

CITY OF HOGANSVILLE, GEORGIA
AUDITED BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 57, and the Schedule of Contributions on Page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hogansville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, budget and actual schedules, and Schedules of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the City of Hogansville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering City of Hogansville, Georgia's internal control over financial reporting and compliance.

Wilcox & Birings, P.C.

Suwanee, Georgia
December 20, 2016

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Management of the City of Hogansville, Georgia (the "City") provides this Management Discussion and Analysis. This narrative overview and analysis of the City's primary government financial activities is for the fiscal year ending June 30, 2016. 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 \$10,823,025 (presented as "net position"). Of this amount, \$(680,767) was reported as a deficit "unrestricted net position". \$9,732,047 of net position consisted of net investment in capital assets. The remainder of net position consisted of amounts restricted by state law or debt agreements, and totaled \$1,771,745.
- The City's total net position decreased by \$108,029 in fiscal year 2016.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$720,093. Unassigned fund balance was a deficit of \$(526,278).
- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of \$(559,645) or negative (22.9)% 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 Position presents information on all of the City's primary government assets, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Fund financial statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 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, water and sewer system, and sanitation operations.

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

The basic proprietary fund financial statements can be found on pages 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 56 of this report.

Other Information

In addition to the primary government financial statements and accompanying notes, this report also presents certain required and other supplementary information. Required and other supplementary information can be found on pages 57 to 69 of this report.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City's primary government financial statements, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,823,025 as of June 30, 2016.

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

CITY OF HOGANSVILLE, GEORGIA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets \$	1,253,841	\$ 1,881,727	\$ 4,500,014	\$ 4,716,957	\$ 5,753,855	\$ 6,598,684
Capital assets	<u>5,194,417</u>	<u>5,241,088</u>	<u>15,801,854</u>	<u>15,975,487</u>	<u>20,996,271</u>	<u>21,216,575</u>
Total assets	<u>6,448,258</u>	<u>7,122,815</u>	<u>20,301,868</u>	<u>20,692,444</u>	<u>26,750,126</u>	<u>27,815,259</u>
Deferred outflows of resources,	<u>222,170</u>	<u>77,297</u>	<u>-</u>	<u>71,478</u>	<u>222,170</u>	<u>148,775</u>
Long-term liabilities	595,623	295,594	11,346,687	11,772,138	11,942,310	12,067,732
Other liabilities	<u>589,884</u>	<u>1,052,804</u>	<u>923,137</u>	<u>1,050,492</u>	<u>1,513,021</u>	<u>2,103,296</u>
Total liabilities	<u>1,185,507</u>	<u>1,348,398</u>	<u>12,269,824</u>	<u>12,822,630</u>	<u>13,455,331</u>	<u>14,171,028</u>
Deferred inflows of resources	<u>5,842</u>	<u>64,508</u>	<u>2,688,098</u>	<u>2,797,444</u>	<u>2,693,940</u>	<u>2,861,952</u>
Net position:						
Net investment in capital assets	5,030,203	5,113,359	4,701,844	4,414,520	9,732,047	9,527,879
Restricted	1,172,832	1,190,688	598,913	744,788	1,771,745	1,935,476
Unrestricted	(<u>723,956</u>)	(<u>516,841</u>)	<u>43,189</u>	(<u>15,460</u>)	(<u>680,767</u>)	(<u>532,301</u>)
Total net position	\$ <u>5,479,079</u>	\$ <u>5,787,206</u>	\$ <u>5,343,946</u>	\$ <u>5,143,848</u>	\$ <u>10,823,025</u>	\$ <u>10,931,054</u>

An additional portion of the City's net position (16.4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(680,767).

As of June 30, 2016 and 2015, the City was able to report positive balances in two out of three categories of net position for the government as a whole. As of June 30, 2016 and 2015, the City was able to report positive balances in two out of three categories of net position for its governmental activities as it had negative unrestricted net position balances of \$(723,956) and \$(516,841). The City was able to report positive balances in all three categories of net position for its business-type activities at June 30, 2016, and in two of the three categories for 2015 as it had a negative unrestricted net position balance of \$(15,460).

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended June 30, 2016 and 2015. Governmental activities decreased the City's net position by \$308,127 for the year ended June 30, 2016 and increased the City's net position by \$306,031 for the year ended June 30, 2015. Business-type activities increased the City's net position by \$200,098 and \$221,635 for the years ended June 30, 2016 and 2015.

CITY OF HOGANSVILLE, GEORGIA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 395,541	\$ 426,733	\$ 5,663,256	\$ 6,004,194	\$ 6,058,797	\$ 6,430,927
Operating grants and Contributions	-	-	-	-	-	-
Capital grants and Contributions	801,818	1,277,075	-	-	801,818	1,277,075
General revenues:						
Taxes	1,630,028	1,439,658	-	-	1,630,028	1,439,658
Payments from component unit	-	4,332	-	-	-	4,332
Investment revenue	655	2,556	44,352	46,774	45,007	49,330
Other	<u>45,069</u>	<u>45,264</u>	<u>-</u>	<u>-</u>	<u>45,069</u>	<u>45,264</u>
Total revenues	<u>2,873,111</u>	<u>3,195,618</u>	<u>5,707,608</u>	<u>6,050,968</u>	<u>8,580,719</u>	<u>9,246,586</u>
Expenses:						
Program expenses:						
General government	871,014	552,620	-	-	871,014	552,620
Public safety	1,353,497	1,342,024	-	-	1,353,497	1,342,024
Public services	757,835	715,085	-	-	757,835	715,085
Tourism	17,339	-	-	-	17,339	-
Interest	11,375	11,714	-	-	11,375	11,714
Utility system	-	-	<u>5,679,433</u>	<u>6,125,693</u>	<u>5,679,433</u>	<u>6,125,693</u>
Total expenses	<u>3,011,060</u>	<u>2,621,443</u>	<u>5,679,433</u>	<u>6,125,693</u>	<u>8,690,493</u>	<u>8,747,136</u>
Excess (deficiency) in net assets before contributions and transfers	(137,949)	574,175	28,175	(74,725)	(109,774)	499,450
Contributions	1,745	28,216	-	-	1,745	28,216
Transfers	<u>(171,923)</u>	<u>(296,360)</u>	<u>171,923</u>	<u>296,360</u>	<u>-</u>	<u>-</u>
Change in net position	(308,127)	306,031	200,098	221,635	(108,029)	527,666
Net position July 1,	<u>5,787,206</u>	<u>5,481,175</u>	<u>5,143,848</u>	<u>4,922,213</u>	<u>10,931,054</u>	<u>10,403,388</u>
Net position June 30,	<u>\$ 5,479,079</u>	<u>\$ 5,787,206</u>	<u>\$ 5,343,946</u>	<u>\$ 5,143,848</u>	<u>\$ 10,823,025</u>	<u>\$ 10,931,054</u>

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$720,093. Negative \$(526,278) of the combined fund balance constitutes unassigned fund balance deficit. The remainder of the fund balance is classified as either restricted or committed. Restricted fund balance consisted of amounts restricted to pay for capital projects of \$1,122,923 and public safety of \$49,909. \$73,539 of fund balance was committed for public safety.

The General Fund is the chief fund of the City. At the end of the current fiscal year, unassigned fund balance was a deficit of \$(559,645) and total fund balance of the General Fund was a deficit of \$(486,106). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the fund's total operational expenditures. Unassigned fund balance represents negative (22.9)% of total expenditures, while total fund balance represents negative (19.9)% of that same amount.

The General Fund's fund balance decreased by \$60,708 during the current fiscal year. Key factors in this decrease are as follows:

- Total revenues increased by \$194,450 for a percentage increase of 10.6%. This increase was mainly due to an increase in taxes revenue of \$184,740.
- Total expenditures decreased by \$131,750 for a percentage decrease of 5.1%. This decrease was mainly due to the City incurring a decrease in public services expenditures of \$121,259.
- Transfers in decreased by \$59,273. This decrease was due to the decrease of transfers in from the Enterprise Fund in order to fund General Fund operations.

The SPLOST IV Fund's fund balance increased by \$37,005. This increase was due to an increase in intergovernmental revenues over expenditures during the current year.

The Capital Grants Fund's fund balance increased by \$84,909. This increase was due to an increase in intergovernmental revenues during the year.

Other governmental funds fund balances decreased \$34,247 during the current fiscal year. This decrease was due mainly to expenditures exceeding revenues by \$34,354 in the Confiscated Asset Fund during the current fiscal year.

Proprietary funds

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

Unrestricted net position of the proprietary fund was \$43,189. The fund had a net position increase for the fiscal year of \$200,098. Operating revenues decreased by \$340,938, operating expenses decreased by \$430,256, capital contributions decreased by \$272,548, and net transfers to other funds decreased by \$148,111.

**CITY OF HOGANSVILLE, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. Overall, these revisions resulted in decreases in budgeted revenues of \$303,668, decreases in budgeted expenditures of \$174,683, and increases in other financing sources of \$68,277. Material revisions to budgeted appropriations were for decreases of general government appropriations of \$111,991 and for decreases of public services appropriations of \$89,642.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 and 2015 amounted to \$20,996,271 and \$21,216,575, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture, fixtures and equipment, utility system infrastructure, infrastructure assets, and vehicles.

