-	-	860,396	576,388
Vehicles	611,301	603,115	-	-	611,301	603,115
Accumulated depreciation	(804,802)	(1,374,031)	(3,876,155)	(3,650,968)	(4,680,957)	(5,024,999)
Total	\$ 3,371,311	\$ 3,331,997	\$ 11,471,324	\$ 10,256,292	\$ 14,842,635	\$ 13,588,289

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, 2006**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$9,214,757 in outstanding debt consisting of revenue bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue bonds	\$ -	\$ -	\$ 7,610,588	\$ 7,742,375	\$ 7,610,588	\$ 7,742,375
Notes payable	-	-	1,047,800	1,049,025	1,047,800	1,049,025
Capital leases payable	<u>101,859</u>	<u>79,135</u>	<u>454,510</u>	<u>500,000</u>	<u>556,369</u>	<u>579,135</u>
Total	\$ <u>101,859</u>	\$ <u>79,135</u>	\$ <u>9,112,898</u>	\$ <u>9,291,400</u>	\$ <u>9,214,757</u>	\$ <u>9,370,535</u>

The City's total debt decreased by \$155,778 during the current fiscal year mostly attributable to the City repaying principal of long-term debt. Additional information on the City's long-term debt can be found in note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2006-2007 Budget, General Fund revenues and transfers in are budgeted to increase by 5.2% from the 2005-2006 budget year with taxes making up about 71.0% of general fund budgeted revenues and transfers in. The 2006-2007 General Fund Budget includes budgeted revenue of \$450,000 for local option sales tax, \$411,000 in property tax, and \$320,000 in fines and forfeitures. The City has also budgeted expenditures of \$447,815 for general government and \$991,182 for public safety.

The City has budgeted \$6,256,450 in revenues for its business-type activities for the 2006-2007 Budget. This is an increase of 21.6% from the 2005-2006 budget year with charges for services making up 96.8% of budgeted revenues. The main reason for the increase in revenues is that the City has budgeted increases of \$500,168 in electric revenue, \$344,852 in gas revenue, and \$215,000 in sewer revenue. The City's business-type activities have also budgeted electric department expenses of \$2,699,800 and gas department expenses of \$1,762,283.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 160,440	\$ -	\$ 160,440	\$ 50,386
Receivables, net	121,605	358,849	480,454	-
Prepaid expenses	63,529	5,717	69,246	-
Internal balances	(205,720)	205,720	-	-
Restricted cash and cash equivalents	85,041	84,522	169,563	-
Restricted investments	-	2,905,015	2,905,015	-
Unamortized portion of debt issue costs	-	324,794	324,794	-
Nondepreciable capital assets	183,818	2,792,408	2,976,226	-
Depreciable capital assets	<u>3,187,493</u>	<u>8,678,916</u>	<u>11,866,409</u>	<u>-</u>
Total assets	<u>\$ 3,596,206</u>	<u>\$ 15,355,941</u>	<u>\$ 18,952,147</u>	<u>\$ 50,386</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 52,254	\$ 322,655	\$ 374,909	\$ -
Accrued expenses	13,066	192,777	205,843	-
Capital leases	38,704	43,663	82,367	-
Notes payable	-	165,504	165,504	-
Revenue bonds payable	<u>-</u>	<u>201,787</u>	<u>201,787</u>	<u>-</u>
Total current liabilities	<u>104,024</u>	<u>926,386</u>	<u>1,030,410</u>	<u>-</u>
Noncurrent liabilities:				
Customer deposits	-	157,007	157,007	-
Capital leases	63,155	410,847	474,002	-
Notes payable	-	882,296	882,296	-
Revenue bonds payable	<u>-</u>	<u>7,408,801</u>	<u>7,408,801</u>	<u>-</u>
Total noncurrent liabilities	<u>63,155</u>	<u>8,858,951</u>	<u>8,922,106</u>	<u>-</u>
Total liabilities	<u>167,179</u>	<u>9,785,337</u>	<u>9,952,516</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,269,452	2,816,890	6,086,342	-
Restricted for:				
Debt service	-	983,097	983,097	-
Restricted assets	-	1,497,617	1,497,617	-
Public safety	85,041	-	85,041	-
Unrestricted	<u>74,534</u>	<u>273,000</u>	<u>347,534</u>	<u>50,386</u>
Total net assets	<u>3,429,027</u>	<u>5,570,604</u>	<u>8,999,631</u>	<u>50,386</u>
Total liabilities and net assets	<u>\$ 3,596,206</u>	<u>\$ 15,355,941</u>	<u>\$ 18,952,147</u>	<u>\$ 50,386</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 631,189	\$ 61,600	\$ -	\$ -
Public safety	1,125,275	320,729	-	-
Public services	503,205	33,491	-	91,705
Sanitation services	145,215	184,851	-	-
Intergovernmental	164,309	-	-	-
Interest	4,374	-	-	-
Total governmental activities	2,573,567	600,671	-	91,705
Business-type activities				
Utility system	5,006,949	4,710,081	-	-
Total business-type activities	5,006,949	4,710,081	-	-
Total primary government	\$ 7,580,516	\$ 5,310,752	\$ -	\$ 91,705
Component Unit				
Downtown Development Authority	\$ 12,432	\$ -	\$ -	\$ -

General revenues:

Taxes:

Local option sales
Property
Insurance premium
Beer and wine
Franchise
Motor vehicle
Other

Payments from component unit
Investment return
Other

**Contributions
Transfers**

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit Downtown Development Authority
Governmental Activities	Business-Type Activities	Total	
\$(569,589)	\$ -	\$(569,589)	\$ -
(804,546)	-	(804,546)	-
(378,009)	-	(378,009)	-
39,636	-	39,636	-
(164,309)	-	(164,309)	-
(4,374)	-	(4,374)	-
(1,881,191)	-	(1,881,191)	-
-	(296,868)	(296,868)	-
-	(296,868)	(296,868)	-
\$(1,881,191)	\$(296,868)	\$(2,178,059)	\$ -
\$ -	\$ -	\$ -	\$(12,432)
\$ 504,019	\$ -	\$ 504,019	\$ -
392,570	-	392,570	-
138,932	-	138,932	-
78,119	-	78,119	-
57,143	-	57,143	-
27,531	-	27,531	-
68,289	-	68,289	-
11,112	-	11,112	-
8,269	222,348	230,617	571
172,904	-	172,904	62,247
30,000	-	30,000	-
168,000	(168,000)	-	-
1,656,888	54,348	1,711,236	62,818
(224,303)	(242,520)	(466,823)	50,386
3,653,330	5,813,124	9,466,454	-
\$ 3,429,027	\$ 5,570,604	\$ 8,999,631	\$ 50,386

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 160,440	\$ -	\$ 160,440
Property taxes receivable	2,672	-	2,672
Other taxes receivable	21,809	7,601	29,410
Due from other governments	89,523	-	89,523
Prepaid expenses	63,529	-	63,529
Due from other funds	4,560	-	4,560
Restricted cash and cash equivalents	<u>-</u>	<u>85,041</u>	<u>85,041</u>
Total assets	<u>\$ 342,533</u>	<u>\$ 92,642</u>	<u>\$ 435,175</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 49,213	\$ 3,041	\$ 52,254
Accrued expenses	13,066	-	13,066
Deferred revenue	1,280	-	1,280
Interfund payables	<u>205,720</u>	<u>4,560</u>	<u>210,280</u>
Total liabilities	<u>269,279</u>	<u>7,601</u>	<u>276,880</u>
Fund balances:			
Reserved for:			
Public safety	-	85,041	85,041
Prepaid items	63,529	-	63,529
Unreserved	<u>9,725</u>	<u>-</u>	<u>9,725</u>
Total fund balances	<u>73,254</u>	<u>85,041</u>	<u>158,295</u>
Total liabilities and fund balances	<u>\$ 342,533</u>	<u>\$ 92,642</u>	<u>\$ 435,175</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

