

CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

**CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
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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, 2011, 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, 2011, and the respective changes in financial position and, cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City of Hogansville, Georgia will continue as a going concern. As discussed in Note 26 to the financial statements, the City is experiencing difficulty generating positive increases in net assets, fund balances, and cash flows to sustain its operations, and was not in compliance with two bond debt covenant compliance requirements related to its 1993 Combined Utility System Refunding Revenue Bonds. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the City of Hogansville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Wilcox & Birings, P.C.

Suwanee, Georgia
December 22, 2011

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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, 2011. Please consider this information in conjunction with the City's primary government financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$10,407,141 (presented as "net assets"). Of this amount, \$827,097 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the City's obligations to citizens and creditors. \$7,053,066 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 \$2,526,978.
- The City's total net assets decreased by \$127,168 in fiscal year 2011.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$447,117. Of this amount, (65.0)% of this total amount \$(290,661) is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$(290,661) or (12.9)% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Confiscated Asset, Hotel/Motel Tax, and 2006 SPLOST funds. The General Fund and the 2006 SPLOST Fund are the only major funds.

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

Proprietary Funds

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 51 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 52 to 56 of this report, the budget and actual schedule for the major capital project fund can be found on page 58 of this report, and other required supplementary information can be found on pages 59 to 63 of this report.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets exceeded liabilities by \$10,407,141 as of June 30, 2011.

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

CITY OF HOGANSVILLE, GEORGIA'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets \$	704,052	\$ 1,161,019	\$ 6,893,474	\$ 2,828,058	\$ 7,597,526	\$ 3,989,078
Capital assets	<u>3,607,313</u>	<u>3,347,966</u>	<u>16,701,429</u>	<u>11,570,761</u>	<u>20,308,742</u>	<u>14,918,726</u>
Total assets	<u>4,311,365</u>	<u>4,508,985</u>	<u>23,594,903</u>	<u>14,398,819</u>	<u>27,906,268</u>	<u>18,907,804</u>
Long-term liabilities	31,212	26,154	16,290,183	7,058,692	16,321,395	7,084,846
Other liabilities	<u>250,045</u>	<u>285,114</u>	<u>927,687</u>	<u>1,003,535</u>	<u>1,177,732</u>	<u>1,288,649</u>
Total liabilities	<u>281,257</u>	<u>311,268</u>	<u>17,217,870</u>	<u>8,062,227</u>	<u>17,499,127</u>	<u>8,373,495</u>
Net assets:						
Invested in capital assets, net of related debt	3,607,313	3,347,966	3,445,753	4,197,800	7,053,066	7,545,766
Restricted	737,778	393,166	1,789,200	2,043,269	2,526,978	2,436,435
Unrestricted	(314,983)	<u>456,585</u>	<u>1,142,080</u>	<u>95,523</u>	<u>827,097</u>	<u>552,108</u>
Total net assets	\$ <u>4,030,108</u>	\$ <u>4,197,717</u>	\$ <u>6,377,033</u>	\$ <u>6,336,592</u>	\$ <u>10,407,141</u>	\$ <u>10,534,309</u>

An additional portion of the City's net assets (24.3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets \$827,097 may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2011 and 2010, the City is able to report positive balances in all three categories of net assets, for the government as a whole. At June 30, 2011, the City was able to report positive balances in two out of three categories of net assets for its governmental activities as it had a negative unrestricted net asset balance of \$(314,983). The City was able to report positive balances in all three categories of net assets for its business-type activities at June 30, 2011 and 2010.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2011 and 2010. Governmental activities decreased the City's net assets by \$167,609 for the year ended June 30, 2011, and increased the City's net assets by \$351,096 for the year ended June 30, 2010. Business-type activities increased the City's net assets by \$40,441 and by \$37,796 for the years ended June 30, 2011 and 2010.

CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 544,368	\$ 715,033	\$ 5,186,506	\$ 5,245,692	\$ 5,730,874	\$ 5,960,725
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	538,424	641,942	-	-	538,424	641,942
General revenues:						
Taxes	1,377,497	1,351,474	-	-	1,377,497	1,351,474
Contribution from component unit	34,732	-	-	-	34,732	-
Investment revenue	387	280	62,501	72,388	62,888	72,668
Gain/(loss) on sale of assets	(11,512)	20,430	-	-	(11,512)	20,430
Other	<u>12,611</u>	<u>18,050</u>	<u>-</u>	<u>-</u>	<u>12,611</u>	<u>18,050</u>
Total revenues	<u>2,496,507</u>	<u>2,747,209</u>	<u>5,249,007</u>	<u>5,318,080</u>	<u>7,745,514</u>	<u>8,065,289</u>
Expenses:						
Program expenses:						
General government	588,660	439,507	-	-	588,660	439,507
Public safety	1,243,088	1,253,809	-	-	1,243,088	1,253,809
Public services	578,315	595,928	-	-	578,315	595,928
Downtown development	10,728	7,077	-	-	10,728	7,077
Interest	3,462	4,666	-	-	3,462	4,666
Utility system	-	-	<u>5,484,301</u>	<u>5,390,176</u>	<u>5,484,301</u>	<u>5,390,176</u>
Total expenses	<u>2,424,253</u>	<u>2,300,987</u>	<u>5,484,301</u>	<u>5,390,176</u>	<u>7,908,554</u>	<u>7,691,163</u>
Excess (deficiency) in net assets before contributions and transfers	72,254	446,222	(235,294)	(72,096)	(163,040)	374,126
Contributions	35,872	(84,511)	-	99,277	35,872	14,766
Transfers	(275,735)	(10,615)	<u>275,735</u>	<u>10,615</u>	<u>-</u>	<u>-</u>
Change in net assets	(167,609)	351,096	40,441	37,796	(127,168)	388,892
Net assets July 1,	<u>4,197,717</u>	<u>3,846,621</u>	<u>6,336,592</u>	<u>6,298,796</u>	<u>10,534,309</u>	<u>10,145,417</u>
Net assets June 30,	<u>\$ 4,030,108</u>	<u>\$ 4,197,717</u>	<u>\$ 6,377,033</u>	<u>\$ 6,336,592</u>	<u>\$ 10,407,141</u>	<u>\$ 10,534,309</u>

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

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 \$447,117. Approximately (65.0)% of this total amount or \$(290,661) constitutes unassigned fund balance. The remainder of the fund balance is restricted by law 1) to pay for capital projects (\$693,242), and 2) public safety (\$44,536).

The General Fund is the chief fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the General Fund was \$(290,661). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents (12.9)% of total expenditures, while total fund balance also represents (12.9)% of that same amount.

The General Fund's fund balance decreased by \$298,067 during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues decreased by \$121,422 for a percentage decrease of 5.9%. This decrease was mainly due to a decrease in fines and forfeitures of \$46,346, a decrease in intergovernmental revenue of \$116,412.
- Total expenditures decreased by \$182,196 for a percentage decrease of 7.5%. This decrease was mainly due to the City incurring decreases in debt service expenditures of \$302,107.
- Proceeds from a bank line of credit decreased by \$299,567. This decrease was due to the borrowing and repayments of line of credit proceeds not being recognized as debt service expenditures and as other financing sources.

The 2006 SPLOST Fund's fund balance decreased \$110,992 during the current fiscal year. The key factors for this increase were that the City's capital outlay expenditures increased by \$386,883.

Other governmental funds fund balances decreased \$19,729 during the current fiscal year. This decrease was due mainly to a decrease in confiscated asset revenues over expenditures during the current fiscal year.