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

- The City purchased land for \$43,262.
- The City expended \$224,509 for general government infrastructure improvements.
- The City purchased vehicles in the amount of \$38,966.
- The City expended \$307,766 for utility system construction in progress.
- The City reclassified \$700,818 of construction in progress to utility system infrastructure.
- The City expended \$210,581 for utility system infrastructure net of construction in progress reclassifications.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 371,634	\$ 328,372	\$ 380,784	\$ 380,784	\$ 752,418	\$ 709,156
Construction in progress	11,157	5,449	377,125	770,177	388,282	775,626
Buildings and improvements	2,007,272	1,998,522	-	-	2,007,272	1,998,522
Utility system infrastructure	-	-	23,123,404	22,439,766	23,123,404	22,439,766
Furniture, fixtures and equipment	315,959	403,266	285,138	273,355	601,097	676,621
Infrastructure	4,117,097	3,892,588	-	-	4,117,097	3,892,588
Vehicles	547,930	569,185	-	-	547,930	569,185
Accumulated depreciation	(2,176,632)	(1,956,294)	(8,364,597)	(7,888,595)	(10,541,229)	(9,844,889)
Total	\$ 5,194,417	\$ 5,241,088	\$ 15,801,854	\$ 15,975,487	\$ 20,996,271	\$ 21,216,575

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, 2016**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had \$11,739,747 in long-term debt consisting of revenue bonds, capital leases, notes payable, and net pension liability. All of the debt was secured by capital assets or specific revenue sources.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital leases payable	\$ 164,214	\$ 127,729	\$ 5,911,666	\$ 5,964,058	\$ 6,075,880	\$ 6,091,787
Notes payable	-	-	395,629	427,406	395,629	427,406
Revenue bonds payable	-	-	4,792,715	5,240,981	4,792,715	5,240,981
Net pension liability	<u>475,523</u>	<u>190,168</u>	-	-	<u>475,523</u>	<u>190,168</u>
Total	<u>\$ 639,737</u>	<u>\$ 317,897</u>	<u>\$ 11,100,010</u>	<u>\$ 11,632,445</u>	<u>\$ 11,739,747</u>	<u>\$ 11,950,342</u>

The City's total debt decreased \$210,595 during the current fiscal year. This was mainly attributable to the City repaying debt principal and its' net pension liability increasing during the fiscal year. Additionally, the City had long-term interest payable related to capital leases of \$545,011 and \$388,314 at June 30, 2016 and 2015. Additional information on the City's long-term debt can be found in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2016-2017 Budget, General Fund revenues are budgeted to increase by 6.0% from the 2015-2016 budget year with taxes making up about 68.3% of general fund budgeted revenues. The 2016-2017 General Fund Budget includes budgeted revenue of \$555,000 for local option sales tax, \$477,600 in property tax, and \$560,000 in fines and forfeitures. The City has also budgeted expenditures of \$587,732 for general government and \$1,413,525 for public safety.

The City has budgeted \$6,520,125 in revenues for its business-type activities for the 2016-2017 Budget. This is a decrease of 6.8% from the 2015-2016 budget year with charges for services making up 97.2% of budgeted revenues. The City has budgeted \$3,896,859 in electric revenue, \$1,026,667 in gas revenue, \$522,500 in sewer revenue and \$637,500 in water revenue. The City's business-type activities have also budgeted electric department expenses of \$3,477,995 and gas department expenses of \$938,983.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 46,999	\$ 365,388	\$ 412,387	\$ 63,724
Investments	-	212,265	212,265	-
Receivables, net	229,035	751,700	980,735	-
Prepaid expenses	-	6,726	6,726	-
Internal balances	(186,841)	186,841	-	-
Restricted cash and cash equivalents	1,164,648	252,304	1,416,952	-
Restricted investments	-	1,029,788	1,029,788	-
Long term receivables	-	1,695,002	1,695,002	-
Nondepreciable capital assets	382,791	757,909	1,140,700	-
Depreciable capital assets	<u>4,811,626</u>	<u>15,043,945</u>	<u>19,855,571</u>	<u>-</u>
Total assets	<u>6,448,258</u>	<u>20,301,868</u>	<u>26,750,126</u>	<u>63,724</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	<u>222,170</u>	<u>-</u>	<u>222,170</u>	<u>-</u>
Total deferred outflows of resources	<u>222,170</u>	<u>-</u>	<u>222,170</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Bank overdrafts	46,142	-	46,142	-
Accounts payable	447,306	255,102	702,408	-
Accrued expenses	31,365	103,569	134,934	-
Capital leases	65,071	58,177	123,248	-
Notes payable	-	33,023	33,023	-
Revenue bonds payable	<u>-</u>	<u>473,266</u>	<u>473,266</u>	<u>-</u>
Total current liabilities	<u>589,884</u>	<u>923,137</u>	<u>1,513,021</u>	<u>-</u>
Noncurrent liabilities:				
Customer deposits	-	252,304	252,304	-
Compensated absences	20,957	13,828	34,785	-
Accrued liabilities	-	545,011	545,011	-
Capital leases	99,143	5,853,489	5,952,632	-
Notes payable	-	362,606	362,606	-
Revenue bonds payable	-	4,319,449	4,319,449	-
Net pension liability	<u>475,523</u>	<u>-</u>	<u>475,523</u>	<u>-</u>
Total noncurrent liabilities	<u>595,623</u>	<u>11,346,687</u>	<u>11,942,310</u>	<u>-</u>
Total liabilities	<u>1,185,507</u>	<u>12,269,824</u>	<u>13,455,331</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - fines & forfeitures	4,158	-	4,158	-
Pension	1,684	-	1,684	-
Deferred gain on sale-leaseback	<u>-</u>	<u>2,688,098</u>	<u>2,688,098</u>	<u>-</u>
Total deferred inflows of resources	<u>5,842</u>	<u>2,688,098</u>	<u>2,693,940</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	5,030,203	4,701,844	9,732,047	-
Restricted for:				
Debt service	-	513,565	513,565	-
Municipal Competitive Trust Agreement	-	85,348	85,348	-
Capital projects	1,122,923	-	1,122,923	-
Public safety	49,909	-	49,909	-
Unrestricted	<u>(723,956)</u>	<u>43,189</u>	<u>(680,767)</u>	<u>63,724</u>
Total net position	<u>\$ 5,479,079</u>	<u>\$ 5,343,946</u>	<u>\$ 10,823,025</u>	<u>\$ 63,724</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 871,014	\$ 47,605	\$ -	\$ 801,818
Public safety	1,353,497	290,889	-	-
Public services	757,835	57,047	-	-
Tourism	17,339	-	-	-
Interest	<u>11,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>3,011,060</u>	<u>395,541</u>	<u>-</u>	<u>801,818</u>
Business-type activities				
Utility system	<u>5,679,433</u>	<u>5,663,256</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,679,433</u>	<u>5,663,256</u>	<u>-</u>	<u>-</u>
Total primary government	\$ <u>8,690,493</u>	\$ <u>6,058,797</u>	\$ <u>-</u>	\$ <u>801,818</u>
Component Unit				
Downtown Development Authority	<u>\$ 2,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Local option sales

Property

Franchise

Insurance premium

Motor vehicle

Beer and wine

Other

Investment return

Other

Contributions

Transfers

Total general revenues and transfers

Change in net position

Net position – beginning

Net position – ending

<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
\$(21,591)	\$ -	\$(21,591)	\$ -
(1,062,608)	-	(1,062,608)	-
(700,788)	-	(700,788)	-
(17,339)	-	(17,339)	-
(<u>11,375</u>)	<u>-</u>	(<u>11,375</u>)	<u>-</u>
(<u>1,813,701</u>)	<u>-</u>	(<u>1,813,701</u>)	<u>-</u>
<u>-</u>	(<u>16,177</u>)	(<u>16,177</u>)	<u>-</u>
<u>-</u>	(<u>16,177</u>)	(<u>16,177</u>)	<u>-</u>
\$(<u>1,813,701</u>)	\$(<u>16,177</u>)	\$(<u>1,829,878</u>)	\$ <u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$(<u>2,653</u>)
\$ 516,712	\$ -	\$ 516,712	\$ -
434,676	-	434,676	-
248,079	-	248,079	-
175,051	-	175,051	-
86,858	-	86,858	-
81,207	-	81,207	-
87,445	-	87,445	-
655	44,352	45,007	123
1,745	-	1,745	2,090
45,069	-	45,069	-
(<u>171,923</u>)	<u>171,923</u>	<u>-</u>	<u>-</u>
<u>1,505,574</u>	<u>216,275</u>	<u>1,721,849</u>	<u>2,213</u>
(308,127)	200,098	(108,029)	(440)
<u>5,787,206</u>	<u>5,143,848</u>	<u>10,931,054</u>	<u>64,164</u>
\$ <u>5,479,079</u>	\$ <u>5,343,946</u>	\$ <u>10,823,025</u>	\$ <u>63,724</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 46,996	\$ -	\$ 3	\$ -	\$ 46,999
Property taxes receivable	29,070	-	-	-	29,070
Sales and other taxes receivable	100,594	-	-	2,187	102,781
Intergovernmental receivable	-	85,124	-	-	85,124
Other receivable	12,060	-	-	-	12,060
Due from other funds	72,782	-	33,364	1,672	107,818
Restricted cash and cash equivalents	<u>-</u>	<u>1,061,093</u>	<u>-</u>	<u>103,555</u>	<u>1,164,648</u>
Total assets	\$ <u>261,502</u>	\$ <u>1,146,217</u>	\$ <u>33,367</u>	\$ <u>107,414</u>	\$ <u>1,548,500</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Bank overdrafts	\$ 46,142	\$ -	\$ -	\$ -	\$ 46,142
Accounts payable	443,447	-	-	3,859	447,306
Accrued expenses	31,365	-	-	-	31,365
Due to other funds	<u>221,877</u>	<u>71,252</u>	<u>-</u>	<u>1,530</u>	<u>294,659</u>
Total liabilities	<u>742,831</u>	<u>71,252</u>	<u>-</u>	<u>5,389</u>	<u>819,472</u>
Deferred inflows of resources:					
Deferred revenue	<u>4,777</u>	<u>-</u>	<u>-</u>	<u>4,158</u>	<u>8,935</u>
Total deferred inflows of resources	<u>4,777</u>	<u>-</u>	<u>-</u>	<u>4,158</u>	<u>8,935</u>
Fund balances:					
Restricted for:					
Capital projects	-	1,074,965	-	47,958	1,122,923
Public safety	-	-	-	49,909	49,909
Committed for:					
Public safety	73,539	-	-	-	73,539
Unassigned	<u>(559,645)</u>	<u>-</u>	<u>33,367</u>	<u>-</u>	<u>(526,278)</u>
Total fund balances	<u>(486,106)</u>	<u>1,074,965</u>	<u>33,367</u>	<u>97,867</u>	<u>720,093</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>261,502</u>	\$ <u>1,146,217</u>	\$ <u>33,367</u>	\$ <u>107,414</u>	\$ <u>1,548,500</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016**

Total Governmental Fund Balances	\$	720,093
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$2,176,632.		5,194,417
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds: Property taxes receivable		4,777
Deferred outflows of resources are not due and payable in the current period, and therefore, are not reported in the funds: Pension related experience differences, assumption changes, differences between projected and actual earnings on pension plan investments, and contributions		222,170
Deferred inflows of resources are not available to pay for current-period expenditures and therefore are not reported in the funds: Pension related differences between expected and actual experience	(1,684)
Debt and other long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds: Compensated absences Capital leases payable Net Pension liability	(20,957) 164,214) <u>475,523)</u>
Net Position of Governmental Activities	\$	<u>5,479,079</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, 2016