Total Governmental Fund Balances	\$ 158,295
Amounts reported for governmental activities in the statement of net assets 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 \$804,802	3,371,311
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Property taxes receivable	1,280
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Capital leases payable	(<u>101,859</u>)
Net assets of governmental activities	\$ <u>3,429,027</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, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,243,170	\$ 26,805	\$ 1,269,975
Fines and forfeitures	318,886	1,843	320,729
Charges for services	218,342	-	218,342
Other	172,904	-	172,904
Intergovernmental	91,705	-	91,705
Licenses and permits	61,600	-	61,600
Contributions	30,000	-	30,000
Payments from component unit	11,112	-	11,112
Investment return	<u>8,269</u>	<u>-</u>	<u>8,269</u>
Total revenues	<u>2,155,988</u>	<u>28,648</u>	<u>2,184,636</u>
EXPENDITURES			
Current operating			
General government	542,739	-	542,739
Public safety	946,064	166,404	1,112,468
Public services	643,776	-	643,776
Sanitation services	145,215	-	145,215
Intergovernmental	153,587	10,722	164,309
Debt Service	<u>47,856</u>	<u>-</u>	<u>47,856</u>
Total expenditures	<u>2,479,237</u>	<u>177,126</u>	<u>2,656,363</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>323,249</u>)	(<u>148,478</u>)	(<u>471,727</u>)
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	66,206	-	66,206
Transfers in	184,083	-	184,083
Transfers out	<u>-</u>	(<u>16,083</u>)	(<u>16,083</u>)
Net other financing sources (uses)	<u>250,289</u>	(<u>16,083</u>)	<u>234,206</u>
Net changes in fund balance	(72,960)	(164,561)	(237,521)
Fund balance - beginning of year	<u>146,214</u>	<u>249,602</u>	<u>395,816</u>
Fund balance - end of year	\$ <u>73,254</u>	\$ <u>85,041</u>	\$ <u>158,295</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, 2006**

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

Net change in fund balances – total governmental funds	\$(237,521)
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	360,794
Depreciation expense	(300,063)
The net effect of retirements of capital assets is to decrease net assets	(21,417)
A certain amount of property tax revenues in the statement of activities that does not provide current financial resources and is not reported as revenue in the funds	(3,372)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces, long-term liabilities on the statement of activities:	
Capital leases payable	43,482
The issuance of long-term debt provides current financial resources to governmental funds, which increases long-term liabilities on the statement of activities:	
Capital leases payable	(<u>66,206</u>)
Change in Net Assets of Governmental Activities	\$(<u>224,303</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, 2006

	<u>General Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,259,900	\$ 1,259,900	\$ 1,243,170	\$(16,730)
Fines and forfeitures	187,000	98,802	318,886	220,084
Charges for services	207,500	207,500	218,342	10,842
Other	43,500	43,500	172,904	129,404
Intergovernmental	-	-	91,705	91,705
Licenses and permits	105,000	105,000	61,600	(43,400)
Contributions	-	-	30,000	30,000
Payments from component unit	-	-	11,112	11,112
Investment return	<u>9,500</u>	<u>9,500</u>	<u>8,269</u>	<u>(1,231)</u>
Total revenues	<u>1,812,400</u>	<u>1,724,202</u>	<u>2,155,988</u>	<u>431,786</u>
EXPENDITURES				
Current operating				
General government	460,349	542,739	542,739	-
Public safety	696,379	946,064	946,064	-
Public services	327,809	643,776	643,776	-
Sanitation services	167,163	145,215	145,215	-
Intergovernmental	199,700	153,587	153,587	-
Debt service	<u>-</u>	<u>47,856</u>	<u>47,856</u>	<u>-</u>
Total expenditures	<u>1,851,400</u>	<u>2,479,237</u>	<u>2,479,237</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,000)</u>	<u>(755,035)</u>	<u>(323,249)</u>	<u>431,786</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	66,306	66,306
Sales of capital assets	24,000	24,000	-	(24,000)
Transfers in	<u>-</u>	<u>-</u>	<u>184,083</u>	<u>184,083</u>
Net other financing sources (uses)	<u>24,000</u>	<u>24,000</u>	<u>250,289</u>	<u>226,289</u>
Net change in fund balance	(15,000)	(731,035)	(72,960)	658,075
Fund balance - beginning of year	<u>146,214</u>	<u>146,214</u>	<u>146,214</u>	<u>-</u>
Fund balance - end of year	\$ <u>131,214</u>	\$ <u>(584,821)</u>	\$ <u>73,254</u>	\$ <u>658,075</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006**

	ENTERPRISE FUND
ASSETS	
Current assets:	
Accounts receivable, net	\$ 358,849
Prepaid expenses	5,717
Interfund receivables	205,720
Total current assets	570,286
Noncurrent assets:	
Restricted cash	84,522
Restricted investments	2,905,015
Unamortized portion of debt issue costs	324,794
Net capital assets	11,471,324
Total noncurrent assets	14,785,655
Total assets	\$ 15,355,941
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 322,655
Accrued expenses	192,777
Capital leases payable	43,663
Notes payable	165,504
Revenue bonds payable	201,787
Total current liabilities	926,386
Noncurrent liabilities:	
Customer deposits	157,007
Capital leases payable	410,847
Notes payable	882,296
Revenue bonds payable	7,408,801
Total noncurrent liabilities	8,858,951
Total liabilities	9,785,337
FUND NET ASSETS	
Invested in capital assets, net of related debt	2,816,890
Restricted for debt service	983,097
Restricted for municipal competitive trust	1,497,617
Unrestricted	273,000
Total fund net assets	5,570,604
Total liabilities and fund net assets	\$ 15,355,941

SEE NOTES TO FINANCIAL STATEMENTS.

CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>ENTERPRISE FUND</u>
OPERATING REVENUES	
Charges for services	\$ 4,576,457
Other	<u>133,624</u>
Total operating revenues	<u>4,710,081</u>
OPERATING EXPENSES	
Personal services	506,155
Contractual services	103,085
Utilities purchased for resale	3,213,956
Utilities	151,242
Repairs and maintenance	30,084
Materials and supplies	179,834
Depreciation	<u>296,112</u>
Total operating expenses	<u>4,480,468</u>
Operating income (loss)	<u>229,613</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	222,348
Interest expense	(498,232)
Amortization	(22,290)
Bond administrative fees	<u>(5,959)</u>
Total nonoperating revenues (expenses)	<u>(304,133)</u>
Income (loss) before transfers	(74,520)
Transfers out	<u>(168,000)</u>
Change in net assets	(242,520)
Fund net assets – beginning	<u>5,813,124</u>
Fund net assets – ending	<u>\$ 5,570,604</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>ENTERPRISE FUND</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 4,741,861
Receipts from interfund services provided	32,642
Payments to suppliers	(3,606,550)
Payments to employees	<u>(494,197)</u>
Net cash provided (used) by operating activities	<u>673,756</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers to other funds	<u>(168,000)</u>
Net cash provided (used) by noncapital financing activities	<u>(168,000)</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Proceeds from borrowing of capital debt	146,748
Purchases of capital assets	(1,511,144)
Principal paid on capital debt	(398,463)
Interest paid on capital debt	(432,360)
Administrative fees on bond and notes payable	<u>(5,959)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,201,178)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Proceeds from sales of investments	1,553,986
Purchase of investments	(919,582)
Interest and dividends	<u>256,045</u>
Net cash provided (used) by investing activities	<u>890,449</u>
Increase (decrease) in cash and cash equivalents	(804,973)
Cash and cash equivalents – beginning of year	<u>889,495</u>
Cash and cash equivalents – end of year	\$ <u><u>84,522</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>ENTERPRISE FUND</u>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	
Operating income (loss)	\$ 229,613
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	296,112
Change in assets and liabilities:	
Accounts receivable	33,643
Prepaid expenses	(5,717)
Accounts payable	100,490
Accrued expenses	49,247
Internal balances	(60,411)
Customer deposits	<u>30,779</u>
Net cash provided by operating activities	\$ <u>673,756</u>
 <i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</i>	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	<u>84,522</u>
Total cash and cash equivalents, end of year	\$ <u>84,522</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

REPORTING ENTITY

The City for financial reporting purposes includes all of the funds relevant to the operations of the City of Hogansville. The Government Accounting Standards Board has set forth criteria to determine if legally separate organizations are considered to be component units in which the City is considered to be financially accountable or other organizations whose nature and significant relationship with the City is such that exclusion would cause the City's financial statements to be incomplete or misleading. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and accordingly, data from these units are combined with data of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The component unit discussed below should be included in the City's reporting entity because of its operational or financial relationship with the City.