Proprietary funds

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

Unrestricted net assets of the proprietary fund were \$1,142,080. The fund had a net asset increase for the fiscal year of \$40,441. However, operating revenues declined by \$59,186, operating expenses increased by \$113,098, and capital contributions from the 2006 SPLOST fund increased by \$167,274.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

General Fund Budgetary Highlights

The City made no revisions to the original appropriations approved by the City Council.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 and 2010 amounted to \$20,308,742 and \$14,918,726, 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 \$76,220 for construction in process related to infrastructure improvements.
- The City expended \$382,865 for infrastructure improvements.
- The City expended \$5,220,000 for the sale-leaseback of its electric utility system infrastructure.
- The City expended \$117,500 for furniture, fixtures and equipment for its utility system.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 306,338	\$ 306,338	\$ 380,784	\$ 380,784	\$ 687,122	\$ 687,122
Construction in progress	91,131	14,911	344,156	-	435,287	14,911
Buildings and improvements	1,998,522	1,998,522	-	-	1,998,522	1,998,522
Utility system infrastructure	-	-	21,012,219	16,243,571	21,012,219	16,243,571
Furniture, fixtures and equipment	454,961	565,137	244,296	162,094	699,257	727,231
Infrastructure	1,743,238	1,360,373	-	-	1,743,238	1,360,373
Vehicles	600,593	693,806	-	-	600,593	693,806
Accumulated depreciation	(1,587,470)	(1,591,121)	(5,280,026)	(5,215,689)	(6,867,496)	(6,806,810)
Total	\$ 3,607,313	\$ 3,347,966	\$ 16,701,429	\$ 11,570,760	\$ 20,308,742	\$ 14,918,726

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, 2011**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$13,255,676 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	
	2011	2010	2011	2010	2011	2010
Revenue bonds	\$ -	\$ -	\$ 6,446,651	\$ 6,713,439	\$ 6,446,651	\$ 6,713,439
Notes payable	-	-	475,577	357,374	475,577	357,374
Capital leases payable	-	-	6,333,448	302,146	6,333,448	302,146
Total	\$ -	\$ -	\$ 13,255,676	\$ 7,372,959	\$ 13,255,676	\$ 7,372,959

The City's total debt increased \$5,882,717 during the current fiscal year. This was mainly attributable to the City entering into a sale-leaseback transaction for its electric utility system infrastructure and equipment in the amount of \$5,980,000. 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 2011-2012 Budget, General Fund revenues are budgeted to decrease by 4.6% from the 2010-2011 budget year with taxes making up about 69.2% of general fund budgeted revenues. The 2011-2012 General Fund Budget includes budgeted revenue of \$556,000 for local option sales tax, \$428,000 in property tax, and \$500,000 in fines and forfeitures. The City has also budgeted expenditures of \$396,820 for general government and \$1,064,153 for public safety.

The City has budgeted \$5,565,071 in revenues for its business-type activities for the 2011-2012 Budget. This is an increase of 0.9% from the 2010-2011 budget year with charges for services making up 97.5% of budgeted revenues. The City has budgeted \$3,018,500 in electric revenue, \$1,295,422 in gas revenue, \$405,000 in sewer revenue and \$468,290 in water revenue. The City's business-type activities have also budgeted electric department expenses of \$2,530,365 and gas department expenses of \$907,776.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 787	\$ 163,881	\$ 164,668	\$ 22,164
Investments	-	98,280	98,280	-
Receivables, net	273,252	783,460	1,056,712	-
Prepaid expenses	-	6,212	6,212	-
Internal balances	(178,991)	178,991	-	-
Due from primary government	-	-	-	6,239
Restricted cash and cash equivalents	609,004	-	609,004	-
Restricted investments	-	2,337,719	2,337,719	-
Unamortized portion of debt issue costs	-	222,253	222,253	-
Long term receivables	-	3,102,678	3,102,678	-
Nondepreciable capital assets	397,469	724,940	1,122,409	-
Depreciable capital assets	<u>3,209,844</u>	<u>15,976,489</u>	<u>19,186,333</u>	<u>-</u>
Total assets	\$ <u>4,311,365</u>	\$ <u>23,594,903</u>	\$ <u>27,906,268</u>	\$ <u>28,403</u>
LIABILITIES				
Current liabilities:				
Bank overdrafts	\$ 72,537	\$ -	\$ 72,537	\$ -
Accounts payable	140,318	399,937	540,255	-
Accrued expenses	26,671	125,257	151,928	-
Deferred revenue	4,280	-	4,280	-
Due to primary government	6,239	-	6,239	-
Capital leases	-	80,613	80,613	-
Notes payable	-	30,093	30,093	-
Revenue bonds payable	<u>-</u>	<u>291,787</u>	<u>291,787</u>	<u>-</u>
Total current liabilities	<u>250,045</u>	<u>927,687</u>	<u>1,177,732</u>	<u>-</u>
Noncurrent liabilities:				
Customer deposits	-	184,390	184,390	-
Compensated absences	31,212	10,976	42,188	-
Accrued liabilities	-	6,805	6,805	-
Deferred gain	-	3,234,829	3,234,829	-
Capital leases	-	6,252,835	6,252,835	-
Notes payable	-	445,484	445,484	-
Revenue bonds payable	<u>-</u>	<u>6,154,864</u>	<u>6,154,864</u>	<u>-</u>
Total noncurrent liabilities	<u>31,212</u>	<u>16,290,183</u>	<u>16,321,395</u>	<u>-</u>
Total liabilities	<u>281,257</u>	<u>17,217,870</u>	<u>17,499,127</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,607,313	3,445,753	7,053,066	-
Restricted for:				
Debt service	-	742,681	742,681	-
Restricted assets	-	1,046,519	1,046,519	-
Capital projects	693,242	-	693,242	-
Public safety	44,536	-	44,536	-
Unrestricted	<u>(314,983)</u>	<u>1,142,080</u>	<u>827,097</u>	<u>28,403</u>
Total net assets	<u>4,030,108</u>	<u>6,377,033</u>	<u>10,407,141</u>	<u>28,403</u>
Total liabilities and net assets	\$ <u>4,311,365</u>	\$ <u>23,594,903</u>	\$ <u>27,906,268</u>	\$ <u>28,403</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 588,660	\$ 41,413	\$ -	\$ 538,424
Public safety	1,243,088	439,541	-	-
Public services	578,315	63,414	-	-
Downtown development	10,728	-	-	-
Interest	<u>3,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,424,253</u>	<u>544,368</u>	<u>-</u>	<u>538,424</u>
Business-type activities				
Utility system	<u>5,484,301</u>	<u>5,186,506</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,484,301</u>	<u>5,186,506</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>7,908,554</u>	\$ <u>5,730,874</u>	\$ <u>-</u>	\$ <u>538,424</u>
Component Unit				
Downtown Development Authority	\$ <u>36,437</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>38,734</u>

General revenues:

Taxes:

Local option sales

Property

Insurance premium

Beer and wine

Franchise

Motor vehicle

Other

Payments from City of Hogansville

Contributions to City of Hogansville

Investment return

Gain/(loss) on sale of assets

Other

Contributions

Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

<u>Net (Expense) Revenue and Changes in Net Assets</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
\$(8,823)	\$ -	\$(8,823)	\$ -
(803,547)	-	(803,547)	-
(514,901)	-	(514,901)	-
(10,728)	-	(10,728)	-
(3,462)	-	(3,462)	-
<u>(1,341,461)</u>	<u>-</u>	<u>(1,341,461)</u>	<u>-</u>
<u>-</u>	<u>(297,795)</u>	<u>(297,795)</u>	<u>-</u>
<u>-</u>	<u>(297,795)</u>	<u>(297,795)</u>	<u>-</u>
<u>\$(1,341,461)</u>	<u>\$(297,795)</u>	<u>\$(1,639,256)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,297</u>
\$ 541,966	\$ -	\$ 541,966	\$ -
470,550	-	470,550	-
149,329	-	149,329	-
69,127	-	69,127	-
64,994	-	64,994	-
26,842	-	26,842	-
54,689	-	54,689	-
-	-	-	34,749
34,732	-	34,732	(34,732)
387	62,501	62,888	13
(11,512)	-	(11,512)	-
12,611	-	12,611	10,728
35,872	-	35,872	100
<u>(275,735)</u>	<u>275,735</u>	<u>-</u>	<u>-</u>
<u>1,173,852</u>	<u>338,236</u>	<u>1,512,088</u>	<u>10,858</u>
(167,609)	40,441	(127,168)	13,155
<u>4,197,717</u>	<u>6,336,592</u>	<u>10,534,309</u>	<u>15,248</u>
<u>\$ 4,030,108</u>	<u>\$ 6,377,033</u>	<u>\$ 10,407,141</u>	<u>\$ 28,403</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Capital Project 2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 787	\$ -	\$ -	\$ 787
Property taxes receivable	17,539	-	-	17,539
Sales and other taxes receivable	112,698	-	2,403	115,101
Intergovernmental receivable	-	140,612	-	140,612
Due from other funds	-	-	12,138	12,138
Restricted cash and cash equivalents	<u>-</u>	<u>568,490</u>	<u>40,514</u>	<u>609,004</u>
Total assets	\$ <u>131,024</u>	\$ <u>709,102</u>	\$ <u>55,055</u>	\$ <u>895,181</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Bank overdrafts	\$ 72,537	\$ -	\$ -	\$ 72,537
Accounts payable	140,318	-	-	140,318
Accrued expenses	26,671	-	-	26,671
Deferred revenue	6,890	-	4,280	11,170
Due to other funds	175,269	15,860	-	191,129
Due to component unit	<u>-</u>	<u>-</u>	<u>6,239</u>	<u>6,239</u>
Total liabilities	<u>421,685</u>	<u>15,860</u>	<u>10,519</u>	<u>448,064</u>
Fund balances:				
Restricted for:				
Capital projects	-	693,242	-	693,242
Public safety	-	-	44,536	44,536
Unassigned	<u>(290,661)</u>	<u>-</u>	<u>-</u>	<u>(290,661)</u>
Total fund balances	<u>(290,661)</u>	<u>693,242</u>	<u>44,536</u>	<u>447,117</u>
Total liabilities and fund balances	\$ <u>131,024</u>	\$ <u>709,102</u>	\$ <u>55,055</u>	\$ <u>895,181</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances	\$ 447,117
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 \$1,587,470	3,607,313
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Property taxes receivable	6,890
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences	(31,212)
Net assets of governmental activities	\$ <u>4,030,108</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, 2011

	<u>General</u>	<u>Capital Project 2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,350,695	\$ -	\$ 19,912	\$ 1,370,607
Fines and forfeitures	408,141	-	31,400	439,541
Intergovernmental	-	536,410	-	536,410
Licenses and permits	41,413	-	-	41,413
Charges for services	63,414	-	-	63,414
Contributions	35,872	-	-	35,872
Contribution from component unit	34,732	-	-	34,732
Other	12,147	-	464	12,611
Investment return	<u>387</u>	<u>2,014</u>	<u>-</u>	<u>2,401</u>
Total revenues	<u>1,946,801</u>	<u>538,424</u>	<u>51,776</u>	<u>2,537,001</u>
EXPENDITURES				
Current operating				
General government	579,512	-	-	579,512
Public safety	1,118,477	-	51,593	1,170,070
Public services	553,417	-	-	553,417
Downtown development	-	-	10,728	10,728
Capital outlay	-	649,416	-	649,416
Debt Service	<u>3,462</u>	<u>-</u>	<u>-</u>	<u>3,462</u>
Total expenditures	<u>2,254,868</u>	<u>649,416</u>	<u>62,321</u>	<u>2,966,605</u>
Excess (deficiency) of revenues over (under) expenditures	(<u>308,067</u>)	(<u>110,992</u>)	(<u>10,545</u>)	(<u>429,604</u>)
OTHER FINANCING SOURCES (USES)				
Sales of surplus property	10,000	-	-	10,000
Transfers out	<u>-</u>	<u>-</u>	(<u>9,184</u>)	(<u>9,184</u>)
Net other financing sources (uses)	<u>10,000</u>	<u>-</u>	(<u>9,184</u>)	<u>816</u>
Net changes in fund balance	(298,067)	(110,992)	(19,729)	(428,788)
Fund balance - beginning of year	<u>7,406</u>	<u>804,234</u>	<u>64,265</u>	<u>875,905</u>
Fund balance (deficit) - end of year	\$ (<u>290,661</u>)	\$ <u>693,242</u>	\$ <u>44,536</u>	\$ <u>447,117</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, 2011**

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

Net change in fund balances – total governmental funds	\$(428,788)
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	510,353
Depreciation expense	(229,494)
The net effect of sales of capital assets is to decrease net assets	(21,512)
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	6,890
Long-term compensated absences were reported in the statement of activities, but they did not require the use of current financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds	(5,058)
Change in Net Assets of Governmental Activities	\$(<u>167,609</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, 2011

	General Fund			Variance with
	Original	Final	Actual	Final budget
	Budget	Budget	Actual	Over
				(Under)
REVENUES				
Taxes	\$ 1,359,025	\$ 1,359,025	\$ 1,350,695	\$(8,330)
Fines and forfeitures	600,000	600,000	408,141	(191,859)
Licenses and permits	43,000	43,000	41,413	(1,587)
Charges for services	31,000	31,000	63,414	32,414
Contributions	-	-	35,872	35,872
Contribution from component unit	-	-	34,732	34,732
Other	2,500	2,500	12,147	9,647
Investment return	-	-	387	387
Total revenues	<u>2,035,525</u>	<u>2,035,525</u>	<u>1,946,801</u>	(<u>88,724</u>)
EXPENDITURES				
Current operating				
General government	424,414	424,414	579,512	(155,098)
Public safety	1,078,758	1,078,758	1,118,477	(39,719)
Public services	528,853	528,853	553,417	(24,564)
Debt service	3,500	3,500	3,462	38
Total expenditures	<u>2,035,525</u>	<u>2,035,525</u>	<u>2,254,868</u>	(<u>219,343</u>)
Excess (deficiency) of revenues over (under) expenditures	-	-	(308,067)	(308,067)
OTHER FINANCING SOURCES (USES)				
Sales of surplus property	-	-	10,000	10,000
Net other financing sources (uses)	-	-	10,000	10,000
Net change in fund balance	-	-	(298,067)	(298,067)
Fund balance - beginning of year	7,406	7,406	7,406	-
Fund balance - end of year	\$ <u>7,406</u>	\$ <u>7,406</u>	\$(<u>290,661</u>)	\$(<u>298,067</u>)

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	ENTERPRISE FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 163,881
Investments	98,280
Accounts receivable, net	500,308
Interfund receivables	178,991
Installment sale receivable	283,152
Prepaid expenses	<u>6,212</u>
Total current assets	<u>1,230,824</u>
Noncurrent assets:	
Restricted investments	2,337,719
Unamortized portion of debt issue costs	222,253
Installment sale receivable	3,102,678
Net capital assets	<u>16,701,429</u>
Total noncurrent assets	<u>22,364,079</u>
Total assets	\$ <u>23,594,903</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 399,937
Accrued expenses	125,257
Capital leases payable	80,613
Notes payable	30,093
Revenue bonds payable	<u>291,787</u>
Total current liabilities	<u>927,687</u>
Noncurrent liabilities:	
Customer deposits	184,390
Compensated absences	10,976
Accrued liabilities	6,805
Deferred gain	3,234,829
Capital leases payable	6,252,835
Notes payable	445,484
Revenue bonds payable	<u>6,154,864</u>
Total noncurrent liabilities	<u>16,290,183</u>
Total liabilities	<u>17,217,870</u>
FUND NET ASSETS	
Invested in capital assets, net of related debt	3,445,753
Restricted for debt service	742,681
Restricted for restricted assets	1,046,519
Unrestricted	<u>1,142,080</u>
Total fund net assets	<u>6,377,033</u>
Total liabilities and fund net assets	\$ <u>23,594,903</u>