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 1,600,763	\$ -	\$ -	\$ 27,743	\$ 1,628,506
Fines and forfeitures	286,103	-	-	4,786	290,889
Intergovernmental	-	515,871	458,326	-	974,197
Licenses and permits	47,605	-	-	-	47,605
Charges for services	57,047	-	-	-	57,047
Contributions	1,745	-	-	-	1,745
Other	28,712	-	-	-	28,712
Investment return	<u>655</u>	<u>1,056</u>	<u>-</u>	<u>107</u>	<u>1,818</u>
Total revenues	<u>2,022,630</u>	<u>516,927</u>	<u>458,326</u>	<u>32,636</u>	<u>3,030,519</u>
EXPENDITURES					
Current operating					
General government	531,573	-	-	-	531,573
Public safety	1,218,643	-	-	39,140	1,257,783
Public services	627,027	-	-	-	627,027
Tourism	-	-	-	17,339	17,339
Capital outlay	-	479,922	354,597	-	834,519
Debt Service	<u>71,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,255</u>
Total expenditures	<u>2,448,498</u>	<u>479,922</u>	<u>354,597</u>	<u>56,479</u>	<u>3,339,496</u>
Excess (deficiency) of revenues Over (under) expenditures	(<u>425,868</u>)	<u>37,005</u>	<u>103,729</u>	(<u>23,843</u>)	(<u>308,977</u>)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	96,365	-	-	-	96,365
Sales of surplus property	8,029	-	-	-	8,029
Compensation for loss on capital assets	8,329	-	-	-	8,329
Transfers in	252,437	-	49,548	-	301,985
Transfers out	<u>-</u>	<u>-</u>	(<u>68,368</u>)	(<u>10,404</u>)	(<u>78,772</u>)
Net other financing sources (uses)	<u>365,160</u>	<u>-</u>	(<u>18,820</u>)	(<u>10,404</u>)	<u>335,936</u>
Net changes in fund balance	(<u>60,708</u>)	<u>37,005</u>	<u>84,909</u>	(<u>34,247</u>)	<u>26,959</u>
Fund balance (deficit) – beginning of year	(<u>425,398</u>)	<u>1,037,960</u>	(<u>51,542</u>)	<u>132,114</u>	<u>693,134</u>
Fund balance (deficit) – end of year	\$ (<u>486,106</u>)	\$ <u>1,074,965</u>	\$ <u>33,367</u>	\$ <u>97,867</u>	\$ <u>720,093</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, 2016**

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

Net change in fund balances – total governmental funds	\$	26,959
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		329,652
Depreciation expense	(376,323)
Revenues in the statement of activities that do not provide current financial resources Are not reported as revenue in the funds:		
Property taxes		1,522
Intergovernmental	(173,542)
Contributions to the pension plan in the current fiscal year are not included in the statement of activities	(81,584)
Long-term compensated absences were reported in the statement of activities, but they did not require the use of current financial resources. Therefore, long-term compensated absences were not reported as expenditures in governmental funds		1,674
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Capital leases payable		59,880
The issuance of debt provides current financial resources to governmental funds, which increases liabilities on the statement of activities:		
Capital leases payable	(<u>96,365)</u>
Change in Net Position of Governmental Activities	\$ (<u>308,127)</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, 2016

	<u>General Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final budget Over (Under)</u>
REVENUES				
Taxes	\$ 1,513,250	\$ 1,600,763	\$ 1,600,763	\$ -
Fines and forfeitures	672,000	286,103	286,103	-
Licenses and permits	41,548	47,605	47,605	-
Charges for services	58,000	57,047	57,047	-
Contributions	4,500	1,745	1,745	-
Other	36,800	28,712	28,712	-
Investment return	<u>200</u>	<u>655</u>	<u>655</u>	<u>-</u>
Total revenues	<u>2,326,298</u>	<u>2,022,630</u>	<u>2,022,630</u>	<u>-</u>
EXPENDITURES				
Current operating				
General government	643,564	531,573	531,573	-
Public safety	1,308,285	1,218,643	1,218,643	-
Public services	619,132	627,027	627,027	-
Debt service	<u>52,200</u>	<u>71,255</u>	<u>71,255</u>	<u>-</u>
Total expenditures	<u>2,623,181</u>	<u>2,448,498</u>	<u>2,448,498</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(296,883)	(425,868)	(425,868)	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	96,365	96,365	-
Sales of surplus property	1,000	8,029	8,029	-
Compensation for loss of capital assets	-	8,329	8,329	-
Transfers in	<u>295,883</u>	<u>252,437</u>	<u>252,437</u>	<u>-</u>
Net other financing sources (uses)	<u>296,883</u>	<u>365,160</u>	<u>365,160</u>	<u>-</u>
Net change in fund balance	-	(60,708)	(60,708)	-
Fund balance - beginning of year	(425,398)	(425,398)	(425,398)	<u>-</u>
Fund balance - end of year	\$(<u>425,398</u>)	\$(<u>486,106</u>)	\$(<u>486,106</u>)	\$ <u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2016**

	ENTERPRISE FUND
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 365,388
Investments	212,265
Accounts receivable, net	468,916
Interfund receivables	186,841
Installment sale receivable	282,784
Prepaid expenses	6,726
Total current assets	1,522,920
Noncurrent assets:	
Restricted cash and cash equivalents	252,304
Restricted investments	1,029,788
Installment sale receivable	1,695,002
Net capital assets	15,801,854
Total noncurrent assets	18,778,948
Total assets	\$ 20,301,868
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 255,102
Accrued expenses	103,569
Capital leases payable	58,177
Notes payable	33,023
Revenue bonds payable	473,266
Total current liabilities	923,137
Noncurrent liabilities:	
Customer deposits	252,304
Compensated absences	13,828
Accrued liabilities	545,011
Capital leases payable	5,853,489
Notes payable	362,606
Revenue bonds payable	4,319,449
Total noncurrent liabilities	11,346,687
Total liabilities	12,269,824
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on sale-leaseback	2,688,098
Total deferred inflows of resources	2,688,098
FUND NET POSITION	
Net investment in capital assets	4,701,844
Restricted for debt service	513,565
Restricted for municipal competitive trust agreement	85,348
Unrestricted	43,189
Total fund net position	5,343,946
Total liabilities, deferred inflows of resources, and fund net position	\$ 20,301,868

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>ENTERPRISE FUND</u>
OPERATING REVENUES	
Charges for services	\$ 5,444,419
Other	<u>218,837</u>
Total operating revenues	<u>5,663,256</u>
OPERATING EXPENSES	
Personal services	754,828
Contractual services	510,963
Utilities purchased for resale	2,989,991
Utilities	63,777
Repairs and maintenance	87,263
Materials and supplies	117,823
Depreciation	614,124
Bad debt	<u>97,189</u>
Total operating expenses	<u>5,235,958</u>
Operating income (loss)	<u>427,298</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment earnings	44,352
Interest expense	(435,998)
Amortization	(1,734)
Bond administrative fees	<u>(5,743)</u>
Total nonoperating revenues (expenses)	<u>(399,123)</u>
Income (loss) before contributions and transfers	28,175
CAPITAL CONTRIBUTIONS	395,136
TRANSFERS	<u>(223,213)</u>
Change in fund net position	200,098
Fund net position – beginning	<u>5,143,848</u>
Fund net position – ending	\$ <u><u>5,343,946</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>ENTERPRISE FUND</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Receipts from customers	\$ 5,658,710
Receipts from interfund services provided	30,026
Payments to suppliers	(4,552,555)
Payments to employees	(<u>511,157</u>)
Net cash provided (used) by operating activities	<u>625,024</u>
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>	
Transfers to other funds	(<u>223,213</u>)
Net cash provided (used) by noncapital financing activities	(<u>223,213</u>)
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>	
Receipts from installment sale receivable	375,000
Purchases of capital assets	(154,501)
Principal paid on capital debt	(534,169)
Interest paid on capital debt	(308,364)
Administrative fees on bond and notes payable	(<u>5,743</u>)
Net cash provided (used) by capital and related financing activities	(<u>627,977</u>)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Proceeds from sales of investments	198,519
Purchase of investments	(24,050)
Interest and dividends	<u>45,227</u>
Net cash provided (used) by investing activities	<u>219,696</u>
Increase (decrease) in cash and cash equivalents	(6,470)
Cash and cash equivalents – beginning of year	<u>624,162</u>
Cash and cash equivalents – end of year	\$ <u><u>617,692</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>ENTERPRISE FUND</u>
<i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i>	
Operating income (loss)	\$ 427,298
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	614,124
Change in assets and liabilities:	
Accounts receivable	42,351
Prepaid expenses	316
Accounts payable	(120,845)
Accrued expenses	(32,120)
Internal balances	(288,422)
Customer deposits	(16,871)
Compensated absences	(<u>807</u>)
Net cash provided by operating activities	\$ <u>625,024</u>
 <i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</i>	
Cash and cash equivalents	\$ 365,388
Restricted cash and cash equivalents	<u>252,304</u>
Total cash and cash equivalents, end of year	\$ <u>617,692</u>
 <i>SUPPLEMENTAL DISCLOSURES</i>	
Noncash capital and related financing activities:	
Property acquired through capital contributions	\$ <u>395,136</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

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

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

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, 2016.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF PRESENTATION - Continued

Proprietary funds

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

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

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

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

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

A legally authorized, non-appropriated budget is prepared for the Capital Grants, SPLOST III and SPLOST IV Capital Project Funds. Expenditures for these funds are controlled on a project basis and are carried forward each year until the project is completed.

Budgeting Policy

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

All appropriations lapse at the end of the fiscal year.

Encumbrances

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General, Special Revenue or Proprietary Funds. Encumbrances outstanding at year-end are commitments of fund balances since they do not constitute expenditures or liabilities. The City of Hogansville has no recorded encumbrances at June 30, 2016.

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, 2016**

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 deferred as revenue until payment is received. Utility receivables are recognized only when billed. No accrual of earned, but unbilled receivables is made at year-end. The Enterprise Fund grants credit to utility customers, all of whom are located within the City. Allowances for doubtful accounts totaled \$0 for the General Fund and \$66,756 for the Enterprise Fund.

PREPAID EXPENSES

Payments made for services that will benefit periods beyond June 30, 2016 are recorded as prepaid expenses.