Discretely Presented Component Unit

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

The DDA did not issue separate financial statements for the year ended June 30, 2006.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary funds

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BUDGETS AND BUDGETARY ACCOUNTING

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

Budgeting Policy

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

All appropriations lapse at the end of the fiscal year.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue or Proprietary Funds. Encumbrances outstanding at year-end are reservations of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2006.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable are recorded in the General and Proprietary Funds. Receivables are stated at their net realizable value (face value less the allowance for uncollectible accounts). Delinquent taxes receivable are fully reserved by the deferral of the related revenues until payment is received. Utility receivables are recognized only when billed. No accrual of earned, but unbilled receivables is made at year-end. The Enterprise Fund grants credit to utility customers, all of whom are located within the City. Allowances for doubtful accounts totaled \$0 for the General Fund and \$618,071 for the Enterprise Fund.

PREPAID EXPENSES

Payments made for services that will benefit periods beyond June 30, 2006 are recorded as prepaid expenses.

RESTRICTED CASH AND INVESTMENTS

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

INVENTORIES

All governmental fund type inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased. Enterprise fund inventories were not recorded at June 30, 2006 and are not reflected in the accompanying financial statements, due to their immaterial amount.

CAPITAL ASSETS

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

Buildings	20 – 40 years
Utility system	10 – 50 years
Furniture, fixtures and equipment	5 – 10 years
Other infrastructure	10 – 40 years
Vehicles	7 – 10 years

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS - Continued

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

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

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, drainage, sidewalks, etc. The City is not required to retroactively report infrastructure, however, the City did have some infrastructure assets recorded in its General Fixed Asset Account Group at the beginning of the current year. Those infrastructure assets have been included in the beginning balance of infrastructure assets. The City has elected to implement the provisions of GASB Statement No. 34 in the current year.

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

INTEREST EXPENSE AND CAPITALIZED INTEREST

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was \$4,374. Total interest expense from business-type activities was \$498,232, 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, 2006 was \$604,390. Total interest costs charged to expense by the enterprise fund for the year ended June 30, 2006 was \$498,232. Total interest costs capitalized by the enterprise fund for the year ended June 30, 2006 was \$106,158.

BOND DISCOUNTS AND ISSUANCE COSTS

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

COMPENSATED ABSENCES

The City has not recorded any liability for vested or accumulated compensated absences due to the immaterial amount involved.

LONG-TERM DEBT

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

RESERVES OF FUND BALANCE/NET ASSETS

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

INTERFUND TRANSACTIONS

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

USE OF ESTIMATES

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

USE OF RESTRICTED/UNRESTRICTED NET ASSETS

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

REVENUE RECOGNITION

Property Taxes - Troup County bills and collects real and personal property taxes for the City. Ad valorem tax on motor vehicles and mobile homes is collected by the Troup County Tax Commissioner and remitted to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue. Property taxes are normally levied on October 1 of each year on the assessed valuation of property as of the preceding January 1 and are payable on December 20. Liens may attach to property for unpaid taxes on January 1. The assessed valuation for 2005 was \$43,080,275.

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 - CASH AND INVESTMENTS

Cash

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

At June 30, 2006, the carrying amount of the City's cash was \$330,003 and the bank balance was \$410,019. 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 pledging financial institution or it's agent in the City's name.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$50,386 and the bank balance was \$53,993. The entire bank balance was covered by Federal Depository Insurance at June 30, 2006.

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.

As of June 30, 2006, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
Primary Government			
Business-type activities			
STI Classic Institutional US Treasury Money Market Fund	AAAm	07/01/06 - 03/15/07	\$ 476,565
Evergreen Institutional Treasury Money Market Fund	AAAm	07/01/06 - 10/31/06	47,324
Bayerische Landesbank Girozentrale E-NY Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/06/06 - 02/23/07	47,508
Intermediate Portfolio	Not Rated	07/06/06 - 12/15/11	475,693
Intermediate Tax Restricted Portfolio	Not Rated	07/01/06 - 10/01/10	<u>1,040,125</u>
Total			\$ <u>2,905,015</u>

CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - CASH AND INVESTMENTS - Continued

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

Credit Risk. The City has no policy regarding credit risk. The investments in STI Classic Institutional US Treasury Money Market Fund and Evergreen Institutional Treasury Money Market Fund are both 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 \$476,565 investment in STI Classic Institutional US Treasury Money Market Fund and \$47,324 investment in Evergreen Institutional Treasury Money Market Fund 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 funds 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 SunTrust 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 STI Classic Institutional US Treasury Money Market Funds maturity range is from 07/01/06 – 03/15/07, the Evergreen Institutional Treasury Money Market Funds maturity range is from 07/01/06 – 10/31/06, the Bayerische Landesbank Girozentral E-NY Investment Agreement matures on 10/01/23, the Municipal Competitive Trust Short-term Portfolio maturity range is from 07/06/06 – 02/23/07, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/06/06 – 12/15/11, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/06 – 10/01/10.

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 STI Classic Institutional US Treasury Money Market Fund and the Bayerische Landesbank Girozentral E-NY Investment Agreement. These investments represent 16.4% and 28.2% of the City's total investments. External investment pools are excluded from the concentration of credit risk requirement, therefore, the Municipal Competitive Trust is exempt from this requirement.

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 - RECEIVABLES

	<u>Governmental Activities</u>			<u>Business- type Activities</u>	<u>Total</u>
	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Activities</u>		
Gross receivables:					
Property taxes	\$ 2,672	\$ -	\$ 2,672	\$ -	\$ 2,672
Sales taxes	89,523	-	89,523	-	89,523
Accounts	-	-	-	976,920	976,920
Other taxes	<u>21,809</u>	<u>7,601</u>	<u>29,410</u>	<u>-</u>	<u>29,410</u>
Total gross receivables	114,004	7,601	121,605	976,920	1,098,525
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,071</u>	<u>618,071</u>
Total receivables	\$ <u>114,004</u>	\$ <u>7,601</u>	\$ <u>121,605</u>	\$ <u>358,849</u>	\$ <u>480,454</u>

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, 2006:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		
Due to Enterprise Fund	\$ -	\$ 205,720
Due from Other Governmental Funds	<u>4,560</u>	<u>-</u>
Total General Fund	\$ <u>4,560</u>	\$ <u>205,720</u>
Other Governmental Funds		
Due to General Fund	\$ <u>-</u>	\$ <u>4,560</u>
Total Other Governmental Funds	\$ <u>-</u>	\$ <u>4,560</u>
Enterprise Fund		
Due from General Fund	\$ <u>205,720</u>	\$ <u>-</u>
Total Enterprise Fund	\$ <u>205,720</u>	\$ <u>-</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 183,818	\$ -	\$ -	\$ 183,818
Construction in progress	<u>149,038</u>	<u>188,420</u>	<u>(337,458)</u>	<u>-</u>
Subtotal	<u>332,856</u>	<u>188,420</u>	<u>(337,458)</u>	<u>183,818</u>
Other capital assets:				
Buildings and improvements	1,928,426	87,301	(17,205)	1,998,522
Infrastructure	576,388	284,008	-	860,396
Furniture, fixtures and equipment	1,265,243	111,238	(854,405)	522,076
Vehicles	<u>603,115</u>	<u>27,286</u>	<u>(19,100)</u>	<u>611,301</u>
Subtotal	<u>4,373,172</u>	<u>509,833</u>	<u>(890,710)</u>	<u>3,992,295</u>
Accumulated depreciation:				
Buildings and improvements	(292,064)	(54,692)	6,247	(340,509)
Infrastructure	(28,986)	(16,889)	-	(45,875)
Furniture, fixtures and equipment	(893,391)	(148,204)	854,405	(187,190)
Vehicles	<u>(159,590)</u>	<u>(80,278)</u>	<u>8,640</u>	<u>(231,228)</u>
Subtotal	<u>(1,374,031)</u>	<u>(300,063)</u>	<u>869,292</u>	<u>(804,802)</u>
Net other capital assets	<u>2,999,141</u>	<u>209,770</u>	<u>(21,418)</u>	<u>3,187,493</u>
Total governmental activities capital assets	\$ <u>3,331,997</u>	\$ <u>398,190</u>	\$(<u>358,876)</u>	\$ <u>3,371,311</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government	\$ 67,033			
Public safety	154,425			
Public services	<u>78,605</u>			
Total governmental activities depreciation expense	\$ <u>300,063</u>			