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, 2011

	<u>ENTERPRISE FUND</u>
OPERATING REVENUES	
Charges for services	\$ 5,007,150
Other	<u>179,356</u>
Total operating revenues	<u>5,186,506</u>
OPERATING EXPENSES	
Personal services	791,504
Contractual services	396,248
Utilities purchased for resale	3,057,643
Utilities	48,055
Repairs and maintenance	43,386
Materials and supplies	158,078
Depreciation	466,738
Bad debt	<u>2,991</u>
Total operating expenses	<u>4,964,643</u>
Operating income (loss)	<u>221,863</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	62,501
Interest expense	(492,957)
Amortization	(22,051)
Bond administrative fees	<u>(4,650)</u>
Total nonoperating revenues (expenses)	<u>(457,157)</u>
Income (loss) before contributions and transfers	(235,294)
CAPITAL CONTRIBUTIONS	266,551
TRANSFERS	<u>9,184</u>
Change in fund net assets	40,441
Fund net assets – beginning	<u>6,336,592</u>
Fund net assets – ending	\$ <u><u>6,377,033</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>ENTERPRISE FUND</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 5,088,088
Receipts from interfund services provided	66,213
Payments to suppliers	(4,567,343)
Payments to employees	(575,091)
Net cash provided (used) by operating activities	<u>11,867</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers from other funds	<u>9,184</u>
Net cash provided (used) by noncapital financing activities	<u>9,184</u>
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Proceeds from capital debt	1,357,997
Purchases of capital assets	(451,857)
Principal paid on capital debt	(578,492)
Interest paid on capital debt	(419,582)
Administrative fees on bond and notes payable	(4,650)
Net cash provided (used) by capital and related financing activities	<u>(96,584)</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Proceeds from sales of investments	215,604
Purchase of investments	(58,341)
Interest and dividends	<u>68,121</u>
Net cash provided (used) by investing activities	<u>225,384</u>
Increase (decrease) in cash and cash equivalents	149,851
Cash and cash equivalents – beginning of year	<u>14,030</u>
Cash and cash equivalents – end of year	<u>\$ 163,881</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>ENTERPRISE FUND</u>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	
Operating income (loss)	\$ 221,863
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	466,738
Change in assets and liabilities:	
Accounts receivable	(42,226)
Prepaid expenses	328
Accounts payable	25,350
Accrued expenses	2,081
Internal balances	(671,036)
Customer deposits	13,012
Compensated absences	<u>(4,243)</u>
Net cash provided by operating activities	\$ <u>11,867</u>
 <i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</i>	
Cash and cash equivalents	\$ 163,881
Restricted cash and cash equivalents	<u>-</u>
Total cash and cash equivalents, end of year	\$ <u>163,881</u>
 <i>SUPPLEMENTAL DISCLOSURES</i>	
Noncash capital and related financing activities:	
Property acquired through capital debt financing	\$ <u>5,220,000</u>
Property acquired through capital contributions	\$ <u>266,551</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary funds

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BUDGETS AND BUDGETARY ACCOUNTING

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

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

Budgeting Policy

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

All appropriations lapse at the end of the fiscal year.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue or Proprietary Funds. Encumbrances outstanding at year-end are reservations of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2011.

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, 2011**

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 \$52,162 for the Enterprise Fund.

PREPAID EXPENSES

Payments made for services that will benefit periods beyond June 30, 2011 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, 2011 and are not reflected in the accompanying financial statements, due to their immaterial amount.

CAPITAL ASSETS

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS - Continued

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

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

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

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

INTEREST EXPENSE AND CAPITALIZED INTEREST

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was \$3,462. Total interest expense from business-type activities was \$492,957, 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, 2011 was \$492,957 all of which was charged to expense by the enterprise fund for the year ended June 30, 2011 was \$492,957. No interest costs were capitalized by the enterprise fund for the year ended June 30, 2011.

BOND DISCOUNTS AND ISSUANCE COSTS

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

COMPENSATED ABSENCES

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

LONG-TERM DEBT

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

GOVERNMENTAL FUND BALANCES

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

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

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

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

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

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

The City's non-spendable fund balance is comprised of amounts which are not in a spendable form. The City had no non-spendable fund balance at June 30, 2011.

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

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

The City's governmental fund balances follow:

	<u>General</u>	<u>2006 SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted for:				
Capital projects	\$ -	\$ 693,242	\$ -	\$ 693,242
Public safety	-	-	44,536	44,536
Unassigned	<u>(290,661)</u>	<u>-</u>	<u>-</u>	<u>(290,661)</u>
Total fund balances	<u>\$ (290,661)</u>	<u>\$ 693,242</u>	<u>\$ 44,536</u>	<u>\$ 447,117</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 2010 was \$58,230,874.

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, 2011**

NOTE 2 - CASH AND INVESTMENTS

Cash

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

At June 30, 2011, the carrying amount of the City's cash was \$701,135 and the bank balance was \$833,124. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by the pledging financial institution or its agent in the City's name. The City has not adopted a formal deposit policy.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$22,164, and the bank balance was \$23,906. The entire bank balance was covered by Federal Depository Insurance at June 30, 2011.

Investments

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

As of June 30, 2011, the City had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
Primary Government			
Business-type activities			
First American Treasury Obligations			
Class Y Money Market Fund	AAAm	38 day WAM	\$ 289,010
Wells Fargo Advantage Government Money			
Market Fund – Institutional	AAAm	36 day WAM	27,823
Fidelity Institutional Money Market Treasury			
Portfolio Class III	AAAm	52 day WAM	8,713
Bayerische Landesbank Girozentrale E-NY			
Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/01/11 - 10/02/12	2,743
Intermediate Portfolio	Not Rated	07/01/11 – 10/01/40	411,169
Intermediate Tax Restricted Portfolio	Not Rated	07/01/11 - 12/23/18	878,741
Total			\$ 2,435,999

CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, Wells Fargo Bank, for the City's benefit and are invested in investment securities. The City has recorded the assets in the Enterprise Fund. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, direct and general obligations of states, certain Federal agency discount notes and repurchase agreements collateralized by securities, which would otherwise be permissible under the laws of the State of Georgia. The fair value of the City's position in the pool changes with market conditions, and is calculated based on the fair market value of net assets held in the pool at the close of each business day.

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

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City uses the specific identification of maturity of its investments. The First American Treasury Obligations Class Y money market fund has a 38 day weighted average maturity, the Wells Fargo Advantage Government Money Market Fund Institutional has a 36 day weighted average maturity, the Fidelity Institutional Money Market Treasury Portfolio Class III money market fund has a 52 day weighted average maturity, the Bayerische Landesbank Girozentrale E-NY Investment Agreement matures on 10/01/23, the Municipal Competitive Trust Short-term Portfolio maturity range is from 07/01/11 – 10/02/12, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/01/11 – 10/01/40, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/11 – 12/23/18.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in the First American Treasury Obligations Class Y money market fund and the Bayerische Landesbank Girozentrale E-NY Investment Agreement. These investments represent 11.9% and 33.6% of the City's total investments. External investment pools are excluded from the concentration of credit risk requirement, therefore, the Municipal Competitive Trust is exempt from this requirement.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 - CASH AND INVESTMENTS - Continued

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

NOTE 3 - RECEIVABLES

	Governmental Activities				Total
	General	2006 SPLOST	Other Governmental Activities	Business- type Activities	
Current receivables:					
Property taxes	\$ 17,539	\$ -	\$ -	\$ -	\$ 17,539
Sales and other taxes	112,698	-	2,403	-	115,101
Intergovernmental	-	140,612	-	-	140,612
Accounts	-	-	-	552,470	552,470
Installment sale	-	-	-	<u>283,152</u>	<u>283,152</u>
Total gross receivables	130,237	140,612	2,403	835,622	1,108,874
Less: allowance for uncollectibles	-	-	-	<u>52,162</u>	<u>52,162</u>
Total current receivables:	\$ <u>130,237</u>	\$ <u>140,612</u>	\$ <u>2,403</u>	\$ <u>783,460</u>	\$ <u>1,056,712</u>
Long term receivables:					
Installment sale	\$ -	\$ -	\$ -	\$ <u>3,102,678</u>	\$ <u>3,102,678</u>
Total long term receivables	\$ -	\$ -	\$ -	\$ <u>3,102,678</u>	\$ <u>3,102,678</u>

The installment sale receivable consists of the following at June 30, 2011:

Installment sale made to MEAG Power for the City's Electric System. Original amount of the note was \$5,980,000. Payments to be received semi-annually at varying amounts, discounted at 5.95% interest. Collateralized by Electric System Facilities.	\$ 5,030,000
Less: Discount	(<u>1,644,170</u>)
Total Installment sale receivable, net	3,385,830
Less: current portion	(<u>283,152</u>)
Long term portion	\$ <u>3,102,678</u>

At June 30, 2011, scheduled maturities of the installment sale receivable as discounted were the following:

2012	\$ 283,152
2013	280,614
2014	281,671
2015	281,724
2016	280,884
2017-2021	1,412,105
2022-2023	<u>565,680</u>
Total maturities of installment sale receivable	\$ <u>3,385,830</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		
Due to Enterprise Fund	\$ -	\$ 166,967
Due to Other Governmental Funds	<u>-</u>	<u>8,302</u>
Total General Fund	\$ <u>-</u>	\$ <u>175,269</u>
SPLOST 2006 Fund		
Due to Enterprise Fund	\$ <u>-</u>	\$ <u>15,860</u>
Total SPLOST 2006 Fund	\$ <u>-</u>	\$ <u>15,860</u>
Other Governmental Funds		
Due from General Fund	\$ 8,302	\$ -
Due from Enterprise Fund	<u>3,836</u>	<u>-</u>
Total Other Governmental Funds	\$ <u>12,138</u>	\$ <u>-</u>
Enterprise Fund		
Due from General Fund	\$ 166,967	\$ -
Due from SPLOST 2006 Fund	15,860	-
Due to Other Governmental Funds	<u>-</u>	<u>3,836</u>
Total Enterprise Fund	\$ <u>182,827</u>	\$ <u>3,836</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 306,338	\$ -	\$ -	\$ 306,338
Construction in progress	<u>14,911</u>	<u>76,220</u>	<u>-</u>	<u>91,131</u>
Subtotal	<u>321,249</u>	<u>76,220</u>	<u>-</u>	<u>397,469</u>
Other capital assets:				
Buildings and improvements	1,998,522	-	-	1,998,522
Infrastructure	1,360,373	382,865	-	1,743,238
Furniture, fixtures and equipment	565,137	21,632	(131,808)	454,961
Vehicles	<u>693,806</u>	<u>29,636</u>	<u>(122,849)</u>	<u>600,593</u>
Subtotal	<u>4,617,838</u>	<u>434,133</u>	<u>(254,657)</u>	<u>4,797,314</u>
Accumulated depreciation:				
Buildings and improvements	(563,794)	(55,821)	-	(619,615)
Infrastructure	(142,801)	(47,703)	-	(190,504)
Furniture, fixtures and equipment	(376,692)	(53,131)	131,808	(298,015)
Vehicles	<u>(507,834)</u>	<u>(72,839)</u>	<u>101,337</u>	<u>(479,336)</u>
Subtotal	<u>(1,591,121)</u>	<u>(229,494)</u>	<u>233,145</u>	<u>(1,587,470)</u>
Net other capital assets	<u>3,026,717</u>	<u>204,639</u>	<u>(21,512)</u>	<u>3,209,844</u>
Total governmental activities capital assets	\$ <u>3,347,966</u>	\$ <u>280,859</u>	\$ <u>(21,512)</u>	\$ <u>3,607,313</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 49,428		
Public safety		117,282		
Public services		<u>62,784</u>		
Total governmental activities depreciation expense		\$ <u>229,494</u>		

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 - CAPITAL ASSETS – Continued

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

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land	\$ 380,784	\$ -	\$ -	\$ 380,784
Construction in progress	<u>-</u>	<u>344,156</u>	<u>-</u>	<u>344,156</u>
Subtotal	<u>380,784</u>	<u>344,156</u>	<u>-</u>	<u>724,940</u>
Other capital assets:				
Utility system	16,243,571	5,476,752	(708,104)	21,012,219
Furniture, fixtures and equipment	<u>162,094</u>	<u>117,500</u>	<u>(35,298)</u>	<u>244,296</u>
Subtotal	<u>16,405,665</u>	<u>5,594,252</u>	<u>(743,402)</u>	<u>21,256,515</u>
Accumulated depreciation:				
Utility system	(5,164,356)	(484,818)	421,402	(5,227,772)
Furniture, fixtures and equipment	<u>(51,333)</u>	<u>(27,481)</u>	<u>26,560</u>	<u>(52,254)</u>
Subtotal	<u>(5,215,689)</u>	<u>(512,299)</u>	<u>447,962</u>	<u>(5,280,026)</u>
Net other capital assets	<u>11,189,976</u>	<u>5,081,953</u>	<u>(295,440)</u>	<u>15,976,489</u>
Net business-type activities capital assets	\$ <u>11,570,760</u>	\$ <u>5,426,109</u>	\$ <u>(295,440)</u>	\$ <u>16,701,429</u>

Depreciation was charged to functions as follows:

Business-type activities:		
Utility System Enterprise Fund		
Depreciation		\$ 512,299
Deferred gain recognized from sale-leaseback transactions against depreciation		<u>(45,561)</u>
Total business-type activities depreciation expense		\$ <u>466,738</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

<u>Type of Debt</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Compensated absences	\$ <u>26,154</u>	\$ <u>5,058</u>	\$ <u>-</u>	\$ <u>31,212</u>	\$ <u>-</u>
Total general long-term debt	\$ <u>26,154</u>	\$ <u>5,058</u>	\$ <u>-</u>	\$ <u>31,212</u>	\$ <u>-</u>
Business-type activities:					
Revenue bonds payable	\$ 7,165,000	\$ -	\$(340,000)	\$ 6,825,000	\$ 365,000
Less: unamortized issue costs, discounts, and premiums	(<u>451,561</u>)	<u>73,212</u>	<u>-</u>	(<u>378,349</u>)	(<u>73,213</u>)
Revenue bonds payable, net	6,713,439	73,212	(340,000)	6,446,651	291,787
Capital leases payable	302,146	6,097,500	(66,198)	6,333,448	80,613
Notes payable	357,374	290,497	(172,294)	475,577	30,093
Compensated absences	<u>15,219</u>	<u>-</u>	(<u>4,243</u>)	<u>10,976</u>	<u>-</u>
Total proprietary fund debt	\$ <u>7,388,178</u>	\$ <u>6,461,209</u>	\$ (<u>582,735</u>)	\$ <u>13,266,652</u>	\$ <u>402,493</u>

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, 2011, the governmental long-term debt of the financial reporting entity consisted of the following:

LINE OF CREDIT PAYABLE

During the year the City entered into a line of credit agreement with a local bank. The line of credit was collateralized by property tax receipts. During the year, the City repaid the line of credit plus interest in full. The City subsequently entered into a line of credit agreement in the amount of \$300,000 on August 12, 2011, which was repaid plus interest in full during December 2011.

COMPENSATED ABSENCES

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

Noncurrent portion	\$ <u>31,212</u>
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**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City financed the sale-leaseback of certain assets of its electric utility system, improvements to its electric utility system and the purchase of a vehicle under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related assets will be recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$5,980,000 for the sale-leaseback assets and capital improvements, \$486,963 for capital improvements, \$13,037 for closing costs, and \$42,500 for the vehicle. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2011:

June 30, 2012	\$ 93,822
June 30, 2013	101,212
June 30, 2014	101,334
June 30, 2015	108,724
June 30, 2016	57,566
June 30, 2017-2021	413,049
June 30, 2022-2026	2,259,467
June 30, 2027-2031	3,675,719
June 30, 2032-2036	3,658,126
June 30, 2037-2041	<u>3,634,648</u>
Total minimum lease payments	14,103,667
Amount representing interest	(7,770,219)
Present value of lease obligations for governmental activities	6,333,448
Less: current maturities	<u>80,613</u>
Long-term maturities	\$ <u>6,252,835</u>

Leased assets under the capital lease at June 30, 2011 include the following:

Electric system	\$ 5,706,963
Vehicle	160,000
Less: accumulated depreciation	<u>(152,179)</u>
Total	\$ <u>5,714,784</u>

Total depreciation expense on the utility system improvements and the vehicle for the year ended June 30, 2011, was \$96,112. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 had a 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, 2011 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, 2011**

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, 2011, the City had made the required transfers to the sinking fund.

The ordinance also calls for the establishment of two Debt Service Reserve Accounts. The first one must maintain a balance equal to the maximum amount required in any sinking fund year to pay principal and interest as they become due in the then current or any succeeding sinking fund year. At June 30, 2011, the City was in compliance with this requirement. The other Debt Service Reserve Account must maintain a balance equal to the aggregate of one month's operating expenses for the Utility System based upon the City's last audited financial statements and such amount as determined as appropriate to maintain the System. At June 30, 2011, the City was not in compliance with this debt service requirement per auditor calculation.

Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Utility System and will revise them as necessary to provide net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and 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, 2011, the net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and operating transfers) of the Enterprise Fund were not in compliance with this requirement.

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

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

Amount of original issue	\$ 8,525,000
Amount redeemed	(<u>3,210,000</u>)
 Amount outstanding, June 30, 2011	 5,315,000
Less: unamortized discount	(20,956)
Less: unamortized deferred loss on advance refunding	(<u>357,392</u>)
 Net amount outstanding, June 30, 2011	 4,936,652
 Less: current maturities	 <u>211,787</u>
 Long-term maturities	 \$ <u>4,724,865</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2012	\$ 285,000	\$ 308,179	\$ 593,179
2013	300,000	291,068	591,068
2014	315,000	273,079	588,079
2015	335,000	254,066	589,066
2016	355,000	233,883	588,883
2017 - 2021	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>\$ 5,315,000</u>	 <u>\$ 2,322,825</u>	 <u>\$ 7,637,825</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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:

- \$1,692,745 of the proceeds was used to pay for the costs and installation of gas lines for the City's gas system.
- \$103,565 of the proceeds has been used to pay capitalized interest during the gas line installation phase.
- \$37,630 of the proceeds were used to pay issuance and other related costs.
- At June 30, 2011 the remaining \$8,711 was being held in order to pay the remaining costs and installation of the gas lines and capitalized interest.

The intergovernmental agreement between the Authority and the City requires the City to levy an annual tax on all taxable property located within the City boundaries as may be necessary to make the payments to the Authority for debt service of the bonds as it comes due. As of June 30, 2011, all required transfers have been made to the Bond Fund for the debt service on the bonds.

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

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

Amount of original issue	\$ 1,845,000
Amount redeemed	(<u>335,000</u>)
Amount outstanding, June 30, 2011	1,510,000
Less: current maturities	<u>80,000</u>
Long-term maturities	\$ <u>1,430,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2012	\$ 80,000	\$ 69,825	\$ 149,825
2013	80,000	66,025	146,025
2014	85,000	62,106	147,106
2015	90,000	57,950	147,950
2016	95,000	53,556	148,556
2017 – 2021	550,000	193,563	743,563
2022 – 2025	<u>530,000</u>	<u>51,537</u>	<u>581,537</u>
Totals	<u>\$ 1,510,000</u>	<u>\$ 554,562</u>	<u>\$ 2,064,562</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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 \$256,730, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$1,827, including interest, through January 1, 2021. This note was used for improvements to the City's utility system. 	\$ 185,080
<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$380,000, interest rate of 3.81%, secured by utility system improvements, accrued interest only due September 1, 2011. Draws on the note were \$290,497 as of June 30, 2011. 	<u>290,497</u>
Total notes payable, June 30, 2011	475,577
Less: current maturities	<u>30,093</u>
Long-term maturities	\$ <u>445,484</u>

COMPENSATED ABSENCES

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

Noncurrent portion	\$ <u>10,976</u>
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ANNUAL DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011, are as follows:

CAPITAL LEASES PAYABLE

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 80,613	\$ 13,209	\$ 93,822
2013	91,707	9,505	101,212
2014	94,000	7,334	101,334
2015	103,239	5,485	108,724
2016	52,454	5,112	57,566
2017-2021	333,907	79,142	413,049
2022-2026	1,414,284	845,183	2,259,467
2027-2031	1,812,062	1,863,657	3,675,719
2032-2036	1,348,477	2,309,649	3,658,126
2037-2041	<u>1,002,705</u>	<u>2,631,943</u>	<u>3,634,648</u>
Total	\$ <u>6,333,448</u>	\$ <u>7,770,219</u>	\$ <u>14,103,667</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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>
2012	\$ 30,093	\$ 20,259	\$ 50,352
2013	36,139	19,763	55,902
2014	37,531	18,370	55,901
2015	38,988	16,914	55,902
2016	40,495	15,407	55,902
2017-2021	223,624	52,161	275,785
2022-2024	<u>68,707</u>	<u>11,762</u>	<u>80,469</u>
Total	\$ <u>475,577</u>	\$ <u>154,636</u>	\$ <u>630,213</u>

REVENUE BONDS PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 365,000	\$ 378,003	\$ 743,003
2013	380,000	357,093	737,093
2014	400,000	335,185	735,185
2015	425,000	312,016	737,016
2016	450,000	287,440	737,440
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>6,825,000</u>	\$ <u>2,877,387</u>	\$ <u>9,702,387</u>

NOTE 7 - SALE-LEASEBACK TRANSACTION

During the year, the City entered into a sale-leaseback transaction with the Municipal Electric Authority of Georgia ("MEAG") for the sale-leaseback of the City's electric utility system infrastructure and equipment ("electric system"). The sale-leaseback included all assets belonging to the City's electric system other than the electric rebuild that the City financed through MEAG in 2005. Therefore, the City is leasing the electric system back from MEAG. The City is responsible for maintaining and collecting charges for electrical distribution services sufficient to enable the City to pay to MEAG all amounts under the lease and to pay for operating and maintaining the electric utility system. At the lease inception, title to the electric utility system infrastructure was transferred to MEAG. The purpose of the sale-leaseback transaction was to facilitate financing to assist the City in repaying its 1993 Revenue Bonds. The sale-leaseback is for a total of \$5,980,000, of which \$760,000 was transferred to the City to finance capital improvements, leaving the remaining \$5,220,000 as the purchase price of the electric system. MEAG's purchase of the electric system is being paid through an installment note that has been discounted at an interest rate of 5.95%, and is referred to in Note 3. Note 3 contains information about the terms and related maturities of the installment sale. The City's leaseback of the electric system is for a total of \$5,980,000 at an interest rate of 5.95%, and is referred to in Note 6 under Business Type Activities, Capital Lease Obligations. Note 6 contains the terms of the lease and related maturities.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - INTERFUND TRANSACTIONS AND BALANCES

	Transfers In	Transfers Out
Other Governmental Funds:		
Enterprise Fund	\$ <u> -</u>	\$ <u> 9,184</u>
Total Other Governmental Funds	<u> -</u>	<u> 9,184</u>
Enterprise Fund:		
Other governmental funds	<u> 9,184</u>	<u> -</u>
Totals	<u>\$ 9,184</u>	<u>\$ 9,184</u>

Transfers are primarily used to move funds from:

- Other Governmental Funds to the Enterprise Fund for beautification.

During the year ended June 30, 2011, the City made transfers of \$9,184 from Other Governmental Funds to the Enterprise Fund for beautification.

NOTE 9 - RESTRICTED GOVERNMENT-WIDE ASSETS

Governmental activities

Restricted assets are composed of \$609,004 of cash restricted for capital projects and public safety expenditures under Federal and/or State laws. \$568,490 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax adopted in 2006, and \$40,514 of cash is restricted for public safety expenditures of Federal and State confiscated property.

Business-type activities

Restricted assets are composed of the following at June 30, 2011:

	<u>Investments</u>
Municipal Competitive Trust Investment Accounts	\$ 1,230,909
1993 Revenue Bond Investment Accounts	<u> 1,106,810</u>
Total	<u>\$ 2,337,719</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 - RESTRICTED FUND ASSETS

2006 SPLOST Fund

Restricted assets are composed of \$568,490 of cash restricted for capital expenditures under State law regarding expenditures of Special Purpose Local Option Sales Tax proceeds.