RESTRICTED CASH AND INVESTMENTS

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

INVENTORIES

All governmental fund type inventories are accounted for using the purchase method, whereby inventories are charged to expenditures when purchased. Enterprise fund inventories were not recorded at June 30, 2016 and are not reflected in the accompanying financial statements, due to their immaterial amount.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CAPITAL ASSETS

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

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

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

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

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

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

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

INTEREST EXPENSE AND CAPITALIZED INTEREST

Interest expense on long-term debt has been included as a direct function expense in the governmental and business-type activities. Total interest expense from governmental activities was \$11,375. Total interest expense from business-type activities was \$435,998, 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, 2016 was \$435,998 all of which was charged to expense. No interest costs were capitalized by the enterprise fund for the year ended June 30, 2016.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

BOND DISCOUNTS

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net assets by the government that is applicable to a future reporting period and will not be recognized as an outflow of resources until that time. Prepaid items and deferred charges are classified as deferred outflows.

Deferred inflows of resources represent an acquisition of net assets by the government that are applicable to a future reporting period. Deferred inflows are unavailable and will be recognized as an inflow of resources in the period in which the amounts become available. Deferred inflows of resources are represented by unavailable revenues and deferred gains.

COMPENSATED ABSENCES

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

LONG-TERM DEBT

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

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016.

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

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

The City's governmental fund balances follow:

	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ 1,074,965	\$ -	\$ 47,958	\$ 1,122,923
Public safety	-	-	-	49,909	49,909
Committed for:					
Public safety	73,539	-	-	-	73,539
Unassigned	(<u>559,645</u>)	-	33,367	-	(<u>526,278</u>)
Total fund balances	\$ (<u>486,106</u>)	\$ <u>1,074,965</u>	\$ <u>33,367</u>	\$ <u>97,867</u>	\$ <u>720,093</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

INTERFUND RECEIVABLES AND PAYABLES

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

TRANSACTIONS BETWEEN FUNDS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both the Governmental and Proprietary Funds.

USE OF ESTIMATES

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

USE OF RESTRICTED/UNRESTRICTED NET POSITION

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

REVENUE RECOGNITION

Property Taxes - Troup County bills and collects real and personal property taxes for the City. Ad valorem tax on motor vehicles and mobile homes is collected by the Troup County Tax Commissioner and remitted to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Receivables outstanding more than 60 days after year-end are recorded as deferred revenue. Property taxes are normally levied on October 1 of each year on the assessed valuation of property as of the preceding January 1 and are payable on December 20. Liens may attach to property for unpaid taxes on January 1. The assessed valuation for 2015 was \$53,319,714.

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

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

PENSIONS

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, the carrying amount of the City's cash was \$1,783,197 and the bank balance was \$1,842,312. The bank balances differ from the carrying amounts due to outstanding checks and deposits, and reconciling items. The City's deposits are covered by Federal Depository Insurance or by collateral held by the pledging financial institution or it's agent in the City's name. The City has not adopted a formal deposit policy.

The carrying amounts of deposits for the Downtown Development Authority, a discretely presented component unit, were \$63,724, and the bank balance was \$63,724. The entire bank balance was covered by Federal Depository Insurance at June 30, 2016.

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, 2016, 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	39 day WAM	\$ 126,640
Wells Fargo Advantage Government Money Market Fund – Institutional	AAAm	46 day WAM	27,859
Fidelity Institutional Money Market Treasury Portfolio Class III	AAAm	47 day WAM	8,717
Bayerische Landesbank Girozentrale E-NY Investment Agreement	Not Rated	10/01/23	817,800
Municipal Competitive Trust:			
Short-term Portfolio	Not Rated	07/01/16 – 03/30/17	2,776
Intermediate Portfolio	Not Rated	07/01/16 – 11/01/26	245
Intermediate Tax Restricted Portfolio	Not Rated	07/01/16 – 12/14/18	258,016
Total			\$ 1,242,053

CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - CASH AND INVESTMENTS - Continued

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

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

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The City uses the specific identification of maturity of its investments. The First American Treasury Obligations Class Y money market fund has a 39 day weighted average maturity, the Wells Fargo Advantage Government Money Market Fund Institutional has a 46 day weighted average maturity, the Fidelity Institutional Money Market Treasury Portfolio Class III money market fund has a 47 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 07/01/16 – 03/30/17, the Municipal Competitive Trust Intermediate Portfolio maturity range is from 07/01/16 – 11/01/26, and the Municipal Competitive Trust Intermediate Tax Restricted Portfolio maturity range is from 07/01/16 – 12/14/18.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in the First American Treasury Obligations Class Y Money Market Fund and in the Bayerische Landesbank Girozentrale E-NY Investment Agreement. These investments represent 10.2% and 65.8% 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, 2016**

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.

Fair Value Measurements

The following methods and assumptions were used by the City in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statement of net position and balance sheets approximate fair value because of the short maturities of those instruments.

Investments: The fair values of investments are determined by reference to quoted market prices generated by market transactions.

The estimated fair values of all of the City's financial instruments are measured on a recurring basis based on quoted prices in active markets for identical assets and are at level 1 inputs at June 30, 2016.

NOTE 3 - RECEIVABLES

	<u>Governmental Activities</u>				<u>Business-type Activities</u>	<u>Total</u>
	<u>General</u>	<u>SPLOST IV</u>	<u>Capital Grants</u>	<u>Other Governmental Activities</u>		
Current receivables:						
Property taxes	\$ 29,070	\$ -	\$ -	\$ -	\$ -	\$ 29,070
Sales and other taxes	100,594	-	-	2,187	-	102,781
Intergovernmental	-	85,124	-	-	-	85,124
Accounts	-	-	-	-	535,672	535,672
Installment sale	-	-	-	-	282,784	282,784
Other	<u>12,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,060</u>
Total gross receivables	141,724	85,124	-	2,187	818,456	1,047,491
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,756</u>	<u>66,756</u>
Total current receivables:	\$ <u>141,724</u>	\$ <u>85,124</u>	\$ <u>-</u>	\$ <u>2,187</u>	\$ <u>751,700</u>	\$ <u>980,735</u>
Long term receivables:						
Installment sale	\$ -	\$ -	\$ -	\$ -	\$ 1,695,002	\$ 1,695,002
Total long term receivables	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,695,002</u>	\$ <u>1,695,002</u>

The installment sale receivable consists of the following at June 30, 2016:

Installment sale made to MEAG Power for the City's Electric System. Original amount of the note was \$5,980,000. Payments to be received semi-annually at varying amounts, discounted at 5.95% interest. Collateralized by Electric System Facilities.	\$ 3,350,000
Less: Discount	(1,372,214)
Total Installment sale receivable, net	1,977,786
Less: current portion	(282,784)
Long term portion	\$ <u>1,695,002</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – RECEIVABLES - Continued

At June 30, 2016, scheduled maturities of the installment sale receivable as discounted were the following:

2017	\$ 282,784
2018	280,248
2019	283,403
2020	282,348
2021	283,323
2022-2023	<u>565,680</u>
Total maturities of installment sale receivable	\$ <u>1,977,786</u>

NOTE 4 - INTERFUND BALANCES

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

Interfund receivables and payables consisted of the following at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund		
Due to Enterprise Fund	\$ -	\$ 186,841
Due from SPLOST IV Fund	71,252	-
Due to Capital Grants Fund	-	33,364
Due to Other Governmental Funds	-	1,672
Due from Other Governmental Funds	<u>1,530</u>	<u>-</u>
Total General Fund	\$ <u>72,782</u>	\$ <u>221,877</u>
SPLOST IV Fund		
Due to General Fund	\$ <u>-</u>	\$ <u>71,252</u>
Total SPLOST IV Fund	\$ <u>-</u>	\$ <u>71,252</u>
Capital Grants Fund		
Due from General Fund	\$ <u>33,364</u>	\$ <u>-</u>
Total Capital Grants Fund	\$ <u>33,364</u>	\$ <u>-</u>
Other Governmental Funds		
Due to General Fund	\$ -	\$ 1,530
Due from General Fund	<u>1,672</u>	<u>-</u>
Total Other Governmental Funds	\$ <u>1,672</u>	\$ <u>1,530</u>
Enterprise Fund		
Due from General Fund	\$ <u>186,841</u>	\$ <u>-</u>
Total Enterprise Fund	\$ <u>186,841</u>	\$ <u>-</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
GOVERNMENTAL ACTIVITIES:				
Not being depreciated:				
Land	\$ 328,372	\$ 43,262	\$ -	\$ 371,634
Construction in progress	<u>5,449</u>	<u>5,708</u>	<u>-</u>	<u>11,157</u>
Subtotal	<u>333,821</u>	<u>48,970</u>	<u>-</u>	<u>382,791</u>
Other capital assets:				
Buildings and improvements	1,998,522	8,750	-	2,007,272
Infrastructure	3,892,588	224,509	-	4,117,097
Furniture, fixtures and equipment	403,266	8,457	(95,764)	315,959
Vehicles	<u>569,185</u>	<u>38,966</u>	<u>(60,221)</u>	<u>547,930</u>
Subtotal	<u>6,863,561</u>	<u>280,682</u>	<u>(155,985)</u>	<u>6,988,258</u>
Accumulated depreciation:				
Buildings and improvements	(842,901)	(56,624)	-	(899,525)
Infrastructure	(681,109)	(182,490)	-	(863,599)
Furniture, fixtures and equipment	(242,713)	(36,226)	95,764	(183,175)
Vehicles	<u>(189,571)</u>	<u>(100,983)</u>	<u>60,221</u>	<u>(230,333)</u>
Subtotal	<u>(1,956,294)</u>	<u>(376,323)</u>	<u>155,985</u>	<u>(2,176,632)</u>
Net other capital assets	<u>4,907,267</u>	<u>(95,641)</u>	<u>-</u>	<u>4,811,626</u>
Total governmental activities capital assets	\$ <u>5,241,088</u>	\$(<u>46,671)</u>	\$ <u>-</u>	\$ <u>5,194,417</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 76,006		
Public safety		131,769		
Public services		<u>168,548</u>		
Total governmental activities depreciation expense		\$ <u>376,323</u>		