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 5 - CAPITAL ASSETS – Continued

Following is a summary of changes in the capital assets of business-type activities, at June 30, 2006:

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land	\$ 380,784	\$ -	\$ -	\$ 380,784
Construction in progress	<u>1,136,878</u>	<u>1,282,882</u>	<u>(8,136)</u>	<u>2,411,624</u>
Subtotal	<u>1,517,662</u>	<u>1,282,882</u>	<u>(8,136)</u>	<u>2,792,408</u>
Other capital assets:				
Utility system	12,152,660	236,397	(14,118)	12,374,939
Furniture, fixtures and equipment	<u>236,938</u>	<u>-</u>	<u>(56,806)</u>	<u>180,132</u>
Subtotal	<u>12,389,598</u>	<u>236,397</u>	<u>(70,924)</u>	<u>12,555,071</u>
Accumulated depreciation:				
Utility system	(3,396,271)	(277,299)	(67,374)	(3,740,944)
Furniture, fixtures and equipment	<u>(254,697)</u>	<u>(18,813)</u>	<u>138,299</u>	<u>(135,211)</u>
Subtotal	<u>(3,650,968)</u>	<u>(296,112)</u>	<u>70,925</u>	<u>(3,876,155)</u>
Net other capital assets	<u>8,738,630</u>	<u>(59,715)</u>	<u>1</u>	<u>8,678,916</u>
Net business-type activities capital assets	\$ <u>10,256,292</u>	\$ <u>1,223,167</u>	\$(<u>8,135)</u>	\$ <u>11,471,324</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Utility System	\$ <u>296,112</u>
Total business-type activities depreciation expense	\$ <u>296,112</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

<u>Type of Debt</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Capital leases payable	\$ <u>79,135</u>	<u>66,206</u>	(<u>43,482</u>)	<u>101,859</u>	<u>38,704</u>
Total general long-term debt	\$ <u>79,135</u>	\$ <u>66,206</u>	\$ (<u>43,482</u>)	\$ <u>101,859</u>	\$ <u>38,704</u>
Business-type activities:					
Revenue bonds payable	\$ 8,560,000	\$ -	\$ (205,000)	\$ 8,355,000	\$ 275,000
Less: unamortized issue costs, discounts, and premiums	(<u>817,625</u>)	<u>73,213</u>	<u>-</u>	(<u>744,412</u>)	(<u>73,213</u>)
Revenue bonds payable, net	7,742,375	73,213	(205,000)	7,610,588	201,787
Capital leases payable	500,000	-	(45,490)	454,510	43,663
Notes payable	<u>1,049,025</u>	<u>146,748</u>	(<u>147,973</u>)	<u>1,047,800</u>	<u>165,504</u>
Total proprietary fund debt	\$ <u>9,291,400</u>	\$ <u>219,961</u>	\$ (<u>398,463</u>)	\$ <u>9,112,898</u>	\$ <u>410,954</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

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

GOVERNMENTAL ACTIVITIES:

As of June 30, 2006, the governmental long-term debt of the financial reporting entity consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City has financed equipment and two 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 \$66,206 for the office equipment, and \$78,225 and \$24,599 for the vehicles. 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, 2006:

June 30, 2007	\$	41,531
June 30, 2008		45,702
June 30, 2009		18,097
June 30, 2010		<u>1,348</u>
Total minimum lease payments		106,678
Amount representing interest		(<u>4,819</u>)
Present value of lease obligations for governmental activities		101,859
Less: current maturities		<u>38,704</u>
Long-term maturities	\$	<u><u>63,155</u></u>

Leased assets under capital leases in capital assets at June 30, 2006, include the following:

Vehicles	\$	102,824
Equipment		66,206
Less: accumulated depreciation		(<u>30,113</u>)
Total	\$	<u><u>138,917</u></u>

Total depreciation expense on the office equipment and vehicle for the year ended June 30, 2006, was \$17,406. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2006, the long-term debt payable from proprietary fund resources consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City has financed improvements to its electric utility system under a capital lease agreement. 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 will be \$486,963 for improvements and \$13,037 for closing costs. The following is a schedule of future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2006:

June 30, 2007	\$	60,192
June 30, 2008		60,193
June 30, 2009		60,192
June 30, 2010		60,193
June 30, 2011		60,192
June 30, 2012 -2016		<u>235,753</u>
Total minimum lease payments		536,715
Amount representing interest		(<u>82,205</u>)
Present value of lease obligations for governmental activities		454,510
Less: current maturities		<u>43,663</u>
Long-term maturities	\$	<u>410,847</u>

\$410,616 of the proceeds of the capital lease had been expended at June 30, 2006, and construction in progress of leased assets under capital leases in capital assets at June 30, 2006, include the following:

Utility system construction in progress	\$	410,616
Less: accumulated depreciation		<u>-</u>
Total	\$	<u>410,616</u>

Total depreciation expense on the utility system improvements for the year ended June 30, 2006, was \$0. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 1993 Series

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

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

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

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

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

The City elected early application of Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities". Under this statement, the loss on advance refunding is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, this deferred loss is reported as a deduction from the new debt liability. For the year ending June 30, 2005 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, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 1993 Series – Continued:

The ordinance authorizing the 1993 Combined Public Utility System Refunding Revenue Bonds requires that a Revenue Bond Sinking Fund be established in amounts sufficient to pay principal and interest on the bonds as they become due. As of June 30, 2006, all required transfers have been made 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. 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, 2006, the City was in compliance with these debt service requirements.

Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Utility System and will revise them as necessary to provide net revenues (excluding bond interest expense, depreciation, amortization, and operating transfers) equal to at least 130% of the required Sinking Fund payments and 100% of the debt service requirements of subordinated debt coming due. At June 30, 2006, the net revenues (excluding bond interest expense, depreciation, amortization, and operating transfers) of the Enterprise Fund were not in compliance with this requirement. Therefore, any bondholder, may institute and prosecute in any court of competent jurisdiction an appropriate action to compel the City to revise its schedule or schedules of rates, fees and charges in accordance 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	(2,015,000)
 Amount outstanding, June 30, 2006	 6,510,000
Less: unamortized discount	(29,628)
Less: unamortized deferred loss on advance refunding	(714,784)
 Net amount outstanding, June 30, 2006	 5,765,588
 Less: current maturities	 <u>141,787</u>
 Long-term maturities	 <u>\$ 5,623,801</u>

Year Ending June 30,	Principal	Interest	Total Debt Service Requirements
2007	\$ 215,000	\$ 379,055	\$ 594,055
2008	225,000	366,679	591,679
2009	240,000	353,483	593,483
2010	250,000	339,330	589,330
2011	265,000	324,266	589,266
2012 - 2016	1,590,000	1,360,275	2,950,275
2017 - 2022	2,120,000	814,500	2,934,500
2022 - 2024	<u>1,605,000</u>	<u>148,050</u>	<u>1,753,050</u>
 Totals	 <u>\$ 6,510,000</u>	 <u>\$ 4,085,638</u>	 <u>\$ 10,595,638</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 2004 Series

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

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

- As of June 30, 2006, \$1,692,745 of the proceeds was used to pay for the costs and installation of gas lines for the City's gas system.
- \$95,184 of the proceeds has been used to pay capitalized interest during the gas line installation phase.
- \$37,630 of the proceeds were used to pay issuance and other related costs.
- At June 30, 2006 the remaining \$19,441 was being held in order to pay the remaining costs and installation of the gas lines and capitalized interest.