Confiscated Assets Fund

Restricted assets are composed of \$40,514 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, 2011:

	<u>Investments</u>
Municipal Competitive Trust Investment Accounts	\$ 1,230,909
1993 Revenue Bond Investment Accounts	<u>1,106,810</u>
Total	\$ <u>2,337,719</u>

NOTE 11 - LIABILITIES PAYABLE FROM GOVERNMENT-WIDE RESTRICTED ASSETS:

Governmental activities

Liabilities payable from governmental activities are composed of the following at June 30, 2011:

Deferred revenue	\$ <u>4,280</u>
Total	\$ <u>4,280</u>

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2011:

Current Portion of 1993 Revenue Bonds Payable	\$ 285,000
Customer Deposits	184,390
Accrued Interest Payable on 1993 Revenue Bonds	<u>79,129</u>
Total	\$ <u>548,519</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12 - RESTRICTED NET ASSETS

Governmental Activities

Restricted net assets are comprised of the following at June 30, 2011:

Restricted for:	
Capital projects	\$ 693,242
Public safety	<u>44,536</u>
Total net assets restricted for governmental activities	\$ <u>737,778</u>

Business-type Activities

Restricted net assets are comprised of the following at June 30, 2011:

Restricted for:	
Municipal Competitive Trust Agreement	\$ 1,046,519
Debt Service	<u>742,681</u>
Total net assets restricted for business-type activities	\$ <u>1,789,200</u>

NOTE 13 - CONFISCATED ASSETS SPECIAL REVENUE FUND

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

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

A summary of the Special Revenue Fund follows:

	<u>Confiscated Assets</u>
Balance July 1, 2010	\$ <u>64,265</u>
Revenues	
Forfeitures	31,400
Other	<u>464</u>
Total revenues	<u>31,864</u>
Expenditures	
Public safety	<u>51,593</u>
Total expenditures	<u>51,593</u>
Balance June 30, 2011	\$ <u>44,536</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 - 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 15 - PENSION PLAN

Plan Description

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

Funding Policy

HRP members are not required and do not contribute to HRP. HRP is a noncontributory plan. The City is required to contribute 100% of the amount necessary to fund HRP at an actuarially determined rate; the current rate is 7.15% 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 amortization of the unfunded actuarial accrued liability is level dollar over 30 years for the initial unfunded accrued liability, 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods. The total amortization must be within a corridor of the 10-year and the 30-year amortization of the unfunded/(surplus) actuarial accrued liability. In a year when the 10-year or 30-year corridor applies, the following year, the prior year bases are combined into one 10-year or 30-year base. These amortization periods, if applicable, are closed for this plan year.

Annual Pension Cost

For the current year, the City's annual pension cost of \$83,655 for HRP was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2011 actuarial valuation based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 15 - PENSION PLAN - Continued

Membership of the plan

Retirees and beneficiaries receiving benefits	37
Terminated plan members entitled to, but not yet receiving benefits	18
Active plan members	<u>46</u>
Total	<u>101</u>

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>
06/30/09	\$86,642	100%	\$0
06/30/10	\$81,046	100%	\$0
06/30/11	\$83,655	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>
03/01/09	\$1,591,022	\$1,812,764	\$221,742	87.8%	\$1,021,895	21.7%
01/01/10	\$2,002,079	\$1,878,839	\$(123,240)	106.56%	\$1,144,591	0.00%
01/01/11	\$2,037,509	\$1,972,754	\$(64,755)	103.28%	\$1,149,244	0.00%

Projection of Benefits for Financial Reporting Purposes

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

Effect of Plan Changes on the Actuarial Accrued Liability

The plan provisions valued and the actuarial assumptions 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 in the preceding valuation.

Method used to determine the Actuarial Value of Assets

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 16 - HOTEL/MOTEL LODGING TAX

The City has levied a 8% hotel/motel lodging tax. The levy was increased from 5% to 8% at mid fiscal year. The amount of total tax collected in excess of a rate of 3%, is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions for the year ending June 30, 2011 follows:

Total hotel/motel tax receipts	\$ 19,912
Less: hotel/motel tax collected at a rate of 3%	<u>9,184</u>
 Hotel/motel tax collected to be expended for the promotion of tourism, conventions and trade shows	 10,728
 Expenses for promotion of tourism, conventions and trade shows to Hogansville Downtown Development Authority	 <u>10,728</u>
 Balance of hotel/motel tax funds at June 30, 2011	 \$ <u><u>-</u></u>

NOTE 17 - EXCESS EXPENDITURES OR EXPENSES OVER APPROPRIATIONS

The City had expenditures over appropriations for the General Fund for General Government of \$155,098, Public Safety of \$39,719, and Public Services of \$24,564 for the fiscal year ending June 30, 2011. The City also had expenditures over appropriations for the Confiscated Assets Fund for Public Safety of \$51,593 for the fiscal year ending June 30, 2011.

NOTE 18 - DEFICIT FUND BALANCES/NET ASSETS

The City's General Fund had a deficit fund balance of \$290,661 at June 30, 2011. This deficit is a result of inadequate revenues to cover expenditures for the current fiscal year. Because the General Fund did not generate enough revenues to cover its expenditures, the City will need to make operating transfers from its Utility Fund to the General Fund in order eliminate this deficit.

NOTE 19 - LITIGATION

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

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

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

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default. The City is contingently liable for \$17,464,256 of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2011.

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 \$960,083 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2011.

Intergovernmental Natural Gas Sales Agreement

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

Intergovernmental Water Sales Agreement

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

Intergovernmental Water Sales Agreement

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

Intergovernmental Water Sales Agreement

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

Community Development Block Grant

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to its Sewer System. The estimated cost of the project is \$922,921 with \$500,000 being funded by a Federal grant and \$422,921 being funded by the City.

Transportation Enhancement Activity Grant

The City has entered into an agreement with the Georgia Department of Transportation for the Construction of Hogansville Streetscape, Phase III project. The estimated cost of the project is \$250,000 with \$200,000 being funded by a Federal grant award and \$50,000 by the City.

Recreational Trails Program Grant

The City has entered into an agreement with the State of Georgia Department of Natural Resources for the Construction of the Water Tower Trail Phase II project. The estimated cost of the project is \$167,934 with \$100,000 being funded by a Federal grant award and \$67,934 by the City.

NOTE 21 - RISK MANAGEMENT

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

NOTE 22 - RELATED ORGANIZATION

The City of Hogansville Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$18,345 for payment in lieu of taxes from the Housing Authority for the year ended June 30, 2011.

NOTE 23 - JOINT VENTURE

Under Georgia law, the City is a member of the Three Rivers Regional Commission ("TRRC"). The City paid \$2,921 in dues to the TRRC for the year ended June 30, 2011. Membership in a Regional Commission ("RC") is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from Three Rivers Regional Commission, 120 North Hill Street, P.O. Box 818 Griffin, GA 30224.

NOTE 24 - GRANTS

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 25 - LANDFILL CLOSURE AND POSTCLOSURE CARE

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

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

All work was completed by April 30, 1997.

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 26 - GOING CONCERN

The City is experiencing a difficult time generating positive increases in net assets, fund balances, and cash flows to sustain current operations. The City is highly leveraged with a very large debt load, which makes funding its operations and repaying its debt very difficult. In addition, the City was not in compliance with two bond covenant compliance requirements related to its 1993 Combined Utility System Refunding Revenue Bonds ("1993 Bonds") at June 30, 2011.

The City had a decrease in fund balance in its General Fund of \$298,067, and had a small increase in net assets in its Enterprise Fund, which was only due to an increase in capital contributions from its SPLOST 2006 Fund. Had the Enterprise Fund not received capital contributions from the SPLOST 2006 Fund, the Enterprise Fund would have sustained a net loss of \$226,110. The City had bank overdrafts in its General Fund of \$72,537, and had only \$262,161 in unrestricted cash and investments in its Enterprise Fund at June 30, 2011.

At June 30, 2011, the City was not in compliance with the rate covenant and the debt service reserve account no. 2 requirement on its 1993 Bonds. The City is required to revise its schedule of Utility System rates in order to generate adequate net revenues equal to at least 130% of the required sinking fund payments on the 1993 Bonds and 100% of the debt service requirements of subordinated debt that is secured by the revenues of the City's Utility System. The City fell \$146,692 short of the rate covenant requirement at June 30, 2011. The City is also required to maintain a balance equal to the aggregate of one month's operating expenses for the Utility System based on the City's audited financial statements plus an additional \$50,000 to maintain the System. The City fell \$205,410 short of the debt service reserve account no. 2 requirement at June 30, 2011.