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS – Continued

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

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
BUSINESS-TYPE ACTIVITIES:				
Not being depreciated:				
Land	\$ 380,784	\$ -	\$ -	\$ 380,784
Construction in progress	<u>770,177</u>	<u>307,766</u>	<u>(700,818)</u>	<u>377,125</u>
Subtotal	<u>1,150,961</u>	<u>307,766</u>	<u>(700,818)</u>	<u>757,909</u>
Other capital assets:				
Utility system	22,439,766	911,399	(227,761)	23,123,404
Furniture, fixtures and equipment	<u>273,355</u>	<u>31,490</u>	<u>(19,707)</u>	<u>285,138</u>
Subtotal	<u>22,713,121</u>	<u>942,889</u>	<u>(247,468)</u>	<u>23,408,542</u>
Accumulated depreciation:				
Utility system	(7,727,482)	(698,816)	227,761	(8,198,537)
Furniture, fixtures and equipment	<u>(161,113)</u>	<u>(24,654)</u>	<u>19,707</u>	<u>(166,060)</u>
Subtotal	<u>(7,888,595)</u>	<u>(723,470)</u>	<u>247,468</u>	<u>(8,364,597)</u>
Net other capital assets	<u>14,824,526</u>	<u>219,419</u>	<u>-</u>	<u>15,043,945</u>
Net business-type activities capital assets	\$ <u>15,975,487</u>	\$ <u>527,185</u>	\$ <u>(700,818)</u>	\$ <u>15,801,854</u>

Depreciation was charged to functions as follows:

Business-type activities:		
Utility System Enterprise Fund		
Depreciation		\$ 723,470
Deferred gain recognized from sale-leaseback transactions against depreciation		<u>(109,346)</u>
Total business-type activities depreciation expense		\$ <u>614,124</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - SHORT TERM DEBT

<u>Type of Debt</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Line of credit payable	\$ <u>175,272</u>	\$ <u>100,300</u>	\$ (<u>275,572</u>)	\$ <u>-</u>
Total governmental activities	\$ <u>175,272</u>	\$ <u>100,300</u>	\$ (<u>275,572</u>)	\$ <u>-</u>

LINES OF CREDIT PAYABLE

In the prior year the City entered into a line of credit agreement with a local bank. The line of credit was collateralized by property tax receipts, and assisted the City with funding its operations. The City repaid the line of credit plus interest in full during December 2015. In January of 2016, the City entered into a new line of credit with a local bank for \$300,300. The line of credit was collateralized by property tax receipts, and assisted the City with funding its operations. The City is required to repay all funds borrowed on the line of credit prior to December 31, 2016.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

<u>Type of Debt</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due within One Year</u>
Governmental activities:					
Capital leases payable	\$ 127,729	\$ 96,365	\$ (59,880)	\$ 164,214	\$ 65,071
Net pension liability	190,168	285,355	-	475,523	-
Compensated absences	<u>22,631</u>	<u>-</u>	<u>(1,674)</u>	<u>20,957</u>	<u>-</u>
Total general long-term debt	\$ <u>340,528</u>	\$ <u>381,720</u>	\$ (<u>61,554</u>)	\$ <u>660,694</u>	\$ <u>65,071</u>
Business-type activities:					
Revenue bonds payable	\$ 5,255,000	\$ -	\$ (450,000)	\$ 4,805,000	\$ 475,000
Less: unamortized discounts	<u>(14,019)</u>	<u>1,734</u>	<u>-</u>	<u>(12,285)</u>	<u>(1,734)</u>
Revenue bonds payable, net	5,240,981	1,734	(450,000)	4,792,715	473,266
Capital leases payable	5,964,058	-	(52,392)	5,911,666	58,177
Notes payable	427,406	-	(31,777)	395,629	33,023
Compensated absences	<u>14,635</u>	<u>-</u>	<u>(807)</u>	<u>13,828</u>	<u>-</u>
Total proprietary fund debt	\$ <u>11,647,080</u>	\$ <u>1,734</u>	\$ (<u>534,976</u>)	\$ <u>11,113,838</u>	\$ <u>564,466</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.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

GOVERNMENTAL ACTIVITIES:

As of June 30, 2016, the governmental long-term debt of the financial reporting entity consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City has financed vehicles under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital leases payable and the related assets have been recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$84,000, \$119,128, \$19,916, and \$96,365 for vehicles and equipment. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016:

June 30, 2017	\$ 69,770
June 30, 2018	56,871
June 30, 2019	22,122
June 30, 2020	20,985
June 30, 2021	<u>3,497</u>
Total minimum lease payments	173,245
Amount representing interest	<u>(9,031)</u>
Present value of lease obligations for governmental activities	164,214
Less: current maturities	<u>65,071</u>
Long-term maturities	\$ <u>99,143</u>

Leased assets under capital leases in capital assets at June 30, 2016, include the following:

Vehicles	\$ 295,734
Furniture, fixtures, and equipment	28,816
Less: accumulated depreciation	<u>(148,154)</u>
Total	\$ <u>176,396</u>

Total depreciation expense on the office equipment and vehicles for the year ended June 30, 2016, was \$55,274. This depreciation is included in the total depreciation expense shown in Note 5.

COMPENSATED ABSENCES

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

Noncurrent portion	\$ <u>20,957</u>
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**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES:

As of June 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

CAPITAL LEASE OBLIGATIONS

The City financed the sale-leaseback of certain assets of its electric utility system, improvements to its electric utility system, and the purchase of vehicles under capital lease agreements. In accordance with Financial Accounting Standards Board (FASB) Statement No. 23, the capital lease payable and the related assets will be recorded at the present value of the future minimum lease payments at the inception of the leases, which in these cases were \$5,980,000 for the sale-leaseback assets and capital improvements, and vehicles for \$117,500. The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016:

June 30, 2017	\$ 64,911
June 30, 2018	60,033
June 30, 2019	76,080
June 30, 2020	95,310
June 30, 2021	118,529
June 30, 2022-2026	2,259,465
June 30, 2027-2031	3,675,718
June 30, 2032-2036	3,658,129
June 30, 2037-2041	<u>3,634,645</u>
Total minimum lease payments	13,642,820
Amount representing interest	(<u>7,731,154</u>)
Present value of lease obligations for governmental activities	5,911,666
Less: current maturities	<u>58,177</u>
Long-term maturities	\$ <u>5,853,489</u>

Leased assets under the capital lease at June 30, 2016 include the following:

Electric system	\$ 5,220,000
Vehicles	117,500
Less: accumulated depreciation	<u>(1,004,188)</u>
Total	\$ <u>4,333,312</u>

Total depreciation expense on the utility system improvements, equipment, and the vehicles for the year ended June 30, 2016, was \$185,750. This depreciation is included in the total depreciation expense shown in Note 5.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 1993 Series

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

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

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

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

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

The City previously adopted Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities". Under this statement, the loss on advanced refunding is referred to as deferred loss on refunding, and is recognized as a deferred outflow of resources and amortized to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. This statement supersedes GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities". On the statement of net position, this deferred loss is reported as a deferred outflow of resources instead of as a deduction of the new debt liability. For the year ending June 30, 2016 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, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 1993 Series – Continued:

The ordinance authorizing the 1993 Combined Public Utility System Refunding Revenue Bonds requires that a Revenue Bond Sinking Fund be established in amounts sufficient to pay principal and interest on the bonds as they become due. As of June 30, 2016, 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, 2016, 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, 2016, the City was not in compliance with this debt service requirement per auditor calculation.

Also, as part of the bond ordinance, the City has placed into effect a schedule of rates for the Utility System and will revise them as necessary to provide net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and transfers) equal to at least 130% of the required Sinking Fund payments and 100% of the debt service requirements of subordinated debt coming due. At June 30, 2016, the net revenues (excluding bond interest expense, depreciation, amortization, capital contributions, and transfers) of the Enterprise Fund were in compliance with this requirement.

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

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

Amount of original issue	\$ 8,525,000
Amount redeemed	<u>(4,800,000)</u>
Amount outstanding, June 30, 2016	3,725,000
Less: unamortized discount	<u>(12,285)</u>
Net amount outstanding, June 30, 2016	3,712,715
Less: current maturities	<u>376,266</u>
Long-term maturities	<u>\$ 3,336,449</u>

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u> <u>Requirements</u>
2017	\$ 375,000	\$ 212,250	\$ 587,250
2018	400,000	189,000	589,000
2019	420,000	164,400	584,400
2020	450,000	138,300	588,300
2021	475,000	110,550	585,550
2022 - 2024	<u>1,605,000</u>	<u>148,050</u>	<u>1,753,050</u>
Totals	<u>\$ 3,725,000</u>	<u>\$ 962,550</u>	<u>\$ 4,687,550</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

BUSINESS-TYPE ACTIVITIES - Continued:

REVENUE BONDS PAYABLE 2004 Series

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

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

- \$1,692,745 of the proceeds was used to pay for the costs and installation of gas lines for the City's gas system.
- \$103,565 of the proceeds has been used to pay capitalized interest during the gas line installation phase.
- \$37,630 of the proceeds were used to pay issuance and other related costs.

The intergovernmental agreement between the Authority and the City requires the City to levy an annual tax on all taxable property located within the City boundaries as may be necessary to make the payments to the Authority for debt service of the bonds as it comes due. As of June 30, 2016, 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	(765,000)
 Amount outstanding, June 30, 2016	 1,080,000
 Less: current maturities	 <u>100,000</u>
 Long-term maturities	 <u>\$ 980,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2017	\$ 100,000	\$ 48,925	\$ 148,925
2018	105,000	44,056	149,056
2019	110,000	38,950	148,950
2020	115,000	33,606	148,606
2021	120,000	28,025	148,025
2022 - 2025	<u>530,000</u>	<u>51,538</u>	<u>581,538</u>
 Totals	 <u>\$ 1,080,000</u>	 <u>\$ 245,100</u>	 <u>\$ 1,325,100</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

NOTES PAYABLE

<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$256,730, interest rate of 3.82%, secured by utility system improvements, payable in monthly installments of \$1,827, including interest, through January 1, 2021. This note was used for improvements to the City's utility system. 	\$ 99,656
<ul style="list-style-type: none"> • Note payable to Georgia Environmental Facilities Authority in the original amount of \$348,475, interest rate of 3.81%, secured by utility system improvements, payable in monthly installments of \$2,077, including interest, through April 1, 2032. This note was used for improvements to the City's utility system. 	<u>295,973</u>
Total notes payable, June 30, 2016	395,629
Less: current maturities	<u>33,023</u>
Long-term maturities	\$ <u>362,606</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>13,828</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, 2016, are as follows:

CAPITAL LEASES PAYABLE

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 65,071	\$ 4,699	\$ 58,177	\$ 6,734	\$ 134,681
2018	54,405	2,466	50,310	9,723	116,904
2019	20,768	1,354	61,753	14,327	98,202
2020	20,487	498	74,656	20,654	116,295
2021	3,483	14	89,242	29,287	122,026
2022-2026	-	-	1,414,283	845,183	2,259,466
2027-2031	-	-	1,812,061	1,863,657	3,675,718
2032-2036	-	-	1,348,479	2,309,650	3,658,129
2037-2041	-	-	<u>1,002,705</u>	<u>2,631,939</u>	<u>3,634,644</u>
Total	\$ <u>164,214</u>	\$ <u>9,031</u>	\$ <u>5,911,666</u>	\$ <u>7,731,154</u>	\$ <u>13,816,065</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - LONG-TERM DEBT - Continued

ANNUAL DEBT SERVICE REQUIREMENTS – Continued

NOTES PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 33,023	\$ 14,505	\$ 47,528
2018	34,300	13,228	47,528
2019	35,632	11,896	47,528
2020	37,014	10,514	47,528
2021	34,724	9,081	43,805
2022-2026	90,757	33,862	124,619
2027-2031	109,769	14,849	124,618
2032	<u>20,410</u>	<u>358</u>	<u>20,768</u>
Total	\$ <u>395,629</u>	\$ <u>108,293</u>	\$ <u>503,922</u>

REVENUE BONDS PAYABLE

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 475,000	\$ 261,175	\$ 736,175
2018	505,000	233,056	738,056
2019	530,000	203,350	733,350
2020	565,000	171,906	736,906
2021	595,000	138,575	733,575
2022-2025	<u>2,135,000</u>	<u>199,588</u>	<u>2,334,588</u>
Total	\$ <u>4,805,000</u>	\$ <u>1,207,650</u>	\$ <u>6,012,650</u>

NOTE 8 - SALE-LEASEBACK TRANSACTION

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 - INTERFUND TRANSACTIONS AND BALANCES

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Enterprise Fund	\$ 184,069	\$ -
Capital Grants Fund	<u>68,368</u>	<u>-</u>
Total General Fund	<u>252,437</u>	<u>-</u>
Capital Grants Fund:		
General Fund	-	68,368
Enterprise Fund	<u>49,548</u>	<u>-</u>
Total Capital Grants Fund	<u>49,548</u>	<u>68,368</u>
Other Governmental Funds:		
General Fund	-	
Enterprise Fund	<u>-</u>	<u>10,404</u>
Total Other Governmental Funds	<u>-</u>	<u>10,404</u>
Enterprise Fund:		
General Fund	-	184,069
Capital Grants Fund	-	49,548
Other governmental Funds	<u>10,404</u>	<u>-</u>
Total Enterprise Fund	<u>10,404</u>	<u>233,617</u>
Totals	<u>\$ 312,389</u>	<u>\$ 312,389</u>

Transfers are primarily used to move funds from:

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

During the year ended June 30, 2016, the City made transfers of \$184,069 from the Enterprise Fund to the General Fund for assistance with General Fund operations and administration. The City also made transfers of \$68,368 from the Capital Grants Fund to the General Fund for grant projects, transfers of \$49,548 from the Enterprise Fund to Other Governmental Funds for grant matching support, transfers of \$10,404 from Other Governmental Funds to the Enterprise Fund for beautification.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 - RESTRICTED GOVERNMENT-WIDE ASSETS

Governmental activities

Restricted assets are composed of \$1,164,648 of cash restricted for capital projects and public safety expenditures under Federal and/or State laws. \$1,061,093 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax IV, \$47,958 of cash is restricted for capital project expenditures related to the Special Purpose Local Option Sales Tax III, and \$55,597 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, 2016:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
1993 Revenue Bond Investment Accounts	\$ -	\$ 944,440	\$ 944,440
Municipal Competitive Trust Investment Accounts	-	85,348	85,348
Customer deposits	<u>252,304</u>	<u>-</u>	<u>252,304</u>
Total	\$ <u>252,304</u>	\$ <u>1,029,788</u>	\$ <u>1,282,092</u>

NOTE 11 - RESTRICTED FUND ASSETS

SPLOST IV Fund

Restricted assets are composed of \$1,061,093 of cash restricted for capital expenditures under State law regarding expenditures of Special Purpose Local Option Sales Tax proceeds.

SPLOST III Fund

Restricted assets are composed of \$47,958 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 \$55,597 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, 2016:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
1993 Revenue Bond Investment Accounts	\$ -	\$ 944,440	\$ 944,440
Municipal Competitive Trust Investment Accounts	-	85,348	85,348
Customer deposits	<u>252,304</u>	<u>-</u>	<u>252,304</u>
Total	\$ <u>269,175</u>	\$ <u>1,029,788</u>	\$ <u>1,282,092</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Governmental activities

Liabilities payable from restricted assets are composed of the following at June 30, 2016:

Due to other funds	\$ <u>72,782</u>
Total	\$ <u>72,782</u>

Deferred inflows of resources payable from restricted assets are composed of the following at June 30, 2016:

Unavailable revenue – fines & forfeitures	\$ <u>4,158</u>
Total	\$ <u>4,158</u>

Business-type activities

Liabilities payable from restricted assets are composed of the following at June 30, 2016:

Current Portion of 1993 Revenue Bonds Payable	\$ 375,000
Customer Deposits	252,304
Accrued Interest Payable on 1993 Revenue Bonds	<u>55,875</u>
Total	\$ <u>683,179</u>

NOTE 13 - RESTRICTED NET POSITION

Governmental Activities

Restricted net position is comprised of the following at June 30, 2016:

Restricted for:	
Capital projects	\$ 1,122,923
Public safety	<u>49,909</u>
Total net position restricted for governmental activities	\$ <u>1,172,832</u>

Business-type Activities

Restricted net position is comprised of the following at June 30, 2016:

Restricted for:	
Municipal Competitive Trust Agreement	\$ 85,348
Debt Service	<u>513,565</u>
Total net position restricted for business-type activities	\$ <u>598,913</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 - CONFISCATED ASSETS SPECIAL REVENUE FUND

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

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

A summary of the Special Revenue Fund follows:

	Confiscated Assets
Balance July 1, 2015	\$ <u>84,263</u>
Revenues	
Forfeitures	<u>4,786</u>
Total revenues	<u>4,786</u>
Expenditures	
Public safety	<u>39,140</u>
Total expenditures	<u>39,140</u>
Balance June 30, 2016	\$ <u>49,909</u>

NOTE 15 - DEFERRED COMPENSATION PLAN

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

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

NOTE 16 - PENSION PLAN

Plan Description

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 - PENSION PLAN - Continued

Membership of the plan

Retirees and beneficiaries receiving benefits	43
Terminated vested participants	14
Active plan members	<u>45</u>
 Total	 <u>102</u>

Funding Policy

HRP members are not required and do not contribute to HRP. HRP is a noncontributory plan. The City is required to contribute 100% of the amount necessary to fund HRP at an actuarially determined rate; the current rate is 6.42% of expected payroll. The contribution requirements of the City are established and may be amended by the GMEBS Board of Trustees.

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

Investment Data

The market value of assets is based on current values as of the three months preceding the valuation date (September 30, 2015) and is assumed to be current through that date. All asset data that was used in the actuarial valuation has been supplied by GMEBS. Net investment return is estimated at 7.75% on an on-going basis, based on long-term expected rate of return on pension plan investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. An inflation rate of 3.25% has been assumed. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 - PENSION PLAN - Continued

NET PENSION LIABILITY

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

The City’s net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

Net pension liability is calculated as follows:

Total pension liability	\$ 2,480,425
Fiduciary net position	<u>(2,004,902)</u>
Net pension liability	<u>\$ 475,523</u>
Fiduciary net position as a percentage of total pension liability	80.8%

Total pension liability uses Entry Age Normal liabilities calculated using ages and service amounts as of January 1, 2016 are used to measure total pension liability as of September 30, 2015. The balances as of September 30, 2015 constitute measurements of the net pension liability for the fiscal year ending June 30, 2016.

The mortality and economic actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through June 30, 2014. Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

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

Total pension liability, fiduciary net position, and net pension liability are based on a September 30, 2015 measurement date which would make them applicable to the fiscal year beginning July 1, 2015 and ending June 30, 2016.

Benefit Terms

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 - PENSION PLAN - Continued

NET PENSION LIABILITY - Continued

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was based on the projected unit credit actuarial cost method and the asset valuation method for developing the actuarial value of assets. The actuarial assumptions included the following:

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

Changes in Assumptions

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2015, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

Amounts reported for the Fiscal Year ending in 2015 and later reflect the following assumption changes based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

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

Benefit Changes

Effective January 5, 2015, the plan was amended to allow Officials to receive in-service distributions under certain circumstances. This change had no impact on this year's valuation results.

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

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 - PENSION PLAN - Continued

NET PENSION LIABILITY - Continued

Discount Rate

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2016, were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) – (b)</u>
Beginning balance	\$ 2,299,239	\$ 2,109,071	\$ 190,168
Changes for the year:			
Service cost	74,004	-	74,004
Interest	171,241	-	171,241
Differences between expected and actual experience	115,297	-	115,297
Contributions – employer	-	57,300	(57,300)
Contributions – employee	-	-	-
Net investment income	-	28,495	(28,495)
Benefit payments, including refunds of employee contributions	(179,356)	(179,356)	-
Administrative expense	-	(10,608)	10,608
Other changes	-	-	-
Ending balance	\$ <u>2,480,425</u>	\$ <u>2,004,902</u>	\$ <u>475,523</u>

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

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

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$ <u>740,953</u>	\$ <u>475,523</u>	\$ <u>250,891</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing patten of costs between employer and employee.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 - PENSION PLAN - Continued

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

Pension expense for the year ended June 30, 2016 is \$145,079.