The intergovernmental agreement between the Authority and the City requires the City to levy an annual tax on all taxable property located within the City boundaries as may be necessary to make the payments to the Authority for debt service of the bonds as it comes due. As of June 30, 2006, 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	(-)
Amount outstanding, June 30, 2006	1,845,000
Less: current maturities	<u>60,000</u>
Long-term maturities	<u>\$ 1,785,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2007	\$ 60,000	\$ 86,213	\$ 146,213
2008	65,000	83,244	148,244
2009	65,000	80,156	145,156
2010	70,000	76,950	146,950
2011	75,000	73,506	148,506
2012 – 2016	430,000	309,463	739,463
2017 – 2021	550,000	193,562	743,562
2022 – 2025	<u>530,000</u>	<u>51,537</u>	<u>581,537</u>
Totals	<u>\$ 1,845,000</u>	<u>\$ 954,631</u>	<u>\$ 2,799,631</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - LONG-TERM DEBT - Continued

NOTES PAYABLE

<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$1,004,480, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$14,563, including interest, through May 1, 2011. This note was used for improvements to the City's utility system 	\$ 782,121
<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. The note was used for improvements to the City's water and sewer system. 	255,679
<ul style="list-style-type: none"> • Note payable to Holliday Construction Company, Inc. in the original amount of \$75,000, interest rate of 0% unsecured note for utility construction settlement, payable in annual installments of \$10,000 through November 2, 2002 and \$5,000 from November 2, 2003 through November 2, 2007. 	<u>10,000</u>
<p>Total notes payable, June 30, 2006</p> <p>Less: current maturities</p>	<p>1,047,800</p> <p><u>165,504</u></p>
<p>Long-term maturities</p>	\$ <u>882,296</u>

ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2006, are as follows:

CAPITAL LEASES PAYABLE

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 38,704	\$ 2,827	\$ 43,663	\$ 16,529	\$ 101,723
2008	44,069	1,633	45,311	14,882	105,895
2009	17,751	346	47,105	13,087	78,289
2010	1,335	13	48,928	11,265	61,541
2011	-	-	50,821	9,371	60,192
2012-2016	<u>-</u>	<u>-</u>	<u>218,682</u>	<u>17,071</u>	<u>235,753</u>
Total	\$ <u>101,859</u>	\$ <u>4,819</u>	\$ <u>454,510</u>	\$ <u>82,205</u>	\$ <u>643,393</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 - 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>
2007	\$ 165,504	\$ 36,859	\$ 202,363
2008	171,696	30,667	202,363
2009	173,266	24,097	197,363
2010	179,960	17,403	197,363
2011	172,294	10,506	182,800
2012-2016	85,424	27,598	113,022
2017-2021	<u>99,656</u>	<u>9,643</u>	<u>109,299</u>
Total	\$ <u>1,047,800</u>	\$ <u>156,773</u>	\$ <u>1,204,573</u>

REVENUE BONDS PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 275,000	\$ 465,268	\$ 740,268
2008	290,000	449,922	739,922
2009	305,000	433,639	738,639
2010	320,000	416,280	736,280
2011	340,000	397,773	737,773
2012-2016	2,020,000	1,669,737	3,689,737
2017-2021	2,670,000	1,008,063	3,678,063
2022-2025	<u>2,135,000</u>	<u>199,587</u>	<u>2,334,587</u>
Total	\$ <u>8,355,000</u>	\$ <u>5,040,269</u>	\$ <u>13,395,269</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 7 - INTERFUND TRANSACTIONS AND BALANCES

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Enterprise Fund	\$ 168,000	\$ -
Other governmental funds	<u>16,083</u>	<u>-</u>
Total General Fund	<u>184,083</u>	<u>-</u>
Other Governmental Funds:		
General Fund	<u>-</u>	<u>16,083</u>
Total Other Governmental Funds	<u>-</u>	<u>16,083</u>
Enterprise Fund:		
General Fund	<u>-</u>	<u>168,000</u>
Total Enterprise Fund	<u>-</u>	<u>168,000</u>
Totals	<u>\$ 184,083</u>	<u>\$ 184,083</u>

Transfers are primarily used to move funds from:

- The Enterprise Fund to the General Fund for an administrative fee and General Fund operating expenses.
- Other Governmental Funds to the General Fund for beautification.

During the year ended June 30, 2006, the City made transfers of \$168,000 from the Enterprise Fund to the General Fund for an administrative fee and to subsidize General Fund operating expenses. In addition, the City made transfers of \$16,083 from Other Governmental Funds to the General Fund for beautification.

NOTE 8 - RESTRICTED GOVERNMENT-WIDE ASSETS

Governmental activities

Restricted assets are composed of \$85,041 of cash restricted for public safety expenditures under Federal and State laws regarding expenditures of Federal and State confiscated property.

Business-type activities

Restricted assets are composed of the following at June 30, 2006:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust Investment Accounts	\$ -	\$ 1,563,326	\$ 1,563,326
1993 Suntrust Bond Investment Accounts	-	1,294,365	1,294,365
2004 Wachovia Bond Investment Accounts	-	47,324	47,324
Unrestricted Cash Restricted for Customer Deposits	<u>84,522</u>	<u>-</u>	<u>84,522</u>
Total	<u>\$ 84,522</u>	<u>\$ 2,905,015</u>	<u>\$ 2,989,537</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 9 - RESTRICTED FUND ASSETS

Confiscated Assets Fund

Restricted assets are composed of \$85,041 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, 2006:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Municipal Competitive Trust Investment Accounts	\$ -	\$ 1,563,326	\$ 1,563,326
1993 Suntrust Bond Investment Accounts	-	1,294,365	1,294,365
2004 Wachovia Bond Investment Accounts	-	47,324	47,324
Unrestricted Cash Restricted for Customer Deposits	<u>84,522</u>	<u>-</u>	<u>84,522</u>
Total	\$ <u>84,522</u>	\$ <u>2,905,015</u>	\$ <u>2,989,537</u>

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

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2006:

Current Portion of 1993 Revenue Bonds Payable	\$ 215,000
Customer Deposits	115,645
Accrued Interest Payable on 1993 Revenue Bonds	96,269
Current Portion of 2004 Revenue Bonds Payable	60,000
Accrued Interest Payable on 2004 Revenue Bonds	<u>21,909</u>
Total	\$ <u>508,823</u>

NOTE 11 - LIABILITIES PAYABLE FROM FUND RESTRICTED ASSETS:

Proprietary Funds

Liabilities payable from restricted assets are composed of the following at June 30, 2006:

Enterprise Fund	
Current Portion of 1993 Revenue Bonds Payable	\$ 215,000
Customer Deposits	115,645
Accrued Interest Payable on 1993 Revenue Bonds	96,269
Current Portion of 2004 Revenue Bonds Payable	60,000
Accrued Interest Payable on 2004 Revenue Bonds	<u>21,909</u>
Total	\$ <u>508,823</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 12 - RESERVED FUND BALANCE

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

General Fund

Reserves of \$63,529 have been provided in the General Fund for prepaid items.

Confiscated Assets Fund

Reserves of \$85,041 have been provided in the Confiscated Assets Special Revenue Fund for restricted assets that are required to be used for specific purposes.

NOTE 13 - RESTRICTED NET ASSETS

Governmental Activities

Restricted net assets are comprised of the following at June 30, 2006:

Restricted for:	
Public safety	\$ <u>85,041</u>
Total net assets restricted for governmental activities	\$ <u>85,041</u>

Business-type Activities

Restricted net assets are comprised of the following at June 30, 2006:

Restricted for:	
Municipal Competitive Trust Agreement	\$ 1,497,617
Debt Service	<u>983,097</u>
Total net assets restricted for business-type activities	\$ <u>2,480,714</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 14 - CONFISCATED ASSETS SPECIAL REVENUE FUND

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

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

A summary of the Special Revenue Fund follows:

	Confiscated Assets
Balance July 1, 2005	\$ <u>249,602</u>
Revenues	
Forfeitures	<u>1,843</u>
Total revenues	<u>1,843</u>
Expenditures	
Public safety	<u>166,404</u>
Total expenditures	<u>166,404</u>
Balance June 30, 2006	\$ <u>85,041</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, 2006**

NOTE 16 - PENSION PLAN - Continued

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 5.5% of covered payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

Annual Pension Cost

For the current year, the City's annual pension cost of \$49,299 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the March 1, 2006 actuarial valuation based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

- Rate of return on investment 8.0% per year
- Projected salary increases 5.5% per year
- Cost of living adjustments 0.0%

Three-Year Trend Information for HRP

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/04	\$26,865	100%	\$0
06/30/05	\$34,850	100%	\$0
06/30/06	\$49,299	100%	\$0

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for HRP

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
03/01/04	\$1,789,348	\$1,493,960	\$(295,388)	119.8%	\$673,854	(43.8)%
03/01/05	\$1,815,043	\$1,476,056	\$(338,987)	123.0%	\$749,113	(45.3)%
03/01/06	\$1,865,801	\$1,564,429	\$(301,372)	119.3%	\$896,191	(33.6)%

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 16 - PENSION PLAN - Continued

Effect of Plan Changes on the Actuarial Accrued Liability

The plan provisions valued and the actuarial assumptions are the same as those used in the preceding valuation.