In order to comply with the rate covenant of the 1993 Bonds, the City must increase its utility rates to an appropriate amount. Failure to do so could subject the City to legal action by any holder of the 1993 Bonds. The Bond rate covenant states that 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. Therefore, the holders of the 1993 Bonds could force the City to increase its utility rates in order to be in compliance with the rate covenant. The 1993 Bond debt service reserve account no. 2 requires that when the account falls below the proper level for compliance that the City begin immediately making monthly payments to the account in order to replenish the account's balance to the proper compliant amount. However, the City's Bond Trustee had not yet required the City to replenish the account as of the audit report date.

The City did enter into a sale-leaseback transaction with the Municipal Electric Authority of Georgia to help ease its cash flow position during the year. However, because of increasing operating costs, its need to improve and maintain its utility system infrastructure, and repay its long-term debt the City continues to have a difficult time meeting its current obligations in a timely manner. If the City's cash flows and financial position do not improve dramatically in the near future, it could face the possibility of downsizing its workforce, selling assets, or even bankruptcy.

REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

**CITY OF HOGANSVILLE, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011**

	Special Revenue		
	Confiscated Assets	Hotel/ Motel Tax	Totals
ASSETS			
Sales and other taxes receivable	\$ -	\$ 2,403	\$ 2,403
Due from other funds	8,302	3,836	12,138
Restricted cash and cash equivalents	<u>40,514</u>	<u>-</u>	<u>40,514</u>
Total assets	\$ <u>48,816</u>	\$ <u>6,239</u>	\$ <u>55,055</u>
LIABILITIES			
Deferred revenue	\$ 4,280	\$ -	\$ 4,280
Due to component unit	<u>-</u>	<u>6,239</u>	<u>6,239</u>
Total liabilities	<u>4,280</u>	<u>6,239</u>	<u>10,519</u>
FUND BALANCES			
Restricted for:			
Public safety	<u>44,536</u>	<u>-</u>	<u>44,536</u>
Total fund balance	<u>44,536</u>	<u>-</u>	<u>44,536</u>
Total liabilities and fund Balances	\$ <u>48,816</u>	\$ <u>6,239</u>	\$ <u>55,055</u>

SEE INDEPENDENT AUDITORS' REPORT.

**CITY OF HOGANSVILLE, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue		
	Confiscated Assets	Hotel/ Motel Tax	Totals
REVENUES			
Taxes	\$ -	\$ 19,912	\$ 19,912
Fines and forfeitures	31,400	-	31,400
Other	<u>464</u>	<u>-</u>	<u>464</u>
Total Revenues	<u>31,864</u>	<u>19,912</u>	<u>51,776</u>
 EXPENDITURES			
Current operating			
Public safety	51,593	-	51,593
Downtown Development	<u>-</u>	<u>10,728</u>	<u>10,728</u>
Total Expenditures	<u>51,593</u>	<u>10,728</u>	<u>62,321</u>
 Excess (deficiency) of revenues Over (under) expenditures	 (<u>19,729</u>)	 <u>9,184</u>	 (<u>10,545</u>)
 OTHER FINANCING SOURCES (USES)			
Transfers	<u>-</u>	(<u>9,184</u>)	(<u>9,184</u>)
Net other financing sources (uses)	<u>-</u>	(<u>9,184</u>)	(<u>9,184</u>)
 Net changes in fund balances	 (19,729)	 -	 (19,729)
 Fund balance - beginning of year	 <u>64,265</u>	 <u>-</u>	 <u>64,265</u>
 Fund balance - end of year	 \$ <u>44,536</u>	 \$ <u>-</u>	 \$ <u>44,536</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, 2011

	Confiscated Assets Fund			Variance with Final budget Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ 31,400	\$ 31,400
Other	<u>-</u>	<u>-</u>	<u>464</u>	<u>464</u>
Total revenues	<u>-</u>	<u>-</u>	<u>31,864</u>	<u>31,864</u>
EXPENDITURES				
Current operating				
Public safety	<u>-</u>	<u>-</u>	<u>51,593</u>	<u>(51,593)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>51,593</u>	<u>(51,593)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(19,729)	(19,729)
Fund balance - beginning of year	<u>64,265</u>	<u>64,265</u>	<u>64,265</u>	<u>-</u>
Fund balance - end of year	\$ <u>64,265</u>	\$ <u>64,265</u>	\$ <u>44,536</u>	\$(<u>19,729</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, 2011

	<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>39,000</u>	\$ <u>39,000</u>	\$ <u>19,912</u>	\$(<u>19,088</u>)
Total revenues	<u>39,000</u>	<u>39,000</u>	<u>19,912</u>	(<u>19,088</u>)
EXPENDITURES				
Current operating				
Downtown development	<u>14,625</u>	<u>14,625</u>	<u>10,728</u>	<u>3,897</u>
Total expenditures	<u>14,625</u>	<u>14,625</u>	<u>10,728</u>	<u>3,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,375</u>	<u>24,375</u>	<u>9,184</u>	(<u>15,191</u>)
OTHER FINANCING SOURCES (USES)				
Transfers out	(<u>24,375</u>)	(<u>24,375</u>)	(<u>9,184</u>)	<u>15,191</u>
Net other financing sources (uses)	(<u>24,375</u>)	(<u>24,375</u>)	(<u>9,184</u>)	<u>15,191</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

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

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – 2006 SPLOST FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	2006 SPLOST Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 1,764,321	\$ 536,410	\$ 2,300,731	\$ 3,400,000
Investment return	<u>17,475</u>	<u>2,014</u>	<u>19,489</u>	<u>-</u>
Total revenues	<u>1,781,796</u>	<u>538,424</u>	<u>2,320,220</u>	<u>3,400,000</u>
EXPENDITURES				
Capital outlay	<u>977,562</u>	<u>649,416</u>	<u>1,626,978</u>	<u>3,400,000</u>
Total expenditures	<u>977,562</u>	<u>649,416</u>	<u>1,626,978</u>	<u>3,400,000</u>
Net change in fund balance	\$ <u>804,234</u>	(110,992)	\$ <u>693,242</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>804,234</u>		
Fund balance - end of year		\$ <u>693,242</u>		

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

REPORT REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fax: 770-904-5299

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

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

We have audited the financial statements of the governmental activities, 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, 2011, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses noted as items 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency noted as item 2011-7

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hogansville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance noted in the accompanying schedule of findings and responses as item 2011-8. There were no other instances noted of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Wilcox & Bivings, P.C.

Suwanee, Georgia
December 22, 2011

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011**

Finding 2011-1

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

Response

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

Finding 2011-2

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

Response

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

Finding 2011-3

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

Response

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

Finding 2011-4

The City did not have supporting documentation for dates of deposit, copies of receipts, or receipt numbers for several bond forfeitures listed on the City's municipal court docket.

Response

The City will implement procedures where there is improved supervision and accountability for bond forfeiture payments posted to the municipal court docket.

Finding 2011-5

Two instances were noted where the City had made duplicate payments to vendors.

Response

The City has investigated these items, and has contacted the vendors to request reimbursement. The City will also implement procedures to ensure that invoices are properly noted as being paid so that duplicate payments are not made in the future.

Finding 2011-6

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

Response

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

**CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
JUNE 30, 2011**

Finding 2011-7

When depositing cash into the Confiscated Assets Fund bank accounts, the City had multiple instances where there was no supporting documentation forwarded to the City Clerk noting the case number, property description, or court order noting adjudication of the case.

Response

The City Clerk subsequently received the supporting documentation from the police department. However, the City will implement procedures in which the police department will forward copies of all supporting documentation for cash deposited into the Confiscated Assets Fund bank accounts in a timely manner.

Finding 2011-8

The City had expenditures over appropriations for several functions in the General Fund and Confiscated Assets Fund.

Response

The City will monitor expenditures and make budget amendments as needed.

SCHEDULES REQUIRED BY THE STATE OF GEORGIA

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
2006 SPLOST
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Years</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
<i>PROJECTS</i>						
Water and Sewer System						
Improvements - Priority One	\$ 500,000	\$ 879,352	\$ 612,801	\$ 266,551	\$ 879,352	100.0%
Road and Bridge Improvements - Priority Two	<u>2,900,000</u>	<u>2,520,648</u>	<u>364,761</u>	<u>382,865</u>	<u>747,626</u>	29.7%
Totals	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>	<u>\$ 977,562</u>	<u>\$ 649,416</u>	<u>\$ 1,626,978</u>	