Deferred outflows/inflows of resource related to pensions:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86,472	\$(1,684)
Changes in assumptions	16,208	-
Changes in benefit terms	-	-
Net difference between projected and actual earnings on pension plan Investments	60,310	-
City contributions subsequent to the measurement date	<u>59,180</u>	<u>-</u>
Total	\$ <u>222,170</u>	\$(<u>1,684</u>)

Employer contributions made subsequent to the measurement date of the net pension liability of \$59,180 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Projected recognition of deferred outflows/(inflows):

<u>Year Ended</u>	<u>Recognition</u>
June 30, 2017	\$ 47,535
June 30, 2018	47,535
June 30, 2019	40,273
June 30, 2020	25,963
June 30, 2021	-
Thereafter	<u>-</u>
Total	\$ <u>161,306</u>

At year end, the City had payables to the HRP in the amount of \$13,151, which was included in the accounts payable balance in the Governmental Activities. The payable comprised two months of the City's required contribution to HRP. The City is required to contribute to HRP monthly, and the City's contribution for the month of June was paid subsequent to year end.

NOTE 17 - HOTEL/MOTEL LODGING TAX

The City has levied an 8% hotel/motel lodging tax. The amount of total tax collected in excess of a rate of 3%, is required to be expended for the promotion of tourism, conventions and trade shows in accordance with O.C.G.A. 48-13-51. A summary of the transactions for the year ending June 30, 2016 follows:

Total hotel/motel tax receipts	\$ 27,743
Less: hotel/motel tax collected at a rate of 3%	<u>10,404</u>
Hotel/motel tax collected to be expended for the promotion of tourism, conventions and trade shows	17,339
Expenses for promotion of tourism, conventions and trade shows	<u>17,339</u>
Balance of hotel/motel tax funds at June 30, 2016	<u>\$ -</u>

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 18 - DEFICIT FUND BALANCES/NET POSITION

The City's General Fund had a deficit fund balance of \$486,106 at June 30, 2016. This deficit is a result of inadequate revenues to cover expenditures for the current fiscal year. Because the General Fund did not generate enough revenues to cover its expenditures, the City will need to make increased transfers from its Utility Fund to the General Fund and/or reduce expenditures in order eliminate this deficit.

NOTE 19 - LITIGATION

The City was not a party to any pending civil litigation in which the City Attorney is defending. The City was provided notices of claim, to wit, during the year and subsequent to year end. It is not possible to state the ultimate liability, if any, in these matters. Therefore, no provisions for losses have been recorded.

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

The price paid by the City to MEAG under its Power Sales Contracts is intended to cover the City's share of all the costs of MEAG, including debt service on MEAG's long-term debt. The amounts required to be paid to MEAG under the Power Sales Contracts are payable first from revenues of the City's electrical system. To the extent the required payments are not made from revenues of the City's electric system or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. Payments by the City are required to be made by the City whether or not MEAG's facilities or any part thereof are operating or operable or the output there from is interrupted, interfered with, curtailed or terminated in whole or in part. In addition, the City may be obligated to purchase additional power, subject to contractual limitations, in the event other MEAG participants default. The City was contingently liable for \$18,898,989 of MEAG's principal bonds outstanding in the event of default by MEAG at June 30, 2015.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

Gas System. The City has entered into the Gas Supply Contract and certain Supplemental Gas Supply Contracts with the Gas Authority ("MGAG") under which the City buys natural gas for resale to its customers. Under such contracts with the Gas Authority, the City is obligated to take from the Gas Authority, and the Gas Authority is obligated to provide, all of the City's natural gas requirements. The price paid by the City to the Gas Authority under its contracts is intended to cover the City's share of all the costs of the Gas Authority, including scheduled debt service of the Gas Authority. Such payments are required to be made by the City whether or not the Gas Authority's facilities or natural gas properties or any part thereof are operating or operable or the output therefrom is interrupted, interfered with, curtailed or terminated in whole or in part, or whether or not any of its natural gas suppliers or transporters defaults in its obligations under its gas supply or transportation contracts with the Gas Authority. To the extent the required payments are not made from the revenues of the System or other funds, the City is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make such payments. The City was contingently liable for \$929,365 of MGAG's principal bonds outstanding in the event of default by MGAG at June 30, 2016.

Intergovernmental Natural Gas Sales Agreement

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

Intergovernmental Water Sales Agreement

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

Intergovernmental Water Sales Agreement

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

Intergovernmental Water Sales Agreement

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

United States Department of Agriculture Grant and Loan

The City has entered into an agreement with the United States Department of Agriculture for the construction of an addition to the City's water control pollution plant. The estimated cost of the project is \$6,681,000 with \$2,581,000 being funded by a Federal grant, \$2,500,000 being funded by a Federal loan, and \$1,600,000 being funded by Meriwether County. As of June 30, 2016, the City had expended \$296,505 of expenditures on the project.

Community Development Block Grant 2015

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to its Sewer System. \$500,000 is being funded by a Federal grant with the City providing \$130,802 in matching funds. As of June 30, 2016, the City had expended \$54,600 of matching and \$26,020 of reimbursable Federal expenditures on the project.

Community Home Investment Program Grant II

The City has entered into an agreement with the Georgia Department of Community Affairs for improvements to homes owned by low income homeowners located within the City limits. The estimated cost of the project is \$201,250 with \$175,000 being funded by a Federal grant award and \$26,250 by the City. As of June 30, 2016, the City had not expended \$17,500 of matching and \$98,777 of reimbursable Federal expenditures on the project.

**CITY OF HOGANSVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES - Continued

EPD Consent Order

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

NOTE 21 - RISK MANAGEMENT

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

NOTE 22 - RELATED ORGANIZATION

The City of Hogansville Housing Authority is a related organization of the City. The Housing Authority provides safe and sanitary dwelling accommodations for persons of low income. The City appoints a voting majority of the Housing Authority's board, but is not financially accountable for the Authority. The City has no significant influence over the management, budget, or policies of the Housing Authority. The Authority reports independently. The City received \$21,751 in lieu of taxes from the Housing Authority for the year ended June 30, 2016.

NOTE 23 - JOINT VENTURE

Under Georgia law, the City is a member of the Three Rivers Regional Commission ("TRRC"). The City paid \$3,090 in dues to the TRRC for the year ended June 30, 2016. 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, 2016**

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.

REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>CITY OF HOGANSVILLE RETIREMENT PLAN</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Pension Liability										
Service cost	\$ 74,004	\$ 61,891								
Interest	171,241	164,297								
Differences between Expected and actual Experience	115,297	(3,369)								
Changes in assumptions	-	32,416								
Changes of benefit terms	-	-								
Benefit payments, including Refunds of employee Contributions	(179,356)	(151,911)								
Net change in total pension Liability	181,186	103,324								
Total pension liability – Beginning	<u>2,299,239</u>	<u>2,195,915</u>								
Total pension liability – Ending (a)	\$ <u>2,480,425</u>	\$ <u>2,299,239</u>								
Plan Fiduciary Net Position										
Contributions – employer	\$ 57,300	\$ 89,216								
Contributions – employee	-	-								
Net Investment income	28,495	221,621								
Benefit payments, including Refunds of employee Contributions	(179,356)	(151,911)								
Administrative expense	(10,608)	(8,844)								
Other	-	-								
Net change in fiduciary Net position	(104,169)	150,082								
Plan fiduciary net position – Beginning	<u>2,109,071</u>	<u>1,958,989</u>								
Plan fiduciary net position – Ending (b)	\$ <u>2,004,902</u>	\$ <u>2,109,071</u>								
Net Position Liability										
Net pension liability – Ending (a) – (b)	\$ <u>475,523</u>	\$ <u>190,168</u>								
Plan's fiduciary net position As a percentage of the Total pension liability	80.83%	91.73%								
Covered-employee payroll	\$ 1,242,111	\$ 1,282,094								
Net pension liability as a Percentage of covered- Employee payroll	38.28%	14.83%								

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

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>CITY OF HOGANSVILLE RETIREMENT PLAN</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	*	\$ 70,647								
Contributions in relation to The actuarially determined Contribution	*	74,366	Historical information prior to implementation of GASB 67/68 is not required.							
Contribution deficiency (excess)	*	(3,719)								
Covered-employee payroll	*	\$ 1,282,094								
Contributions as a percentage Of covered-employee Payroll	*	5.80%								

* 2016 information will be determined after fiscal year end and will be included in the 2017 audit report.

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - RECOMMENDED CONTRIBUTION

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

NOTE 2 – VALUATION DATE

The actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending June 30, 2017.

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

Actuarial Cost Method – Projected Unit Credit

Amortization Method – Closed level dollar for remaining unfunded liability

Remaining Amortization Period – Remaining amortization period varies for the bases, with a net effective amortization period of 15 years

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

Actuarial Assumptions:

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

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

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

**CITY OF HOGANSVILLE
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - CHANGES OF ASSUMPTIONS

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

As a result of the plan change to provide immediate participation for Employees, for the Fiscal Year ending in 2015, the eligibility assumption has been changed from one year to immediate. The increase in the Plan's NPL is minimal and has been included in the differences between expected and actuarial experience.

Amounts reported for the Fiscal Year ending in 2015 and later reflect the following assumption changes approved by the Board in December 2014 based on the results of an actuarial experience study covering the period January 1, 2010 to June 30, 2014:

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

NOTE 5 - BENEFIT CHANGES

Effective January 5, 2015, the Plan was amended to allow Officials to receive in-service distributions under certain circumstances. This change had no impact on this year's valuation results.