Effect of Plan Changes on Recommended Contributions

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

Method used to determine the Actuarial Value of Assets

Sum of the actuarial value at the beginning of year and the cash flow during year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 25% of market value.

NOTE 17 - HOTEL/MOTEL LODGING TAX

The City has levied a 5% hotel/motel lodging tax. The amount of total tax collected in excess of a rate of 3% (60% of the total tax collected), or 2% (40% of the tax collected) is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions for the year ending June 30, 2006 follows:

Total hotel/motel tax receipts	\$ 26,805
Less: hotel/motel tax collected at a rate of 3% (60% of the total tax collected)	<u>16,083</u>
Hotel/motel tax collected at a rate of 2% (40% of the total tax collected) to be expended for the promotion of tourism, conventions and trade shows	10,722
Expenses for promotion of tourism, conventions and trade shows to Troup County Chamber of Commerce (40% of the total tax collected)	<u>10,722</u>
Balance of hotel/motel tax funds at June 30, 2006	\$ <u> -</u>

NOTE 18 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

The City had no expenditures over appropriations for the fiscal year ending June 30, 2006.

NOTE 19 - DEFICIT FUND BALANCES/RETAINED EARNINGS

There were no deficit fund balances/net assets at June 30, 2006.

NOTE 20 - LITIGATION

The City is a party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City, and accordingly, no provisions for losses have been recorded.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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 therefrom 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 \$10,902,464 of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2006.

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 \$1,858,046 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2006.

The City is under a court order from the Georgia Public Service Commission, in which the City is required to replace the entire cast iron mains of its Gas System by August 31, 2009. The City is currently in the process of having the cast iron mains replaced, and anticipates that the process will be completed before the deadline.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 22 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance and the Workers' Compensation Self-Insurance Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers both risk pools.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pools' agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 23 - RELATED ORGANIZATION

The City of Hogansville Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$15,093 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2006.

NOTE 24 - JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and 5 counties in Western Georgia, is a member of the Chattahoochee Flint Regional Development Center ("CFRDC"). The City paid \$3,177 in dues to CFRDC for the year ended June 30, 2006. Membership in a Regional Development Center ("RDC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RDC in Georgia. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from Chattahoochee Flint Regional Development Center, 13273 Georgia Highway 34 East, P.O. Box 1600, Franklin, GA 30217-1600.

NOTE 25 - GRANTS

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 26 - LANDFILL CLOSURE AND POSTCLOSURE CARE

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

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

All work was completed by April 30, 1997.

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

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

**CITY OF HOGANSVILLE, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006**

	<u>Special Revenue</u>		
	<u>Confiscated Assets</u>	<u>Hotel/ Motel Tax</u>	<u>Totals</u>
ASSETS			
Other taxes receivable	\$ -	\$ 7,601	\$ 7,601
Restricted cash and cash equivalents	<u>85,041</u>	<u>-</u>	<u>85,041</u>
Total assets	\$ <u>85,041</u>	\$ <u>7,601</u>	\$ <u>92,642</u>
LIABILITIES			
Accounts payable	\$ -	\$ 3,041	\$ 3,041
Due to other funds	<u>-</u>	<u>4,560</u>	<u>4,560</u>
Total liabilities	<u>-</u>	<u>7,601</u>	<u>7,601</u>
FUND BALANCES			
Reserved:			
Public safety	<u>85,041</u>	<u>-</u>	<u>85,041</u>
Total fund balance	<u>85,041</u>	<u>-</u>	<u>85,041</u>
Total liabilities and fund Balances	\$ <u>85,041</u>	\$ <u>7,601</u>	\$ <u>92,642</u>

**CITY OF HOGANSVILLE, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Special Revenue</u>		<u>Totals</u>
	<u>Confiscated Assets</u>	<u>Hotel/ Motel Tax</u>	
REVENUES			
Taxes	\$ -	\$ 26,805	\$ 26,805
Fines and forfeitures	<u>1,843</u>	<u>-</u>	<u>1,843</u>
Total Revenues	<u>1,843</u>	<u>26,805</u>	<u>28,648</u>
EXPENDITURES			
Current operating			
Public safety	166,404	-	166,404
Intergovernmental	<u>-</u>	<u>10,722</u>	<u>10,722</u>
Total Expenditures	<u>166,404</u>	<u>10,722</u>	<u>177,126</u>
Excess (deficiency) of revenues Over (under) expenditures	(<u>164,561</u>)	<u>16,083</u>	(<u>148,478</u>)
OTHER FINANCING SOURCES (USES)			
Transfers	<u>-</u>	(<u>16,083</u>)	(<u>16,083</u>)
Net other financing sources (uses)	<u>-</u>	(<u>16,083</u>)	(<u>16,083</u>)
Net changes in fund balances	(164,561)	-	(164,561)
Fund balance - beginning of year	<u>249,602</u>	<u>-</u>	<u>249,602</u>
Fund balance - end of year	\$ <u>85,041</u>	\$ <u>-</u>	\$ <u>85,041</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – CONFISCATED ASSETS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<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> -</u>	\$ <u> 1,843</u>	\$ <u> 1,843</u>
Total revenues	<u> -</u>	<u> -</u>	<u> 1,843</u>	<u> 1,843</u>
EXPENDITURES				
Current operating				
Public safety	<u> -</u>	<u> 166,404</u>	<u> 166,404</u>	<u> -</u>
Total expenditures	<u> -</u>	<u> 166,404</u>	<u> 166,404</u>	<u> -</u>
Excess (deficiency) of revenues over (under) expenditures	-	(166,404)	(164,561)	1,843
Fund balance - beginning of year	<u> 249,602</u>	<u> 249,602</u>	<u> 249,602</u>	<u> -</u>
Fund balance - end of year	\$ <u> 249,602</u>	\$ <u> 83,198</u>	\$ <u> 85,041</u>	\$ <u> 1,843</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, 2006

	<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>15,000</u>	\$ <u>15,000</u>	\$ <u>26,805</u>	\$ <u>11,805</u>
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>26,805</u>	<u>11,805</u>
EXPENDITURES				
Current operating				
Intergovernmental	<u>-</u>	<u>10,722</u>	<u>10,722</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>10,722</u>	<u>10,722</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>4,278</u>	<u>16,083</u>	<u>11,805</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,000)</u>	<u>(16,083)</u>	<u>(16,083)</u>	<u>-</u>
Net other financing sources (uses)	<u>(15,000)</u>	<u>(16,083)</u>	<u>(16,083)</u>	<u>-</u>
Net changes in fund balance	<u>-</u>	<u>(11,805)</u>	<u>-</u>	<u>11,805</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	\$ <u>-</u>	\$ <u>(11,805)</u>	\$ <u>-</u>	\$ <u>11,805</u>