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

OTHER CONTENTS OF THE FINANCIAL SECTION

NONMAJOR GOVERNMENTAL FUNDS

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

**CITY OF HOGANSVILLE, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Totals</u>
	<u>Confiscated Assets</u>	<u>Hotel/ Motel Tax</u>	<u>SPLOST III</u>	
ASSETS				
Sales and other taxes				
Receivable	\$ -	\$ 2,187	\$ -	\$ 2,187
Due from other funds	-	1,672	-	1,672
Restricted cash and cash equivalents	<u>55,597</u>	<u>-</u>	<u>47,958</u>	<u>103,555</u>
Total assets	\$ <u>55,597</u>	\$ <u>3,859</u>	\$ <u>47,958</u>	\$ <u>107,414</u>
LIABILITIES				
Accounts payable	\$ -	\$ 3,859	\$ -	\$ 3,859
Due to other funds	<u>1,530</u>	<u>-</u>	<u>-</u>	<u>1,530</u>
Total liabilities	<u>1,530</u>	<u>3,859</u>	<u>-</u>	<u>5,389</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue – Fines & forfeitures	<u>4,158</u>	<u>-</u>	<u>-</u>	<u>4,158</u>
Total deferred inflows of Resources	<u>4,158</u>	<u>-</u>	<u>-</u>	<u>4,158</u>
FUND BALANCES				
Restricted for:				
Capital projects	-	-	47,958	47,958
Public safety	<u>49,909</u>	<u>-</u>	<u>-</u>	<u>49,909</u>
Total fund balance	<u>49,909</u>	<u>-</u>	<u>47,958</u>	<u>97,867</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>55,597</u>	\$ <u>3,859</u>	\$ <u>47,958</u>	\$ <u>107,414</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, 2016**

	Special Revenue		Capital Project	Totals
	Confiscated Assets	Hotel/ Motel Tax	SPLOST III	
REVENUES				
Taxes	\$ -	\$ 27,743	\$ -	\$ 27,743
Fines and forfeitures	4,786	-	-	4,786
Investment return	-	-	107	107
Total Revenues	4,786	27,743	107	32,636
EXPENDITURES				
Current operating				
Public safety	39,140	-	-	39,140
Tourism	-	17,339	-	17,339
Total Expenditures	39,140	17,339	-	56,479
Excess (deficiency) of revenues Over (under) expenditures	(34,354)	10,404	107	(23,843)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(10,404)	-	(10,404)
Net other financing sources (uses)	-	(10,404)	-	(10,404)
Net changes in fund balances	(34,354)	-	107	(34,247)
Fund balance - beginning of year	84,263	-	47,851	132,114
Fund balance - end of year	\$ 49,909	\$ -	\$ 47,958	\$ 97,867

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, 2016

	<u>Confiscated Assets Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Fines and forfeitures	\$ <u>4,000</u>	\$ <u>4,786</u>	\$ <u>4,786</u>	\$ <u>-</u>
Total revenues	<u>4,000</u>	<u>4,786</u>	<u>4,786</u>	<u>-</u>
EXPENDITURES				
Current operating				
Public safety	<u>4,000</u>	<u>39,140</u>	<u>39,140</u>	<u>-</u>
Total expenditures	<u>4,000</u>	<u>39,140</u>	<u>39,140</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(34,354)	(34,354)	-
Fund balance - beginning of year	<u>84,263</u>	<u>84,263</u>	<u>84,263</u>	<u>-</u>
Fund balance - end of year	\$ <u><u>84,263</u></u>	\$ <u><u>49,909</u></u>	\$ <u><u>49,909</u></u>	\$ <u><u>-</u></u>

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Hotel/Motel Tax Fund</u>			Variance with Final budget Over (Under)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ <u>25,000</u>	\$ <u>27,743</u>	\$ <u>27,743</u>	\$ <u>-</u>
Total revenues	<u>25,000</u>	<u>27,743</u>	<u>27,743</u>	<u>-</u>
EXPENDITURES				
Current operating				
Tourism	<u>15,625</u>	<u>17,339</u>	<u>17,339</u>	<u>-</u>
Total expenditures	<u>15,625</u>	<u>17,339</u>	<u>17,339</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,375</u>	<u>10,404</u>	<u>10,404</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(<u>9,375</u>)	(<u>10,404</u>)	(<u>10,404</u>)	<u>-</u>
Net other financing sources (uses)	(<u>9,375</u>)	(<u>10,404</u>)	(<u>10,404</u>)	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPLOST III FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	SPLOST III Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 3,078,262	\$ -	\$ 3,078,262	\$ 3,400,000
Investment return	<u>24,166</u>	<u>107</u>	<u>24,273</u>	<u>-</u>
Total revenues	<u>3,102,428</u>	<u>107</u>	<u>3,102,535</u>	<u>3,400,000</u>
EXPENDITURES				
Capital outlay	<u>3,054,577</u>	<u>-</u>	<u>3,054,577</u>	<u>3,400,000</u>
Total expenditures	<u>3,054,577</u>	<u>-</u>	<u>3,054,577</u>	<u>3,400,000</u>
Net change in fund balance	\$ <u>47,851</u>	107	\$ <u>47,958</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>47,851</u>		
Fund balance - end of year		\$ <u>47,958</u>		

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

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

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPLOST IV FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	SPLOST IV Fund			Original Amount Authorized
	Prior Years	Current Year	Total to Date	
REVENUES				
Intergovernmental	\$ 1,318,783	\$ 515,871	\$ 1,834,654	\$ 3,500,000
Investment return	<u>1,300</u>	<u>1,056</u>	<u>2,356</u>	<u>-</u>
Total revenues	<u>1,320,083</u>	<u>516,927</u>	<u>1,837,010</u>	<u>3,500,000</u>
EXPENDITURES				
Capital outlay	<u>282,123</u>	<u>479,922</u>	<u>762,045</u>	<u>3,500,000</u>
Total expenditures	<u>282,123</u>	<u>479,922</u>	<u>762,045</u>	<u>3,500,000</u>
Net change in fund balance	\$ <u>1,037,960</u>	37,005	\$ <u>1,074,965</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>1,037,960</u>		
Fund balance - end of year		\$ <u>1,074,965</u>		

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

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL GRANTS FUND
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	Capital Grants Fund				
	<u>Prior Years</u>	<u>Current Year</u>	<u>Completed In Current Year</u>	<u>Total to Date</u>	<u>Original Amount Authorized</u>
REVENUES					
Intergovernmental Contributions	\$ 617,357	\$ 458,326	\$(918,014)	\$ 157,669	\$ 7,356,000
	<u>74,905</u>	<u>-</u>	<u>(25,000)</u>	<u>49,905</u>	<u>-</u>
Total revenues	<u>692,262</u>	<u>458,326</u>	<u>(943,014)</u>	<u>207,574</u>	<u>7,356,000</u>
EXPENDITURES					
Capital outlay	<u>966,149</u>	<u>354,597</u>	<u>(1,018,096)</u>	<u>302,650</u>	<u>7,514,252</u>
Total expenditures	<u>966,149</u>	<u>354,597</u>	<u>(1,018,096)</u>	<u>302,650</u>	<u>7,514,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(273,887)</u>	<u>103,729</u>	<u>75,082</u>	<u>(95,076)</u>	<u>(158,252)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	222,345	49,548	(143,450)	128,443	158,252
Transfers out	<u>-</u>	<u>(68,368)</u>	<u>68,368</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>222,345</u>	<u>(18,820)</u>	<u>(75,082)</u>	<u>128,443</u>	<u>158,252</u>
Net change in fund balance	\$(<u>51,542</u>)	84,909	\$ <u>-</u>	\$ <u>33,367</u>	\$ <u>-</u>
Fund balance - beginning of year		<u>(51,542)</u>			
Fund balance - end of year		\$ <u>33,367</u>			

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

**REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**

WILCOX & BIVINGS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4485 Tench Road, Suite 1320

Suwanee, GA 30024

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hogansville, Georgia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Hogansville, Georgia's basic financial statements and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness noted as item 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hogansville, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is disclosed in the accompanying schedule of findings and responses as item 2016-002.

City of Hogansville, Georgia's Response to Findings

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

Purpose of this Report

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

Wilcox & Birings, P.C.

Suwanee, Georgia
December 20, 2016

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

FINANCIAL STATEMENT FINDINGS

Finding 2016-001

Criteria: The City's general ledgers should be reviewed and adjusted at a level of detail where year-end audit adjustments are reduced to a minimum.

Condition: Material amounts of year-end transactions were required to be recorded and reclassified resulting in a large amount of auditor proposed adjustments.

Cause: The City's accounting system currently requires a large amount of material adjustments during the audit process in order to properly present accurate account balances.

Effect: The City's general ledgers required a large amount of proposed adjustments to adjust year-end balances. This caused the general ledgers to have material misstatements prior to the City's audit examination. The transactions noted during the audit were either recorded or reclassified to the correct accounts by auditor proposed adjustment.

Recommendation: Improvement was made this year from the prior year, however, it is recommended that the City continue to develop a system of general ledger review in which more year-end adjustments are made prior to the beginning of the audit examination.

Auditee Response: The City concurs with this finding and recommendation. The City will continue to develop improved general ledger recording and review processes in order to reduce proposed audit adjustments.

Finding 2016-002

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

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

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

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

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

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

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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT FINDINGS

Finding 2016-001

Material amounts of year-end transactions were required to be recorded and reclassified resulting in a large amount of auditor proposed adjustments.

Recommendation

It is recommended that the City continue to develop a system of general ledger review in which more year-end adjustments are made prior to the beginning of the audit examination.

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

The City will continue to develop improved general ledger recording and review processes in order to reduce proposed audit adjustments.

Finding 2016-002

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

Recommendation

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

Statement of Concurrence

The City concurs with this finding and recommendation.

Action

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

SCHEDULES REQUIRED BY THE STATE OF GEORGIA

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST III
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Years</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
<i>PROJECTS</i>						
Water and Sewer System						
Improvements - Priority One	\$ 500,000	\$ 948,135	\$ 948,135	\$ -	\$ 948,135	100.0%
Road and Bridge Improvements - Priority Two	<u>2,900,000</u>	<u>2,451,865</u>	<u>2,106,442</u>	<u>-</u>	<u>2,106,442</u>	85.9%
Totals	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>	<u>\$ 3,054,577</u>	<u>\$ -</u>	<u>\$ 3,054,577</u>	

CITY OF HOGANSVILLE, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
SPLOST IV
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<i>PROJECTS</i>	<u>Original Estimate Amount</u>	<u>Current Estimate Amount</u>	<u>Amount Expended In Prior Years</u>	<u>Amount Expended In Current Year</u>	<u>Total</u>	<u>Estimated Percentage of Completion</u>
Water and Sewer System Improvements - Priority One	\$ 600,000	\$ 600,000	\$ 233,403	\$ 254,980	\$ 488,383	81.4%
Neighborhood Stabilization: Purchase and Redevelopment of Abandoned or Foreclosed Homes or Other Residential Properties – Priority One	600,000	600,000	22,034	43,262	65,296	10.9%
Sidewalks & Paving – Priority One	600,000	600,000	21,237	167,222	188,459	31.4%
Hogansville Lake: Road System, Parking Lot, Restrooms, Picnic Area, and Security – Priority One	500,000	500,000	3,400	5,708	9,108	1.8%
Renovate Library for use as City Hall – Priority One	250,000	250,000	2,049	-	2,049	0.8%
Renovate Royal Theatre for use as Community Center – Priority One	700,000	700,000	-	8,750	8,750	1.3%
Amphitheater Improvements - Priority One	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.0%
Totals	<u>\$ 3,500,000</u>	<u>\$ 3,500,000</u>	<u>\$ 282,123</u>	<u>\$ 479,922</u>	<u>\$ 762,045</u>	