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

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES	<u>GENERAL FUND</u>		VARIANCE FAVORABLE (UNFAVORABLE)
	<u>BUDGET</u>	<u>ACTUAL</u>	
Taxes			
Local option sales	\$ 438,000	\$ 504,019	\$ 66,019
Property	422,000	395,942	(26,058)
Insurance premium	137,000	138,932	1,932
Beer and wine	91,000	78,119	(12,881)
Franchise	66,000	57,143	(8,857)
Motor vehicle	43,000	27,531	(15,469)
Collections in lieu of tax	18,000	15,093	(2,907)
Financial institution gross receipts	14,000	11,248	(2,752)
Intangible	11,400	12,882	1,482
Real estate transfer	19,500	1,250	(18,250)
Railroad equipment car	-	865	865
Mobile home	-	146	146
Total taxes	<u>1,259,900</u>	<u>1,243,170</u>	<u>(16,730)</u>
Fines and forfeitures			
Fines and forfeitures	187,000	407,084	220,084
Georgia crime victims fund	(57,646)	(57,646)	-
Troup County jail fund	(17,521)	(17,521)	-
Peace officers annuity & benefit fund	(13,031)	(13,031)	-
Total fines and forfeitures	<u>98,802</u>	<u>318,886</u>	<u>220,084</u>
Charges for services			
Sanitation fees	177,000	184,851	7,851
Grave opening fees	19,000	18,125	(875)
Cemetery lot sales	9,500	15,220	5,720
Dog pound fees	2,000	146	(1,854)
Total charges for services	<u>207,500</u>	<u>218,342</u>	<u>10,842</u>
Other			
Miscellaneous	15,500	86,605	71,105
Timber	-	60,000	60,000
Cemetery trust	21,000	20,000	(1,000)
Service charge on returned checks	7,000	3,585	(3,415)
Occupation tax administrative fee	-	2,410	2,410
Political registration fees	-	304	304
Total other	<u>43,500</u>	<u>172,904</u>	<u>129,404</u>
Intergovernmental			
Grants	-	91,705	91,705
Total Intergovernmental	<u>-</u>	<u>91,705</u>	<u>91,705</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
REVENUES - CONTINUED			
Licenses and permits			
Business licenses	\$ 38,000	\$ 40,950	\$ 2,950
Building permits	56,500	20,100	(36,400)
Land disturbance permits	7,500	-	(7,500)
Other permits income	-	550	550
Interest and penalties	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total licenses and permits	<u>105,000</u>	<u>61,600</u>	<u>(43,400)</u>
Contributions			
Contributions	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total contributions	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Payments from component unit			
Payments from DDA	<u>-</u>	<u>11,112</u>	<u>11,112</u>
Total payments from component unit	<u>-</u>	<u>11,112</u>	<u>11,112</u>
Investment return			
Interest	<u>9,500</u>	<u>8,269</u>	<u>(1,231)</u>
Total investment return	<u>9,500</u>	<u>8,269</u>	<u>(1,231)</u>
TOTAL REVENUES	<u>\$ 1,724,202</u>	<u>\$ 2,155,988</u>	<u>\$ 431,786</u>

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>GENERAL FUND</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
CURRENT OPERATING EXPENDITURES			
General government			
Administrative			
Salaries and wages	\$ 215,211	\$ 215,211	\$ -
Professional fees	49,475	49,475	-
Property insurance	44,917	44,917	-
Liability insurance	37,890	37,890	-
Group insurance	32,306	32,306	-
Other contractual services	28,142	28,142	-
Utilities	16,703	16,703	-
Payroll taxes	16,477	16,477	-
Computer improvements	11,898	11,898	-
Supplies and materials	11,365	11,365	-
Contingency	10,627	10,627	-
Retirement administrative fee	7,898	7,898	-
Computer supplies	7,256	7,256	-
Retirement	6,042	6,042	-
Dues, publications and subscriptions	5,966	5,966	-
Travel, training and conferences	5,890	5,890	-
Public official insurance	5,667	5,667	-
Auto insurance	4,913	4,913	-
Workers compensation insurance	4,845	4,845	-
Telephone	4,404	4,404	-
Postage	3,780	3,780	-
Advertising	2,974	2,974	-
Unemployment	2,935	2,935	-
Tax commissioner	2,279	2,279	-
Bank charges	759	759	-
Janitorial supplies	628	628	-
Office supplies	567	567	-
Motor vehicle repair and maintenance	550	550	-
Employee assistance program	301	301	-
Vehicle gas & oil	54	54	-
Teller over/short	20	20	-
	<u>542,739</u>	<u>542,739</u>	<u>-</u>
Total administrative			
	<u>542,739</u>	<u>542,739</u>	<u>-</u>
Total general government			

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

CURRENT OPERATING EXPENDITURES - CONTINUED	GENERAL FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
Public safety			
Police department			
Salaries and wages	\$ 544,099	\$ 544,099	\$ -
Group insurance	101,041	101,041	-
Vehicle gas and oil	65,217	65,217	-
Jail fees	51,903	51,903	-
Payroll taxes	40,147	40,147	-
Workers compensation insurance	28,361	28,361	-
Office supplies	22,249	22,249	-
Telephone	17,620	17,620	-
Auto insurance	16,333	16,333	-
Utilities	15,870	15,870	-
Retirement	9,369	9,369	-
Other contractual services	8,459	8,459	-
Uniforms	7,937	7,937	-
Unemployment	5,552	5,552	-
Motor vehicle repair and maintenance	4,287	4,287	-
Supplies and materials	2,735	2,735	-
Police liability insurance	1,833	1,833	-
Travel, training and conferences	912	912	-
Dues, publications and subscriptions	860	860	-
Janitorial supplies	678	678	-
Employee assistance program	602	602	-
Total police department	946,064	946,064	-
Total public safety	946,064	946,064	-
Public service			
Cemetery			
Salaries and wages	7,303	7,303	-
Equipment	5,109	5,109	-
Workers compensation insurance	1,796	1,796	-
Group insurance	1,379	1,379	-
Supplies and materials	297	297	-
Payroll taxes	190	190	-
Other repair and maintenance	90	90	-
Retirement	72	72	-
Utilities	68	68	-
Total cemetery	16,304	16,304	-

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>GENERAL FUND</u>		<u>VARIANCE</u>
CURRENT OPERATING EXPENDITURES - CONTINUED	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Public service - Continued			
Garage			
Salaries and wages	\$ 54,077	\$ 54,077	\$ -
Group insurance	10,265	10,265	-
Payroll taxes	4,203	4,203	-
Supplies and materials	3,873	3,873	-
Retirement	953	953	-
Building repair and maintenance	950	950	-
Telephone	767	767	-
Other contractual services	475	475	-
Workers compensation insurance	<u>450</u>	<u>450</u>	<u>-</u>
Total garage	<u>76,013</u>	<u>76,013</u>	<u>-</u>
Street department			
Salaries and wages	195,931	195,931	-
TEA grant streetscape	152,970	152,970	-
Backhoe and chipper	66,206	66,206	-
Group insurance	44,172	44,172	-
Supplies and materials	20,256	20,256	-
Vehicle gas and oil	17,145	17,145	-
Payroll taxes	14,932	14,932	-
Other repairs and maintenance	9,041	9,041	-
Workers compensation insurance	8,700	8,700	-
Motor vehicle repairs and maintenance	8,500	8,500	-
Retirement	4,486	4,486	-
Other contractual services	4,141	4,141	-
Animal control supplies	2,636	2,636	-
Equipment	2,193	2,193	-
Travel, training and conferences	<u>150</u>	<u>150</u>	<u>-</u>
Total street department	<u>551,459</u>	<u>551,459</u>	<u>-</u>
Total public service	<u>643,776</u>	<u>643,776</u>	<u>-</u>
Sanitation service			
Other contractual services	<u>145,215</u>	<u>145,215</u>	<u>-</u>
Total sanitation service	<u>145,215</u>	<u>145,215</u>	<u>-</u>
TOTAL CURRENT OPERATING EXPENDITURES	<u>2,277,794</u>	<u>2,277,794</u>	<u>-</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>GENERAL FUND</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAVORABLE)</u>
CURRENT OPERATING EXPENDITURES - CONTINUED			
INTERGOVERNMENTAL			
Troup County fire department	\$ <u>153,587</u>	\$ <u>153,587</u>	\$ <u>-</u>
TOTAL INTERGOVERNMENTAL	<u>153,587</u>	<u>153,587</u>	<u>-</u>
DEBT SERVICE			
Debt service – principal	43,482	43,482	-
Debt service – interest	<u>4,374</u>	<u>4,374</u>	<u>-</u>
TOTAL DEBT SERVICE	<u>47,856</u>	<u>47,856</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 2,479,237</u>	<u>\$ 2,479,237</u>	<u>\$ -</u>

SEE INDEPENDENT AUDITORS' REPORT.

ENTERPRISE FUND

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City's management is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>ENTERPRISE FUND</u>		<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	
OPERATING REVENUES			
Electric			
Charges for services	\$ 2,129,632	\$ 2,241,432	\$ 111,800
Security lights	15,000	12,539	(2,461)
Connection fees	<u>55,000</u>	<u>-</u>	<u>(55,000)</u>
Total electric	<u>2,199,632</u>	<u>2,253,971</u>	<u>54,339</u>
Gas			
Charges for services	<u>1,613,798</u>	<u>1,580,447</u>	<u>(33,351)</u>
Total gas	<u>1,613,798</u>	<u>1,580,447</u>	<u>(33,351)</u>
Water			
Charges for services	455,000	345,679	(109,321)
Connection fees	<u>20,000</u>	<u>32,750</u>	<u>12,750</u>
Total water	<u>475,000</u>	<u>378,429</u>	<u>(96,571)</u>
Sewerage			
Charges for services	400,000	333,910	(66,090)
Connection fees	<u>20,000</u>	<u>29,700</u>	<u>9,700</u>
Total sewerage	<u>420,000</u>	<u>363,610</u>	<u>(56,390)</u>
Nondepartmental			
Penalties	100,000	124,586	24,586
Other	60,000	8,127	(51,873)
Fire protection	<u>800</u>	<u>911</u>	<u>111</u>
Total nondepartmental	<u>160,800</u>	<u>133,624</u>	<u>(27,176)</u>
TOTAL OPERATING REVENUES	<u>4,869,230</u>	<u>4,710,081</u>	<u>(159,149)</u>
NONOPERATING REVENUES			
Investment return	<u>35,000</u>	<u>222,348</u>	<u>187,348</u>
Total nonoperating revenues	<u>35,000</u>	<u>222,348</u>	<u>187,348</u>
TOTAL REVENUES	<u>\$ 4,904,230</u>	<u>\$ 4,932,429</u>	<u>\$ 28,199</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

OPERATING EXPENSES	ENTERPRISE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
Electric department			
Utilities purchased for resale	\$ 1,901,869	\$ 1,901,869	\$ -
Salaries and wages	88,418	88,418	-
Depreciation	46,881	46,881	-
Supplies and materials	26,292	26,292	-
Vehicle gas and oil	18,307	18,307	-
Group insurance	17,080	17,080	-
Street lights	14,407	14,407	-
Postage	10,162	10,162	-
Contingency	8,208	8,208	-
Other contractual services	7,218	7,218	-
Bank charges	6,786	6,786	-
Payroll taxes	6,739	6,739	-
Workers compensation insurance	6,500	6,500	-
Miscellaneous	5,856	5,856	-
Motor vehicle repair and maintenance	3,005	3,005	-
Retirement	1,963	1,963	-
Other repairs and maintenance	1,689	1,689	-
Other professional services	1,262	1,262	-
Telephone	941	941	-
Dues, publications, and subscriptions	600	600	-
Collection agency	315	315	-
Office supplies	209	209	-
Travel, training and conferences	82	82	-
Total electric department	2,174,789	2,174,789	-

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

OPERATING EXPENSES - CONTINUED	ENTERPRISE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
Gas department			
Utilities purchased for resale	\$ 1,312,088	\$ 1,312,088	\$ -
Salaries and wages	58,380	58,380	-
Other contractual services	22,619	22,619	-
Supplies and materials	21,945	21,945	-
Depreciation	12,396	12,396	-
Group insurance	10,032	10,032	-
Vehicle gas and oil	6,100	6,100	-
Telephone	5,705	5,705	-
Payroll taxes	4,585	4,585	-
Motor vehicle repair and maintenance	2,521	2,521	-
Workers compensation insurance	1,800	1,800	-
Retirement	1,263	1,263	-
Other repair and maintenance	368	368	-
Travel, training and conferences	266	266	-
Utilities	188	188	-
Small tools	47	47	-
Total gas department	1,460,303	1,460,303	-

SEE INDEPENDENT AUDITORS' REPORT.

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006

OPERATING EXPENSES - CONTINUED	ENTERPRISE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
Water department			
Water distribution			
Depreciation	\$ 68,791	\$ 68,791	\$ -
Salaries and wages	43,360	43,360	-
Supplies and materials	26,365	26,365	-
Group insurance	10,032	10,032	-
Vehicle gas and oil	7,726	7,726	-
Payroll taxes	3,515	3,515	-
Motor vehicle repairs and maintenance	2,726	2,726	-
Workers compensation insurance	2,100	2,100	-
Other contractual services	1,717	1,717	-
Retirement	1,269	1,269	-
Telephone	760	760	-
Travel, training & conferences	153	153	-
Other repairs and maintenance	69	69	-
Total water distribution	168,583	168,583	-
Water plant			
Salaries and wages	94,557	94,557	-
Utilities	37,158	37,158	-
Chemicals	22,335	22,335	-
Group insurance	15,887	15,887	-
Other contractual services	15,088	15,088	-
Supplies and materials	9,061	9,061	-
Payroll taxes	7,082	7,082	-
Vehicle gas and oil	5,107	5,107	-
Other repairs and maintenance	3,973	3,973	-
Workers compensation insurance	2,500	2,500	-
Retirement	1,968	1,968	-
Travel, training and conferences	1,744	1,744	-
Telephone	1,684	1,684	-
Small tools	1,287	1,287	-
Dues, publications and subscriptions	1,189	1,189	-
Professional services	821	821	-
Motor vehicle repairs and maintenance	731	731	-
Office supplies	277	277	-
Postage	200	200	-
Building repair	55	55	-
Total water filter	222,704	222,704	-
Total water department	391,287	391,287	-

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

OPERATING EXPENSES - CONTINUED	ENTERPRISE FUND		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
Sewerage department			
Sewer collection			
Salaries and wages	\$ 24,666	\$ 24,666	\$ -
Supplies and materials	8,640	8,640	-
Group insurance	6,394	6,394	-
Motor vehicle repairs and maintenance	4,000	4,000	-
Vehicle gas and oil	2,226	2,226	-
Payroll taxes	1,641	1,641	-
Workers compensation insurance	1,158	1,158	-
Retirement	719	719	-
Other contractual services	300	300	-
Other repairs and maintenance	222	222	-
Small tools	109	109	-
Travel, training and conferences	47	47	-
Total sewer collection	50,122	50,122	-
Wastewater plant			
Depreciation	141,317	141,317	-
Utilities	67,370	67,370	-
Salaries and wages	39,555	39,555	-
Other contractual services	25,495	25,495	-
Vehicle gas and oil	6,601	6,601	-
Other repairs and maintenance	6,426	6,426	-
Group insurance	5,370	5,370	-
Supplies	3,687	3,687	-
Payroll taxes	2,692	2,692	-
Workers compensation insurance	1,300	1,300	-
Chemicals	1,287	1,287	-
Travel, training and conferences	632	632	-
Telephone	597	597	-
Retirement	579	579	-
Small tools	551	551	-
Motor vehicle repairs and maintenance	495	495	-
Office supplies	69	69	-
Total sewer plant	304,023	304,023	-
Total sewerage department	354,145	354,145	-

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF EXPENSES - BUDGET AND ACTUAL - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>ENTERPRISE FUND</u>		<u>VARIANCE</u>
OPERATING EXPENSES - CONTINUED	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Sprayfield			
Salaries and wages	\$ 34,373	\$ 34,373	\$ -
Utilities	22,038	22,038	-
Depreciation	21,475	21,475	-
Group insurance	5,705	5,705	-
Other repairs and maintenance	3,238	3,238	-
Payroll taxes	2,600	2,600	-
Supplies and materials	1,668	1,668	-
Vehicle gas and oil	1,048	1,048	-
Retirement	677	677	-
Motor vehicle repairs and maintenance	568	568	-
Chemicals	537	537	-
Telephone	391	391	-
Workers compensation insurance	250	250	-
Small tools	<u>123</u>	<u>123</u>	<u>-</u>
Total sprayfield	<u>94,691</u>	<u>94,691</u>	<u>-</u>
Utility service center			
Depreciation	<u>5,253</u>	<u>5,253</u>	<u>-</u>
Total utility service center	<u>5,253</u>	<u>5,253</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>4,480,468</u>	<u>4,480,468</u>	<u>-</u>
NONOPERATING EXPENSES			
Interest	498,232	498,232	-
Amortization	22,290	22,290	-
Administrative fees	<u>5,959</u>	<u>5,959</u>	<u>-</u>
TOTAL NONOPERATING EXPENSES	<u>526,481</u>	<u>526,481</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 5,006,949</u>	<u>\$ 5,006,949</u>	<u>\$ -</u>
TRANSFERS OUT			
Transfers to General Fund	<u>\$ 168,000</u>	<u>\$ 168,000</u>	<u>\$ -</u>
TOTAL TRANSFERS OUT	<u>\$ 168,000</u>	<u>\$ 168,000</u>	<u>\$ -</u>

SEE INDEPENDENT AUDITORS' REPORT.

REPORT REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4485 Tench Road, Suite 1320

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Phone: 770-904-0419

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

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2006, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated November 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hogansville, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Wilcox & Bivings, P.C.

Suwanee, Georgia
November 12, 2006